SBS International ApS

Industrivej 12, 9490 Pandrup

Company reg. no. 27 15 00 04

Annual report

1 January - 31 December 2015

The annual report have been submitted and approved by the general meeting on the 25 May 2016.

Erwin Thingholm Kristoffersen
Chairman of the meeting

Contents

Notes:
- To ensure the greatest possible applicability of this document, British English terminology has been used.
- Please note that decimal points have not been used in the usual English way. This means that for instance DKK 146.940 means the amount of DKK 146,940, and that 23,5 % means 23.5 %.

Management's report

The board of directors and the managing director have today presented the annual report of SBS International ApS for the financial year 1 January to 31 December 2015.

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 2015 and of the company's results of its activities in the financial year 1 January to 31 December 2015.

We are of the opinion that the management's review includes a fair description of the issues dealt with.

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

Pandrup, 25 May 2016

Managing Director

Erwin Thingholm Kristoffersen

Board of directors

Erik Knudsen Rauff

Stefan Johannes Bosco Lumper

The independent auditor's reports

To the shareholders of SBS International ApS

Report on the annual accounts

We have audited the annual accounts of SBS International ApS for the financial year 1 January to 31 December 2015, 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.

The management's responsibility 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. Furthermore, the management is responsible for such internal control considered necessary in order to prepare annual accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the annual accounts 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 about whether the annual accounts are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements in the annual accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of annual accounts 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 the management, as well as the overall presentation of the annual accounts.

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

The audit has not resulted in any qualification.

The independent auditor's reports

Opinion

In our opinion, the annual accounts 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 to 31 December 2015 in accordance with the Danish Financial Statements Act.

Statement on the management's review

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

Aalborg, 25 May 2016

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

Marian Fruergaard
State Authorised Public Accountant

Company data

The company	SBS International ApS Industrivej 12 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
Board of directors	Erik Knudsen Rauff Stefan Johannes Bosco Lumper	
Managing Director	Erwin Thingholm Kristoffersen	
Auditors	Redmark Statsautoriseret Revisionspartnerselskab Hasseris Bymidte 6 9000 Aalborg	
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	

Management's review

The principal activities of the company

The company´s activity is holding of shares in affiliated undertakings.

Development in activities and financial matters

The gross loss for the year is DKK -494.000 against DKK -575.000 last year. The results from ordinary activities after tax are DKK 707.000 against DKK 2.689.000 last year. The management consider the results satisfactory.

Events subsequent to the financial year

No events have occurred subsequent to the balance sheet date, which would have material impact on the financial position of the company.

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 C enterprises (medium sized enterprises).

The accounting policies used are unchanged compared to last year, and the annual accounts are presented in Danish kroner (DKK).

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.

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.

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, which are not settled at the date of the balance sheet, are translated by using the closing rate. The difference between the closing rate and the rate at the time of establishment of the receivable or the payable is recognised in the profit and loss account under financial income and financial costs.

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.

Exchange rate adjustments of current accounts with foreign group enterprises, which are considered an addition or a deduction in the equity of independent group enterprises, are recognised directly in the equity. Likewise, capital profits and losses on loans and derived financial instruments for hedging independent foreign group enterprises are recognised in the equity.

The profit and loss account

Gross loss

The gross loss 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.

Accounting policies used

Contract work in progress concerning construction contracts is recognised concurrently 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 include interest income, interest expenses, and realised and unrealised capital gains and losses on financial assets and liabilities. Net financials are recognised in the profit and loss account with the amounts concerning 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.

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:

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

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.

Accounting policies used

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.

Newly taken over or newly established companies are recognised in the annual accounts as of the time of acquisition. Sold or liquidated companies are recognised at the time of cession.

Profit or loss in connection with the sale of group enterprises are measured as the difference between the sales amount and the book value of net assets at the time of the sale, inclusive of remaining consolidated goodwill and expected costs for sale and cession. Profit and loss are recognised in the profit and loss account under net financials.

In connection with the take over of new group enterprises and associated enterprises, the acquisition method is applied, by which the taken over companies' assets and liabilities are measured at fair value at the time of take over. Provisions are made for covering costs in connection with decided restructuring projects in the taken over enterprise in connection with the take-over. The tax effect of the revaluation carried out is taken into consideration, cf. the below description of goodwill.

Positive differences (goodwill) between the acquisition value and the fair value of the assets and liabilities taken over, inclusive of liability provisions for restructuring, are recognised under equity investments in group enterprises, and they are amortised over the estimated financial life. The financial 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 strategically taken over companies 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.

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.

The cost for trade goods, raw materials, and consumables comprises the acquisition cost with the addition of the delivery costs.

The net realisable value for inventories is recognised as the market price with deduction of completion costs and selling costs. The net realisable value is determined taking into consideration the negotiability, obsolescence, and development of the expected market price.

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.

Accounting policies used

Accrued income and deferred expenses

Accrued income and deferred expenses recognised under assets comprise incurred costs concerning the next financial year.

Available funds

Available funds comprise cash at bank and in hand.

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. In the period 2014 to 2016, the corporate tax rate will be reduced gradually from 25 % to 22 %, which will affect the deferred tax liabilities and deferred tax assets. Unless a recognition with a different tax rate than 22 % will result in a significant material deviation in the estimated deferred tax liability or tax asset, deferred tax liabilities and assets are recognised by 22 %.

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.

Accounting policies used

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.

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.

Profit and loss account 1 January - 31 December

All amounts in DKK.

Note		2015	2014
	Gross loss	**-493.867**	**-574.600**
1	Staff costs	-984.894	-1.110.261
	Depreciation and writedown relating to tangible fixed assets	-200.279	-204.057
	Operating profit	**-1.679.040**	**-1.888.918**
	Income from equity investments in group enterprises	3.341.997	4.890.558
	Other financial income from group enterprises	415.023	411.017
	Other financial income	58.857	77.510
2	Other financial costs	-1.020.551	-1.159.690
	Results before tax	**1.116.286**	**2.330.477**
	Tax on ordinary results	-409.256	358.260
	Results for the year	**707.030**	**2.688.737**
	Proposed distribution of the results:		
	Reserves for net revaluation as per the equity method	-462.060	4.224.157
	Allocated to results brought forward	1.169.090	0
	Allocated from results brought forward	0	-1.535.420
	Distribution in total	**707.030**	**2.688.737**

Balance sheet 31 December

All amounts in DKK.

Note	Assets	2015	2014
	Fixed assets		
3	Land and property	5.264.531	5.464.810
	Tangible fixed assets in total	5.264.531	5.464.810
5	Equity investments in group enterprises	31.903.942	27.591.526
	Financial fixed assets in total	31.903.942	27.591.526
	Fixed assets in total	**37.168.473**	**33.056.336**
	Current assets		
	Raw materials and consumables	0	7.446.300
	Inventories in total	0	7.446.300
	Amounts owed by group enterprises	16.697.810	8.536.577
	Deferred tax assets	291.524	700.780
	Receivable corporate tax	0	466.994
	Other debtors	67.984	60.607
	Accrued income and deferred expenses	30.000	0
	Debtors in total	17.087.318	9.764.958
	Available funds	0	2.646.748
	Current assets in total	**17.087.318**	**19.858.006**
	Assets in total	**54.255.791**	**52.914.342**

Balance sheet 31 December

All amounts in DKK.

Equity and liabilities

Note		2015	2014
	Equity		
6	Contributed capital	790.428	790.428
7	Reserves for net revaluation as per the equity method	6.383.568	6.845.628
8	Results brought forward	19.275.164	16.521.590
	Equity in total	**26.449.160**	**24.157.646**
	Provisions		
	Other provisions	1.092.463	640.078
	Provisions in total	**1.092.463**	**640.078**
	Liabilities		
	Mortgage debt	2.671.878	2.792.652
	Long-term liabilities in total	2.671.878	2.792.652
	Short-term part of long-term liabilities	120.775	118.076
	Bank debts	18.047.523	15.556.771
	Trade creditors	150.186	101.780
	Debt to group enterprises	5.518.948	9.066.744
	Other debts	204.858	480.595
	Short-term liabilities in total	24.042.290	25.323.966
	Liabilities in total	**26.714.168**	**28.116.618**
	Equity and liabilities in total	**54.255.791**	**52.914.342**

11 Mortgage and securities

12 Contingencies

Notes

All amounts in DKK.

		2015	2014
1.	**Staff costs**		
	Salaries and wages	744.446	875.050
	Pension costs	235.802	231.250
	Other costs for social security	4.646	3.961
		984.894	**1.110.261**
2.	**Other financial costs**		
	Financial costs, group enterprises	0	29.745
	Other financial costs	1.020.551	1.129.945
		1.020.551	**1.159.690**
3.	**Land and property**		
	Cost 1 January 2015	6.798.094	6.798.094
	Cost 31 December 2015	**6.798.094**	**6.798.094**
	Depreciation and writedown 1 January 2015	-1.333.284	-1.133.005
	Depreciation and writedown for the year	-200.279	-200.279
	Depreciation and writedown 31 December 2015	**-1.533.563**	**-1.333.284**
	Book value 31 December 2015	**5.264.531**	**5.464.810**
4.	**Other plants, operating assets, and fixtures and furniture**		
	Cost 1 January 2015	46.125	46.125
	Cost 31 December 2015	**46.125**	**46.125**
	Depreciation and writedown 1 January 2015	-46.125	-42.347
	Depreciation and writedown for the year	0	-3.778
	Depreciation and writedown 31 December 2015	**-46.125**	**-46.125**
	Book value 31 December 2015	**0**	**0**

Notes

All amounts in DKK.

		31/12 2015	31/12 2014
5.	**Equity investments in group enterprises**		
	Acquisition sum, opening balance 1 January 2015	11.623.144	11.623.144
	Additions during the year	2.854.887	0
	Cost 31 December 2015	**14.478.031**	**11.623.144**
	Revaluations, opening balance 1 January 2015	7.802.793	3.491.415
	Translation by use of the exchange rate valid on balance sheet date	582.597	833.599
	Results for the year before goodwill amortisation	3.561.431	4.977.779
	Dividend	-4.386.653	-1.500.000
	Revaluation 31 December 2015	**7.560.168**	**7.802.793**
	Amortisation of goodwill, opening balance 1 January 2015	-957.165	-869.944
	Amortisation of goodwill for the year	-219.433	-87.221
	Depreciation on goodwill 31 December 2015	**-1.176.598**	**-957.165**
	Offsetting against debtors	9.949.878	8.482.676
	Transferred to provisions	1.092.463	640.078
	Set off against debtors and provisions for liabilities	**11.042.341**	**9.122.754**
	Book value 31 December 2015	**31.903.942**	**27.591.526**
	The items include goodwill with an amount of	1.800.457	697.772

Group enterprises:

	Domicile	**Share of ownership**
Scandinavian Boiler Service A/S, Pandrup	Denmark	100 %
Scandinavian Boiler Service Inc.	USA	100 %
Scandinavian Boiler Service (Asia) Pte. Ltd.	Singapore	76 %
S. B. S Gulf FZC	United Arab Emirates	90 %
SBS Pacific Asia Ltd.	Singapore	60 %

		31/12 2015	31/12 2014
6.	**Contributed capital**		
	Contributed capital 1 January 2015	790.428	790.428
		790.428	**790.428**

Notes

All amounts in DKK.

		31/12 2015	31/12 2014
7.	**Reserves for net revaluation as per the equity method**		
	Reserves for net revaluation 1 January 2015	6.845.628	2.621.471
	Share of results	-462.060	4.224.157
		6.383.568	**6.845.628**
8.	**Results brought forward**		
	Results brought forward 1 January 2015	16.521.592	16.627.918
	Profit or loss for the year brought forward	1.169.090	-1.535.420
	Exchange rate adjustment	1.584.482	1.429.092
		19.275.164	**16.521.590**
9.	**Proposed dividend for the financial year**		
	Dividend 1 January 2015	0	5.000.000
	Distributed dividend	0	-5.000.000
		0	**0**

10. Liabilities

	Instalments first year	Outstanding debt after 5 years	Debt in total 31 Dec 2015	Debt in total 31 Dec 2014
Mortgage debt	120.775	2.160.536	2.792.653	2.910.728
	120.775	**2.160.536**	**2.792.653**	**2.910.728**

11. Mortgage and securities

As security for mortgage debts, DKK 2.792.653, mortgage has been granted on land and buildings representing a book value of DKK 5.264.531 at 31 December 2015

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.

Notes

All amounts in DKK.

11. Mortgage and securities (continued)

12. Contingencies

Contingent liabilities

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

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 liability relating to obligations in connection with corporation tax represents an estimated maximum of DKK 0 thousand. The liability relating to obligations in connection with withholding taxes 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.