SBS International ApS

Karetmagervej 1, 9490 Pandrup

Company reg. no. 27 15 00 04

Annual report

1 January - 31 December 2023

The annual report was submitted and approved by the general meeting on the 26 April 2024.

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Matthias Tietjen
Chairman of the meeting

Contents

Notes:
- To ensure the greatest possible applicability of this document, IAS/IFRS 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 statement

Today, the Executive Board has approved the annual report of SBS International ApS for the financial year 1 January - 31 December 2023.

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

We consider the chosen accounting policy to be appropriate, and in our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2023 and of the results of the Company's operations for the financial year 1 January – 31 December 2023.

Further, in our opinion, the Management's review gives a true and fair review of the matters discussed in the Management's review.

We recommend that the annual report be approved at the Annual General Meeting.

Pandrup, 26 April 2024

Executive board

Dennis Lühr	Ngu Bee Ling	Matthias Tietjen

Independent auditor's report

To the Shareholders of SBS International ApS

Opinion

We have audited the financial statements of SBS International ApS for the financial year 1 January - 31 December 2023, which comprise income statement, balance sheet, notes and a summary of significant accounting policies, for the Company. The financial statements are prepared under the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2023, and of the results of the Company's operations for the financial year 1 January - 31 December 2023 in accordance with the Danish Financial Statements Act.

Basis for conclusion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's Responsibilities 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 as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

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

Independent auditor's report

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

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

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

Independent auditor's report

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

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

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

Aalborg, 26 April 2024

Redmark
Godkendt Revisionspartnerselskab
Company reg. no. 29 44 27 89

Marian Fruergaard State Authorised Public Accountant mne24699	Michael Vestergaard Jensen State Authorised Public Accountant mne50619

Company information

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 2003
	Domicile:	Pandrup
	Financial year:	1 January - 31 December
Executive board	Dennis Lühr Ngu Bee Ling Matthias Tietjen	
Auditors	Redmark Godkendt 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 Europe d.o.o., Croatia	

Management´s review

The principal activities of the company

The company is holding for companies with activities within sales, service and repair within the maritime business sector.

Development in activities and financial matters

Year 2023 is a post-covid era, which poses different extend of challenges across the globe. Global economy is slowly recovers from the COVID measures and the recovery is bumpy. The extended Russia-Ukraine war, the 2023 Israel-Hamas war and the economy policies imposed by various countries to tackle high inflation added uncertainties to the future global economy outlook.

Battled with various challenges, SBS group reports a lower performance as compared to year 2022. Gross profit for the year is DKK 2.791.257 against DKK 2.231.378 last year. And the results after tax of the year is a profit DKK 1.598.672 against profit DKK 3.583.580 last year.

The significant change on the group result in year 2023 is contributed by the change of the industry's competitive landscape and customer's purchasing power. The competitions among our competitors have intensified in post-COVID era. Besides, influenced by the uncertainty of global economy, customers impose more stringent cost control measures and are more conservatives on spending

The development

In 2022, Repair team in Guangzhou was dissolved and merged Nantong Service team with Saacke's operation in China. The management continues to review/monitor the outcome of the restructuring until we achieved optimal performance.

In the end of 2023, the transfer of Spare Part team and Repair team in Denmark were started. Both Spare Part team and Repair team were transferred to different Saacke's entities in Croatia. With this restructuring, the management believes that the group can benefits from the savings on common resources and would be able to streamline the operations by simplifying the business structure.

We believe by restructuring or grouping people together in new ways, allowing them to work more effectively, more efficiently, collaborate and communicate on better ways of solving problems can result in completely new ways of working or new business opportunities.

Hence, the management is optimists on after sales service business in marine.

Income statement 1 January - 31 December

All amounts in DKK.

Note		2023	2022
	Gross profit	**703.058**	**-232.636**
	Depreciation and impairment of property, land, and equipment	-84.797	-81.862
	Operating profit	**618.261**	**-314.498**
	Income from investments in subsidiaries	527.054	4.681.820
	Income from investment in subsidiaries interest	599.295	762.013
	Other financial income	15.490	0
1	Other financial expenses	-44.904	-1.451.276
	Pre-tax net profit or loss	**1.715.196**	**3.678.059**
	Tax on net profit or loss for the year	-116.524	-94.479
	Net profit or loss for the year	**1.598.672**	**3.583.580**
	Proposed distribution of net profit:		
	Reserves for net revaluation according to the equity method	-9.999.985	7.023.103
	Transferred to retained earnings	11.598.657	0
	Allocated from retained earnings	0	-3.439.523
	Total allocations and transfers	**1.598.672**	**3.583.580**

Balance sheet at 31 December

All amounts in DKK.

Assets

Note		2023	2022
	Non-current assets		
2	Property	1.744.468	1.822.093
3	Other fixtures and fittings, tools and equipment	16.496	12.711
	Total property, plant, and equipment	1.760.964	1.834.804
4	Investments in group enterprises	40.259.793	50.259.782
	Total investments	40.259.793	50.259.782
	Total non-current assets	**42.020.757**	**52.094.586**
	Current assets		
	Trade receivables	0	144.330
	Receivables from subsidiaries	10.461.290	11.596.600
	Tax receivables from group enterprises	0	138.974
	Other receivables	213.756	211.780
	Prepayments	56.588	3.903
	Total receivables	10.731.634	12.095.587
	Cash and cash equivalents	45.442	26.702
	Total current assets	**10.777.076**	**12.122.289**
	Total assets	**52.797.833**	**64.216.875**

Balance sheet at 31 December

All amounts in DKK.

Note	Equity and liabilities	2023	2022
	Equity		
5	Contributed capital	790.428	790.428
6	Reserve for net revaluation according to the equity method	13.744.529	23.744.514
7	Reserve for foreign currency translation	2.287.394	2.810.640
8	Retained earnings	23.315.701	11.717.044
	Total equity	**40.138.052**	**39.062.626**
	Provisions		
	Other provisions	382.465	382.465
	Total provisions	**382.465**	**382.465**
	Liabilities other than provisions		
9	Mortgage loans	1.005.192	1.069.123
	Total long term liabilities other than provisions	1.005.192	1.069.123
	Current portion of long term liabilities	66.000	66.000
	Trade payables	167.030	154.201
	Payables to subsidiaries	10.114.446	22.130.278
	Other payables	924.648	1.352.182
	Total short term liabilities other than provisions	11.272.124	23.702.661
	Total liabilities other than provisions	**12.277.316**	**24.771.784**
	Total equity and liabilities	**52.797.833**	**64.216.875**

10 Charges and security

11 Contingencies

Notes

All amounts in DKK.

		2023	2022
1.	**Other financial expenses**		
	Financial costs, group enterprises	0	562.736
	Other financial costs	44.904	888.540
		44.904	**1.451.276**
2.	**Property**		
	Cost 1 January 2023	2.213.749	2.213.749
	Cost 31 December 2023	**2.213.749**	**2.213.749**
	Depreciation and writedown 1 January 2023	-391.656	-314.031
	Depreciation and writedown for the year	-77.625	-77.625
	Depreciation and writedown 31 December 2023	**-469.281**	**-391.656**
	Carrying amount, 31 December 2023	**1.744.468**	**1.822.093**
3.	**Other fixtures and fittings, tools and equipment**		
	Cost 1 January 2023	135.736	118.787
	Additions during the year	10.957	30.499
	Disposals during the year	0	-13.550
	Cost 31 December 2023	**146.693**	**135.736**
	Depreciation and writedown 1 January 2023	-123.025	-118.788
	Depreciation and writedown for the year	-7.172	-4.237
	Depreciation and writedown 31 December 2023	**-130.197**	**-123.025**
	Carrying amount, 31 December 2023	**16.496**	**12.711**

Notes

All amounts in DKK.

		31/12 2023	31/12 2022
4.	**Investments in group enterprises**		
	Acquisition sum, opening balance 1 January 2023	15.783.995	15.783.995
	Cost 31 December 2023	**15.783.995**	**15.783.995**
	Revaluations, opening balance 1 January 2023	26.458.129	19.215.516
	Translation by use of the exchange rate valid on balance sheet date	-523.246	2.341.286
	Results for the year before goodwill amortisation	673.756	4.901.327
	Dividend	-10.003.797	0
	Revaluations 31 December 2023	**16.604.842**	**26.458.129**
	Amortisation of goodwill, opening balance 1 January 2023	-2.713.612	-2.494.105
	Amortisation of goodwill for the year	-146.702	-219.507
	Depreciation on goodwill 31 December 2023	**-2.860.314**	**-2.713.612**
	Offsetting against debtors	10.348.805	10.348.805
	Transferred to provisions	382.465	382.465
	Set off against debtors and provisions for liabilities	**10.731.270**	**10.731.270**
	Carrying amount, 31 December 2023	**40.259.793**	**50.259.782**

Group enterprises:

	Domicile	**Equity interest**
Scandinavian Boiler Service A/S, Pandrup	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 Europe d.o.o.	Croatia	100 %

Notes

All amounts in DKK.

		31/12 2023	31/12 2022
5.	**Contributed capital**		
	Contributed capital 1 January 2023	790.428	790.428
		790.428	**790.428**
6.	**Reserve for net revaluation according to the equity method**		
	Reserves for net revaluation 1 January 2023	23.744.514	16.721.411
	Share of results	-9.999.985	7.023.103
		13.744.529	**23.744.514**
7.	**Reserve for foreign currency translation**		
	Reserve for foreign currency translation 1 January 2023	2.810.640	469.354
	Foreign currency translation adjustments	-523.246	2.341.286
		2.287.394	**2.810.640**
8.	**Retained earnings**		
	Retained earnings 1 January 2023	11.717.044	15.156.567
	Profit or loss for the year brought forward	11.598.657	-3.439.523
		23.315.701	**11.717.044**
9.	**Mortgage loans**		
	Total mortgage loans	1.071.192	1.135.123
	Share of amount due within 1 year	-66.000	-66.000
		1.005.192	**1.069.123**
	Share of liabilities due after 5 years	738.371	805.122

10. Charges and security

As collateral for mortgage loans, t.DKK 1.135, security has been granted on land and buildings representing a carrying amount of t.DKK 1.744 at 31 December 2023.

Notes

All amounts in DKK.

11. Contingencies

Joint taxation

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

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

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

Any subsequent adjustments of corporate taxes or withholding tax, etc., may result in changes in the company's liabilities.

Accounting policies

The annual report for SBS International ApS has been presented in accordance with the Danish Financial Statements Act regulations concerning reporting class B enterprises. Furthermore, the company has decided to comply with certain rules applying to reporting class C enterprises.

The accounting policies are unchanged from last year, and the annual report is presented in DKK.

Recognition and measurement in general

Income is recognised in the income statement concurrently with its realisation, including the recognition of value adjustments of financial assets and liabilities. Likewise, all costs are recognised in the income statement, including depreciations amortisations, writedowns for impairment, provisions, and reversals due to changes in estimated amounts previously recognised in the income statement.

Assets are recognised in the statement of financial position when it seems probable that future economic benefits will flow to the company and the value of the asset can be reliably measured.

Liabilities are recognised in the statement of financial position when it is seems probable that future economic benefits will flow out of the company and the value of the liability can be reliably measured.

Assets and liabilities are measured at cost at the initial recognition. Hereafter, assets and liabilities are measured as described below for each individual accounting item.

Certain financial assets and liabilities are measured at amortised cost, allowing a constant effective interest rate to be recognised during the useful life of the asset or liability. Amortised cost is recognised as the original cost less any payments, plus/less accrued amortisations of the difference between cost and nominal amount. In this way, capital losses and gains are allocated over the useful life of the liability.

Upon recognition and measurement, allowances are made for such predictable losses and risks which may arise prior to the presentation of the annual report and concern matters that exist on the reporting date.

Foreign currency translation

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. If currency positions are considered to hedge future cash flows, the value adjustments are recognised directly in equity in a fair value reserve.

Receivables, payables, and other foreign currency monetary items are translated using the closing rate. The difference between the closing rate and the rate at the time of the occurrence or initial recognition in the latest financial statements of the receivable or payable is recognised in the income statement under financial income and expenses.

Fixed assets acquired and paid for in foreign currency are measured at the exchange rate prevailing at the date of the transaction.

Group enterprises abroad, associates, and equity investments are considered to be independent entities. The income statements are translated at an average exchange rate for the month, and the balance sheet items are translated at the closing rates. Currency translation differences, arising from the translation of the equity of group enterprises abroad at the beginning of the year to the closing rate and from the translation of income statements from average prices to the closing rate, are recognised directly in equity in the fair value reserve in the Consolidated Financial Statement. This also applies to differences arising from translation of income statements from average exchange rate to closing rate.

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

When recognising foreign group enterprises which are integral units, the monetary items are translated using the closing rate. Non-monetary items are translated using the exchange rate prevailing at the time of acquisition or at the time of the subsequent revaluation or write-down for impairment of the asset. Income statement items are translated using the exchange rate prevailing at the date of the transaction. However, items in the income statement derived from non-monetary items are translated using historical prices.

Income statement

Gross profit

Gross profit comprises the revenue, changes in inventories of finished goods, and work in progress, own work capitalised, other operating income, and external costs.

The enterprise will be applying IAS 18 as its basis of interpretation for the recognition of revenue.

Revenue is recognised in the income statement if delivery and passing of risk to the buyer have taken place before the end of the year and if the income can be determined reliably and inflow is anticipated. Revenue is measured at the fair value of the consideration promised exclusive of VAT and taxes and less any discounts relating directly to sales.

Cost of sales comprises costs concerning purchase of raw materials and consumables less discounts and changes in inventories.

Other operating income comprises items of a secondary nature as regards the principal activities of the enterprise, including profit from the disposal of intangible and tangible assets, operating loss and conflict compensation as well as salary reimbursements received. Compensation is recognized when it is overwhelmingly probable that the company will receive the compensation.

Other external expenses comprise expenses incurred for distribution, sales, advertising, administration, premises, loss on receivables, and operational leasing costs.

Depreciation, amortisation, and writedown for impairment

Depreciation, amortisation, and writedown for impairment comprise depreciation on, amortisation of, and writedown for impairment of intangible and tangible assets, respectively.

Financial income and expenses

Financial income and expenses are recognised in the income statement with the amounts concerning the financial year. Financial income and expenses comprise interest income and expenses, financial expenses from financial leasing, realised and unrealised capital gains and losses relating to securities, debt and transactions in foreign currency, amortisation of financial assets and liabilities as well as surcharges and reimbursements under the advance tax scheme, etc.

Results from investments in subsidiaries

After full elimination of intercompany profit or loss less amortised consolidated goodwill, the investment in the individual entities are recognised in the income statement as a proportional share of the entities' post-tax profit or loss.

Tax on net profit or loss for the year

Tax for the year comprises the current income tax for the year and changes in deferred tax and is recognised in the income statement with the share attributable to the net profit or loss for the year and directly in equity with the share attributable to entries directly in equity.

The company is subject to Danish rules on compulsory joint taxation of Danish group enterprises.

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

Statement of financial position

Property, plant, and equipment

Property, plant, and equipment are measured at cost less accrued depreciation and write-down for impairment. Land is not subject to depreciation.

The depreciable amount is cost less 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 carrying amount, the depreciation is discontinued.

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

Accounting policies

The cost comprises acquisition cost and costs directly associated with 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, and the individual component representing a material part of the total cost.

Depreciation is done on a straight-line basis according to an assessment of the expected useful life and the residual value of the individual assets:

	Useful life	Residual value
Buildings	30 years	20 %
Plant and machinery	5-10 years	0-20 %
Other fixtures and fittings, tools and equipment	3-5 years	0-20 %

Minor assets with an expected useful life of less than 1 year are recognised as costs in the income statement in the year of acquisition.

Profit or loss derived from the disposal of property, land, and equipment is measured as the difference between the sales price less selling costs and the carrying amount at the date of disposal. Profit or loss is recognised in the income statement as other operating income or other operating expenses.

As regards self-constructed assets, the cost comprises direct costs for materials, components, deliveries from subsuppliers, payroll costs, and borrowing costs from specific and general borrowing concerning the construction of each individual asset.

Leases

The enterprise will be applying IAS 17 as its base of interpretation for recognition of classification and recognition of leases.

At their initial recognition in the statement of financial position, leases concerning property, plant, and equipment where the company holds all essential risks and advantages associated with the proprietary right (finance lease) are measured either at fair value of the asset being leased or at the present value of the future lease payments, whichever value is lower. When calculating the present value, the discount rate used is the internal rate of return of the lease or, alternatively, the borrowing rate of the enterprise. Hereafter, assets held under a finance lease are treated in the same way as other similar property, plant, and equipment.

The capitalised residual lease commitment is recognised in the statement of financial position as a liability other than provisions, and the interest part of the lease is recognised in the income statement for the term of the contract.

Accounting policies

All other leases are regarded as operating leases. Payments in connection with operating leases and other lease agreements are recognised in the income statement for the term of the contract. The company's total liabilities concerning operating leases and lease agreements are recognised under contingencies, etc.

Impairment loss relating to non-current assets

The carrying amount of both intangible and tangible fixed assets as well as equity investments in subsidiaries are subject to annual impairment tests in order to disclose any indications of impairment beyond those expressed by amortisation and depreciation respectively.

If indications of impairment are disclosed, impairment tests are carried out for each individual asset or group of assets, respectively. Writedown for impairment is done to the recoverable amount if this value is lower than the carrying amount.

The recoverable amount is the higher value of value in use and selling price less expected selling cost. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the asset group and expected net cash flows from the sale of the asset or the asset group after the end of their useful life.

Previously recognised impairment losses are reversed when conditions for impairment no longer exist. Impairment relating to goodwill is not reversed.

Investments

Investments in subsidiaries

Investments in subsidiaries are recognised and measured by applying the equity method. The equity method is used as a method of consolidation.

Investments in subsidiaries are recognised in the statement of financial position at the proportionate share of the enterprise's equity value. This value is calculated in accordance with the parent's accounting policies with deductions or additions of unrealised intercompany gains and losses as well as with additions or deductions of the remaining value of positive or negative goodwill calculated in accordance with the acquisition method. Negative goodwill is recognised in the income statement at the time of acquisition of the equity investment. If the negative goodwill relates to contingent liabilities acquired, negative goodwill is not recognised until the contingent liabilities have been settled or lapsed.

Consolidated goodwill is amortised over its estimated useful life, which is determined on the basis of the management's experience with the individual business areas. Consolidated goodwill is amortised on a straight-line basis over the amortisation period, which represent 5-20 years. The depreciation period is determined on the basis of an assessment that these are strategically acquired enterpriseswith a strong market position and a long-term earnings profile.

In relation to material assets and liabilities recognised in subsidiaries but are not represented in the parent, the following accounting policies have been applied.

Accounting policies

Inventories:

- Inventories are measured at cost according to the FIFO method. In cases when the net realisable value of the inventories is lower than the cost, the latter is written down for impairment to this lower value.

Investments in subsidiaries with a negative equity value are measured at DKK 0, and any accounts receivable from these enterprises are written down to the extent that the account receivable is uncollectible. To the extent that the parent has a legal or constructive obligation to cover an negative balance that exceeds the account receivable, the remaining amount is recognised under provisions.

To the extent the equity exceeds the cost, the net revaluation of equity investments in subsidiaries transferred to the reserve under equity for net revaluation according to the equity method. Dividends from subsidiaries expected to be adopted before the approval of this annual report are not subject to a limitation of the revaluation reserve. The reserve is adjusted by other equity movements in subsidiaries.

Receivables

Receivables are measured at amortised cost, which usually corresponds to nominal value.

In order to meet expected losses, impairment takes place at the net realisable value. The company has chosen to use IAS 39 as a basis for interpretation when recognising impairment of financial assets, which means that impairments must be made to offset losses where an objective indication is deemed to have occurred that an account receivable or a portfolio of accounts receivable is impaired.If an objective indication shows that an individual account receivable has been impaired, an impairment takes place at individual level.

Prepayments

Prepaymentsrecognised under assets comprise incurred costs concerning the following financial year.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand.

Equity

Reserve for net revaluation according to the equity method

The reserve for net revaluation according to the equity method comprises net revaluation of equity investments in subsidiaries, associates and equity interests proportional to cost.

The reserve may be eliminated in the event of losses, realisation of equity investments, or changes in the accounting estimates.

The reserve cannot be recognised by a negative amount.

Accounting policies

Reserve for foreign currency translation

The reserve for foreign currency translation arises when translating accounting items in foreign currency.

The reserve is dissolved once the value adjustments have been applied or reversed.

The reserve is distributable.

Income tax and deferred tax

Current tax liabilities and current tax receivable are recognised in the statement of financial position as calculated tax on the taxable income for the year, adjusted for tax of previous years' taxable income and for tax paid on account.

The company is jointly taxed with consolidated Danish companies. The current corporate income tax is distributed between the jointly taxed companies in proportion to their taxable income and with full distribution with reimbursement as to tax losses. The jointly taxed companies are comprised by the Danish tax prepayment scheme.

Joint taxation contributions payable and receivable are recognised in the statement of financial position as ”Tax receivables from group enterprises" or "Income tax payable to group enterprises"

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

Deferred tax is measured on the basis of temporary differences in assets and liabilities with a focus on the statement of financial position. Deferred tax is measured at net realisable value.

Adjustments take place in relation to deferred tax concerning elimination of unrealised intercompany gains and losses.

Deferred tax is measured based on the tax rules and tax rates applying under the legislation prevailing in the respective countries on the reporting date when the deferred tax is expected to be released as current tax. Changes in deferred tax due to changed tax rates are recognised in the income statement, except for items included directly in the equity.

Deferred tax assets, including the tax value of tax losses allowed for carryforward, are recognised at the value at which they are expected to be realisable, either by settlement against tax of future earnings or by set-off in deferred tax liabilities within the same legal tax unit. Any deferred net tax assets are measured at net realisable value.

Accounting policies

Provisions

Provisions comprise expected costs of warranty commitments, loss on work in progress, restructuring, etc. Provisions are recognised when the company has a legal or actual commitment resulting from a previously occurred event and when it is probable that the settlement of the liability will result in consumption of the financial resources of the company.

Provisions are measured at net realisable value or at fair value. If the fulfilment of a liability is expected to take place far in the future, the liability is measured at fair value.

Liabilities other than provisions

Financial liabilities other than provisions related to borrowings are recognised at the received proceeds less transaction costs incurred. In subsequent periods, the financial liabilities are recognised at amortised cost, corresponding to the capitalised value when using the effective interest rate. The difference between the proceeds and the nominal value is recognised in the income statement during the term of the loan.

Mortgage loans and bank loans are thus measured at amortised cost which, for cash loans, corresponds to the outstanding payables. For bond loans, the amortised cost corresponds to an outstanding payable calculated as the underlying cash value at the date of borrowing, adjusted by amortisation of the market value on the date of the borrowing effectuated over the repayment period.

Other liabilities concerning payables to suppliers, group enterprises, and other payables are measured at amortised cost which usually corresponds to the nominal value.