SBS International ApS

Karetmagervej 1, 9490 Pandrup

Company reg. no. 27 15 00 04

Annual report

1 January - 31 December 2017

The annual report have been submitted and approved by the general meeting on the 7 June 2018.

Tham Yew Hong
Chairman of the meeting

Contents

Notes to users of the English version of this document:

- To ensure the greatest possible applicability of this document, British English terminology has been used.
- Please note that decimal points remain unchanged from the Danish version of the document. This means that for instance DKK 146.940 is the same as the English amount of DKK 146,940, and that 23,5 % is the same as the English 23.5 %.

Management's report

The executive board has today presented the annual report of SBS International ApS for the financial year 1 January to 31 December 2017.

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

We consider the accounting policies used appropriate, and in our opinion the annual accounts provide a true and fair view of the company's assets and liabilities and its financial position as on 31 December 2017 and of the company's results of its activities in the financial year 1 January to 31 December 2017.

The annual report is recommended for approval by the general meeting.

Pandrup, 7 June 2018

Executive board

Alen Prpic	Tham Yew Hong	Morten Thiessen

Independent auditor's report

To the shareholders of SBS International ApS

Auditor's report on the annual accounts

Opinion

We have audited the annual accounts of SBS International ApS for the financial year 1 January to 31 December 2017, which comprise accounting policies used, profit and loss account, balance sheet and notes. The annual accounts are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the annual accounts give a true and fair view of the company's assets, liabilities and financial position at 31 December 2017 and of the results of the company's operations for the financial year 1 January to 31 December 2017 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with international standards on auditing and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the below section "Auditor's responsibilities for the audit of the annual accounts". We are independent of the company in accordance with international ethics standards for accountants (IESBA's Code of Ethics) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these standards and requirements. We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

The management's responsibilities for the annual accounts

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

In preparing the annual accounts, the management is responsible for evaluating the company's ability to continue as a going concern, and, when relevant, disclosing matters related to going concern and using the going concern basis of accounting when preparing the annual accounts, unless the management either intends to liquidate the company or to cease operations, or if it has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the annual accounts

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report including an opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with international standards on auditing and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements may arise due to fraud or error and may be considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions made by users on the basis of the annual accounts.

Independent auditor's report

As part of an audit conducted in accordance with international standards on auditing and the additional requirements applicable in Denmark, we exercise professional evaluations and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the annual accounts, whether due to fraud or error, design and perform audit procedures in response 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 the risk of not detecting a misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- Evaluate the appropriateness of accounting policies used by the management and the reasonableness of accounting estimates and related disclosures made by the management.

- Conclude on the appropriateness of the management's preparation of the annual accounts being based on the going concern principle and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may raise significant doubt about the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the annual accounts, including the disclosures in the notes, and whether the annual accounts reflect the underlying transactions and events in a manner that gives a true and fair view.

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

Statement on the management's review
The management is responsible for the management's review.

Our opinion on the annual accounts does not cover the management's review, and we do not express any kind of assurance opinion on the management's review.

Independent auditor's report

In connection with our audit of the annual accounts, our responsibility is to read the management's review and in that connection consider whether the management's review is materially inconsistent with the annual accounts or our knowledge obtained during the audit, or whether it otherwise appears to contain material misstatement.

Furthermore, it is our responsibility to consider whether the management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we believe that the management's review is in accordance with the annual accounts and that it has been prepared in accordance with the requirements of the Danish Financial Statement Acts. We did not find any material misstatement in the management's review.

Violation of the companies Act

There are reported owners to the register of benificial company owners, but contrary to the companies Act are there errors or mistatements in the information, whereby the management may incor liability.

Aalborg, 7 June 2018

Redmark
State Authorised Public Accountants
Company reg. no. 29 44 27 89

Marian Fruergaard
State Authorised Public Accountant
MNE-nr. 24699

Company data

The company	SBS International ApS Karetmagervej 1 9490 Pandrup	
	Phone	+4570271000
	Fax	+4570271001
	Web site	www.sbs-international.com
	Company reg. no.	27 15 00 04
	Established:	16 April 2004
	Domicile:	Pandrup
	Financial year:	1 January - 31 December
Executive board	Alen Prpic Tham Yew Hong Morten Thiessen	
Auditors	Redmark Statsautoriseret Revisionspartnerselskab Hasseris Bymidte 6 9000 Aalborg	
Parent company	Danish Marine Service ApS	
Subsidiaries	Scandinavian Boiler Service A/S, Pandrup, Denmark Scandinavian Boiler Service Inc., USA Scandinavian Boiler Service (Asia) Pte. Ltd., Singapore S. B. S Gulf FZC, United Arab Emirates SBS Pacific Asia Ltd., Singapore SBS Europe d.o.o., Croatia	

Management's review

The principal activities of the company

The company's activities indclude sales, service and upgrading within the maritime sector and holding of shares in affiliated undertakings.

Development in activities and financial matters

The gross profit for the year is DKK 28.482.000 against DKK -325.000 last year. The results from ordinary activities after tax are DKK -5.031.000 against DKK 617.000 last year. This is after charging an extra write-down of TDKK 750 on the value of the building to market value in connection with the decision to relocate to more suitable facilities for the operations in Denmark.

The activity have from 1. of January 2017 been restrutured within the group. Some activities from a subsiadary have been relocated to this company.

The management considers the results for unsatisfactory.

The expected development

The merging of repair, retrofit and global sales functions into one company and the establishing of a centralized management responsible for the entire group has been completed as planned. It is allowing us to better allocate resources and to make better forecasts for adjustments in the workforce. An improved capture rate and earning is expected to materialize in full during 2018. Our US-based organization will re-organized after the local management and business collapse in 2017.

The product range of the company will continue to expand organically adding to our core business volume, but to win new markets outside our present business fields, it is decided to pursue other segments where our competences and organization allows for it, without incurring unacceptable risk or high demand for investments.

The market outlook for SBS remain positive for the coming 2-3 years, as the new building market for ships will be very slow due IMO-regulations coming into force and a general over supply of ships over the previous years. The average age of the merchant marine will grow by 11 months per year at the present new building rate, increasing the requirement for repairs and retrofits to existing vessels. The tanker market has weakened somewhat, cruise market is stable and the container market seems to find its consolidation in 2018, with more solid earnings. Only the bulk market will continue to bleed, minimum until 2019, but as this is the least profitable segment, it is much less important to SBS.

The current order book for repair is stable at the normal level. Long lead projects order book based on energy saving projects for major customers have declined due to the large deliveries ending March 2018, but it is expected that new and even larger orders for execution in 2108 will fill up the order book again. The positive development in the energy saving market will continue for the foreseeable future, as the current oil price is 15 USD/bbl above our target threshold and the oil price futures support the investment incentive with our customers.

Based on these changes the group’s expectation for the coming year is a much improved result compared to 2017.

Apart from the steps mentioned above, the vacant building in Denmark has been sold, and the much too large building in the USA has been sold at a good price and replaced by more suitable owned premises. Both give a positive impact to the company balance. The US-organization has been re-organized, allowing the business unit to provide a positive contribution to the group for 2018.

Events subsequent to the financial year

Apart from the steps mentioned above, the vacant building in Denmark has been sold, and the much too large building in the USA has been sold at a good price and replaced by more suitable owned premises. Both give a positive impact to the company balance. The US-organization has been re-organized, allowing the business unit to provide a positive contribution to the group for 2018.

Profit and loss account 1 January - 31 December

All amounts in DKK.

Note		2017	2016
	Gross profit	**28.481.859**	**-324.750**
2	Staff costs	-29.934.842	-983.784
	Depreciation and writedown relating to tangible fixed assets	-1.247.869	-1.200.279
	Operating profit	**-2.700.852**	**-2.508.813**
	Income from equity investments in group enterprises	-1.144.244	2.173.811
	Other financial income from group enterprises	380.282	489.244
	Other financial income	34.824	25.087
3	Other financial costs	-1.600.572	-1.011.705
	Results before tax	**-5.030.562**	**-832.376**
	Tax on ordinary results	0	1.449.583
	Results for the year	**-5.030.562**	**617.207**
	Proposed distribution of the results:		
	Reserves for net revaluation as per the equity method	-5.798.207	821.924
	Allocated to results brought forward	767.645	0
	Allocated from results brought forward	0	-204.717
	Distribution in total	**-5.030.562**	**617.207**

Balance sheet 31 December

All amounts in DKK.

Assets

Note		2017	2016
	Fixed assets		
	Land and property	5.186.449	4.064.252
	Other plants, operating assets, and fixtures and furniture	1.125.805	0
	Tangible fixed assets in total	6.312.254	4.064.252
4	Equity investments in group enterprises	44.988.803	32.637.045
	Financial fixed assets in total	44.988.803	32.637.045
	Fixed assets in total	**51.301.057**	**36.701.297**
	Current assets		
	Raw materials and consumables	624.768	0
	Inventories in total	624.768	0
	Trade debtors	18.590.855	148.515
5	Work in progress for the account of others	4.909.995	0
	Amounts owed by group enterprises	15.293.090	16.802.581
	Deferred tax assets	1.595.558	1.595.558
	Other debtors	437.721	6.539
	Debtors in total	40.827.219	18.553.193
	Available funds	175.044	0
	Current assets in total	**41.627.031**	**18.553.193**
	Assets in total	**92.928.088**	**55.254.490**

Balance sheet 31 December

All amounts in DKK.

Note	Equity and liabilities	2017	2016
	Equity		
	Contributed capital	790.428	790.428
	Reserves for net revaluation as per the equity method	18.400.404	7.205.492
	Results brought forward	17.073.536	18.637.027
	Equity in total	**36.264.368**	**26.632.947**
	Provisions		
	Other provisions	445.337	1.499.062
	Provisions in total	**445.337**	**1.499.062**
	Liabilities		
	Mortgage debt	2.388.343	2.551.103
	Long-term liabilities in total	2.388.343	2.551.103
6	Short-term part of long-term liabilities	160.000	120.775
	Bank debts	19.952.761	19.204.595
5	Work in progress for the account of others	1.865.263	0
	Trade creditors	2.228.114	1.276
	Debt to group enterprises	26.769.264	4.994.558
	Other debts	2.854.638	250.174
	Short-term liabilities in total	53.830.040	24.571.378
	Liabilities in total	**56.218.383**	**27.122.481**
	Equity and liabilities in total	**92.928.088**	**55.254.490**

1 Special items

7 Mortgage and securities

8 Contingencies

Notes

All amounts in DKK.

1. Special items

Special items include significant income and expenses of a special nature in proportion to the enterprise's ordinary operating activities, such as the cost of extensive structuring of processes and fundamental structural adjustments and any gains and losses related and which over time have a significant impact. Special items also include other significant amounts of non-recurring nature.

As mentioned in the management's review, the results for the year are affected by a number of factors that differ from what the management consider a part of the operating profit.

Special items for the year are specified below, showing where these are recognised in the income profit and loss account.

	2017	2016
Costs:		
Writedown of fixed assets	-750.000	-1.000.000
	-750.000	-1.000.000
Special items are recognised in the following items in the annual accounts:		
Depreciation and writedown relating to tangiable fixed assets	750.000	1.000.000
Results of special items, net	**750.000**	**1.000.000**

2. Staff costs

	2017	2016
Salaries and wages	26.821.551	585.612
Pension costs	1.828.668	390.868
Other costs for social security	203.619	4.849
Other staff costs	1.081.004	2.455
	29.934.842	**983.784**
Average number of employees	32	1

3. Other financial costs

	2017	2016
Financial costs, group enterprises	327.181	0
Other financial costs	1.273.391	1.011.705
	1.600.572	**1.011.705**

Notes

All amounts in DKK.

		2017	2016
4.	**Equity investments in group enterprises**		
	Acquisition sum, opening balance 1 January 2017	14.478.031	14.478.031
	Additions during the year	1.965.418	0
	Disposals during the year(Dividend)	-659.426	0
	Cost 31 December 2017	**15.784.023**	**14.478.031**
	Revaluations, opening balance 1 January 2017	7.707.178	7.560.168
	Translation by use of the exchange rate valid on balance sheet date	-1.549.397	177.066
	Results for the year before goodwill amortisation	-937.762	2.393.244
	Dividend	-1.241.470	-1.482.549
	Other movements in capital - aquirered minority	16.047.553	-940.751
	Revaluation 31 December 2017	**20.026.102**	**7.707.178**
	Amortisation of goodwill, opening balance 1 January 2017	-1.396.031	-1.176.598
	Amortisation of goodwill for the year	-219.433	-219.433
	Depreciation on goodwill 31 December 2017	**-1.615.464**	**-1.396.031**
	Offsetting against debtors	10.348.805	10.348.805
	Transferred to provisions	445.337	1.499.062
	Set off against debtors and provisions for liabilities	**10.794.142**	**11.847.867**
	Book value 31 December 2017	**44.988.803**	**32.637.045**
	The items include goodwill with an amount of	1.361.661	1.581.094

Group enterprises:

	Domicile	**Share of ownership**
Scandinavian Boiler Service A/S	Denmark	100 %
Scandinavian Boiler Service Inc.	USA	100 %
Scandinavian Boiler Service (Asia) Pte. Ltd.	Singapore	100 %
S. B. S. Gulf FZC	United Arab Emirates	90 %
SBS Pacific Asia Ltd.	Singapore	60 %
SBS Europe d.o.o.	Croatia	100 %

Notes

All amounts in DKK.

		31/12 2017	31/12 2016
5.	**Work in progress for the account of others**		
	Sales value of the production of the period	10.406.315	0
	Payments on account received	-7.361.583	0
	Work in progress for the account of others, net	**3.044.732**	**0**
	The following is recognised:		
	Work in progress for the account of others (Current assets)	4.909.995	0
	Work in progress for the account of others (Short-term liabilities)	-1.865.263	0
		3.044.732	**0**

6. Short-term part of long-term liabilities

	Instalments first year	Outstanding debt after 5 years	Debt in total 31 Dec 2017	Debt in total 31 Dec 2016
Mortgage debt	160.000	1.908.003	2.548.343	2.671.878
	160.000	**1.908.003**	**2.548.343**	**2.671.878**

7. Mortgage and securities

As security for mortgage debts, DKK 2,548,343, mortgage has been granted on land and buildings representing a book value of DKK 3,863,973 at 31 December 2017

The company has issued owner's mortgage at a total amount of DKK 1,500,000 as security for bank debts. The owner's mortgage provides mortgage on the above land and buildings and tangible fixed assets.

8. Contingencies

Contingent liabilities

The company has stated that it will provide the subsidiary S.B.S. Gulf FZC the necessary liquidity in order to conduct the next years activities.

Notes

All amounts in DKK.

. **Contingencies (continued)**

Joint taxation

Danish Marine Service ApS, company reg. no 31578256 being the administration company, the company is subject to the Danish scheme of joint taxation and it is proportionally liable for tax claims within the joint taxation scheme.

The company is proportionally liable for any obligation to withhold tax on interest, royalties and dividends of the jointly taxed companies.

The liabilities amount to a maximum corresponding to that share of the company capital, which is owned directly or indirectly by the ultimate parent company.

The total tax payable under the joint taxation amounts to DKK 0 thousand.

The liability relating to obligations in connection with withholding tax on dividends, interest and royalties represents an estimated maximum of DKK 0 thousand.

Any subsequent adjustments of corporate taxes or withheld taxes etc. may cause changes in the company's liabilities.

Accounting policies used

The annual report for SBS International ApS is presented in accordance with those regulations of the Danish Financial Statements Act concerning companies identified as class B enterprises. Furthermore, the company has chosen to comply with some of the rules applying for class C enterprises.

No consolidated annual accounts have been prepared, cf. section 112(1) of the Danish Financial Statements Act. The annual accounts of SBS International ApS and its group enterprises are included in the consolidated annual accounts for Danish Marine Service ApS, Pandrup, reg. nr. 31578256.

Pursuant to section 86(4) of the Danish Financial Statements Act, no cash flow statement for the enterprise has been prepared, as the relevant information is included in the consolidated annual accounts of Danish Marine Service ApS.

Changes in the accounting policies used

By application of the Danish Executive Order on Transition in relation to implementation of certain changes to the Danish Financial Statements Act, the following changes to the accounting policies used have taken place:

Henceforth, residual values of tangible fixed assets shall be subject to an annual reevaluation. Previously, the expected residual value was determined at the time of commencement of application of the asset and only under certain circumstances could this value be changed. The change is made in accordance with section 4 of the Danish Statutory Order no. 1849 of 15 December 2015, and it only has an effect as a change in accounting estimates. Therefore, it does not affect the equity.

On acquisition of a minority where the is a difference between the cost and the minorities share of the total carrying amount(goodwil) is transferred to the share of equity og shareholders in SBS International ApS.

Recognition and measurement in general

Income is recognised in the profit and loss account concurrently with its realisation, including the recognition of value adjustments of financial assets and liabilities. Likewise, all costs, these including depreciation, amortisation, writedown, provisions, and reversals which are due to changes in estimated amounts previously recognised in the profit and loss account are recognised in the profit and loss account.

Assets are recognised in the balance sheet when the company is liable to achieve future, financial benefits and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the company is liable to lose future, financial benefits and the value of the liability can be measured reliably.

At the first recognition, assets and liabilities are measured at cost. Later, assets and liabilities are measured as described below for each individual accounting item.

Accounting policies used

Certain fixed asset investments and liabilities are measured at amortised cost, by which method a fixed, effective interest is recognised during the useful life of the asset or the liability. Amortised cost is recognised as the original cost with deduction of any payments and additions/deductions of the accrued amortisation of the difference between cost and nominal amount. In this way capital losses and capital profits are spread over the useful life.

At recognition and measurement, such predictable losses and risks are taken into consideration, which may appear before the annual report is presented, and which concerns matters existing on the balance sheet date.

Translation of foreign currency

Transactions in foreign currency are translated by using the exchange rate prevailing at the date of the transaction. Differences in the rate of exchange arising between the rate at the date of transaction and the rate at the date of payment are recognised in the profit and loss account as an item under net financials.

Debtors, creditors, and other monetary items in foreign currency are translated by using the closing rate. The difference between the closing rate and the rate at the time of the occurrence or the recognition in the latest annual accounts of the amount owed or the liability is recognised in the profit and loss account under financial income and expenses.

Fixed assets and other non-monetary assets acquired in foreign currency and which are not considered to be investment assets purchased in foreign currencies are measured at the exchange rate on the transaction date.

In case the foreign group enterprises and associated enterprises meet the criteria for being independent units, the profit and loss accounts are translated by using an average exchange rate for the period in question, and the balance sheet items are translated by using the closing rate. Differences arising in connection with the translation of the equity of foreign group enterprises at the beginning of the year to the closing rate are recognised directly in the equity. The same goes for differences arising in connection with translation of the profit and loss accounts from average exchange rate to the closing rate.

At recognition of foreign group enterprises which are integrated units, the monetary items are translated by using the closing rate. Non monetary items are translated by using the exchange rate prevailing at the time of acquisition or at the time of the following depreciation or writedown of the asset. The items of the profit and loss account are translated by using the exchange rate prevailing at the date of the transaction. However, items in the profit and loss account deriving from non monetary items are translated by using historical prices.

Currency adjustment of balances with group enterprises abroad that are considered part of the total investment in group enterprises are recognised directly in the equity. Likewise, foreign exchange gains and losses on loans and derived financial instruments for currency hedging independent group enterprises abroad are recognised in the equity.

The profit and loss account

Gross profit

The gross profit comprises the net turnover, changes in inventories of finished goods and work in progress, work performed for own purposes and capitalised, other operating income, and external costs.

The net turnover is recognised in the profit and loss account if delivery and risk transfer to the buyer have taken place before the end of the year, and if the income can be determined reliably and is expected to be received. The net turnover is recognised exclusive of VAT and taxes and with the deduction of any discounts granted in connection with the sale.

Contract work in progress concerning construction contracts is recognised concurrently in the net turnover with the progress of the production. Thus the net turnover corresponds to the sales value of the completed productions of the year (the production method). The net turnover is recognised when the total income and costs of the contract and the scope of completion on the balance sheet date can be determined reliably, and when it is likely that the financial benefits will be received by the company.

Costs of sales includes costs for the purchase of raw materials and consumables less discounts and changes in inventories.

Other external costs comprise costs for distribution, sales, advertisement, administration, premises, loss on debtors, and operational leasing costs.

Staff costs

Staff costs include salaries and wages including holiday allowances, pensions and other costs for social security etc. for staff members. Staff costs are less public reimbursements.

Depreciation, amortisation and writedown

Depreciation, amortisation and writedown comprise depreciation on, amortisation of and writedown relating to intangible and tangible fixed assets respectively.

Net financials

Net financials comprise interest, realised and unrealised capital gains and losses concerning financial assets and liabilities, amortisation of financial assets and liabilities, additions and reimbursements under the Danish tax prepayment scheme, etc. Financial income and expenses are recognised in the profit and loss account with the amounts that concerns the financial year.

Results from equity investments in group enterprises

After full elimination of intercompany profit or loss and deduction of amortisation of consolidated goodwill, the equity investment in the individual group enterprises are recognised in the profit and loss account at a proportional share of the group enterprises' results after tax.

Tax of the results for the year

The tax for the year comprises the current tax for the year and the changes in deferred tax, and it is recognised in the profit and loss account with the share referring to the results for the year and directly in the equity with the share referring to entries directly on the equity.

The company is subject to the Danish legislation concerning compulsory joint taxation with the Danish group enterprises.

The current Danish corporate tax is allocated among the jointly taxed companies in proportion to their respective taxable income (full allocation with reimbursement of tax losses).

The balance sheet

Tangible fixed assets

Tangible fixed assets are measured at cost with deduction of accrued depreciation and writedown. Land is not depreciated.

The basis of depreciation is cost with deduction of any expected residual value after the end of the useful life of the asset. The amortisation period and the residual value are determined at the acquisition date and reassessed annually. If the residual value exceeds the book value, the amortisation discontinues.

If the amortisation period or the residual value is changed, the effect on amortisation will in the future be recognised as a change in the accounting estimates.

The cost comprises the acquisition cost and costs directly attached to the acquisition until the time when the asset is ready for use.

The cost of a total asset is divided into separate components. These components are depreciated separately, the useful lives of each individual components differing.

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

	Useful life
Buildings	*40 years*
Other plants, operating assets, fixtures and furniture	*10 years*

Accounting policies used

Minor assets with an expected useful life of less than 1 year are recognised as costs in the profit and loss account in the year of acquisition.

Profit or loss deriving from the sales of tangible fixed assets is measured as the difference between the sales price reduced by the selling costs and the book value at the time of the sale. Profit or losses are recognised in the profit and loss account as other operating income or other operating expenses.

Financial fixed assets

Equity investments in group enterprises

Equity investments in group enterprises are recognised in the balance sheet at a proportional share under the equity method, the value being calculated on the basis of the accounting policies of the parent company by the deduction or addition of unrealised intercompany profits and losses, and with the addition or deduction of residual value of positive or negative goodwill measured by applying the acquisition method.

Group enterprises and associated enterprises with negative equity are recognised without any value, and to the extent they are considered irrevocable, amounts owed by these companies are written down by the parent's share of the equity. If the negative equity exceeds the debtors, the residual amount is recognised under liability provisions to the extent the parent has a legal or actual liability to cover the negative equity of the subsidiary.

To the extent the equity exceeds the cost, the net revaluation of equity investments in group enterprises are transferred to the reserves under the equity for net revaluation as per the equity method. Dividends from group enterprises expected to be decided before the approval of this annual report are not subject to a limitation of the revaluation reserves. The reserves are adjusted by other equity movements in group enterprises.

In connection with the acquisition of new group enterprises and associated enterprises, the acquisition method is applied, by which the acquirees' assets and liabilities are measured at fair value at the time of acquisition. Provisions for payment of costs for decided restructuring activities in the acquirees in relation to the acquisition are recognised. The tax effect of the revaluations carried out is taken into consideration.

Positive differences (goodwill) between cost and fair value of identifiable, acquired assets and liabilities, inclusive of liability provisions for restructuring, are recognised under equity investments in group enterprises, and they are amortised over their estimated useful life. The useful life is determined on the basis of the management's experience with the individual business areas. The amortisation period is maximum 20 years, being the longer for strategical acquirees with a strong market position and a long-range earnings potential. The book value of goodwill is evaluated currently and written down in the profit and loss account in those cases where the book value exceeds the expected future net income from the enterprise or the activity, to which the goodwill is attached.

Accounting policies used

Inventories

Inventories are measured at cost on basis of the FIFO method. In case the net realisable value of the inventories is lower than the cost, writedown takes place to this lower value.

Debtors

Debtors are measured at amortised cost which usually corresponds to face value. In order to meet expected losses, writedown takes place at the net realisable value.

Work in progress for the account of others

Contract work in progress is measured at the selling price of the work performed, however with deduction of invoicing on account and expected losses. Contract work in progress is characterised by the manufactured goods featuring a high level of individualisation in the design. Furthermore, it is a requirement that before work is commenced, a binding contract is to be been entered into, implying penalty or damages in case of subsequent cancellation.

The selling price is measured on the basis of the stage of completion on the balance sheet date and the total expected income from the individual contracts. The stage of completion is determined on the basis of an evaluation of the work performed, usually determined as the ratio of the costs incurred to the total expected cost of the contract in question.

When it is probable that the total contract costs will exceed the total contract revenue, the expected contract loss is immediately recognised as costs and provisions.

If the results of a contract can not be estimated reliably, the selling price is only recognised on a cost basis, however, to the extent that it is probable that the costs will be recovered.

Contracts for which the selling price of the work performed exceeds invoicing on account and expected losses are recognised as trade debtors. Contracts for which invoicing on account and expected losses exceed the selling price are recognised as liabilities.

Prepayments from customers are recognised under liabilities.

Costs in connection with sales work and the achievement of contracts are recognised in the profit and loss account when incurred.

Available funds

Available funds comprise cash at bank and in hand.

Equity

Reserves for net revaluation as per the equity method

Reserves for net revaluation as per the equity method comprise net revaluation of equity investments in subsidiaries and associates in proportion to cost.

Accounting policies used

The reserves may be eliminated in case of losses, realisation of equity investments or changes in the financial estimates.

It is not possible to recognise the reserves with a negative amount.

Corporate tax and deferred tax

Current tax receivable and tax liabilities are recognised in the balance sheet at the amount calculated on the basis of the expected taxable income for the year adjusted for tax on previous years' taxable income and prepaid taxes. Tax receivable and tax liabilities are set off to the extent that legal right of set-off exists and if the items are expected to be settled net or simultaneously.

According to the rules of joint taxation, SBS International ApS is proportionally liable towards the Danish tax authorities for the total corporation tax, including withholding tax on interest, royalties and dividends, arising within the jointly taxed group of companies.

Deferred tax is measured on the basis of all temporary differences in assets and liabilities with a balance sheet focus.

Deferred tax is measured based on the tax rules and tax rates applying under the legislation on the balance sheet date and prevailing when the deferred tax is expected to be released as current tax.

Other provisions

Provisions comprise expected costs for guarantee liabilities, loss on work in progress, restructuring, etc. Provisions are recognised when the company has a legal or actual liability which is due to a previous event and when it is likely that the settlement of the liability will result in expenditure of the financial resources of the company.

If the settlement of the liability is expected to take place in some remote future, provisions are measured at the net realisable value or at fair value.

On the acquisition of enterprises, provisions for restructuring within the acquired enterprise is included in the acquisition cost, and thereby in the goodwill or the consolidated goodwill, to the extent that they have been approved and announced on the date of acquisition at the latest.

Liabilities

Financial liabilities related to borrowings are recognised at the received proceeds with the deduction of transaction costs incurred. In following periods, the financial liabilities are recognised at amortised cost, corresponding to the capitalised value by use of the effective interest. The difference between the proceeds and the nominal value is recognised in the profit and loss account during the term of the loan.

Accounting policies used

Mortgage debt and bank debt are for instance measured at amortised cost. As to cash loans, this corresponds to the outstanding debt of the loan. For bond loans, the amortised cost corresponds to an outstanding debt calculated as the underlying cash value at the date of borrowing adjusted by amortisation of the market value adjustment on the date of the borrowing carried out over the repayment period.

Also capitalised residual leasing liabilities in connection with financial leasing contracts are recognised in the financial liabilities.

Other liabilities are measured at amortised cost which usually corresponds to the nominal value.