Danish Marine Service ApS

Industrivej 12, 9490 Pandrup

Company reg. no. 31 57 82 56

Annual report

1 January - 31 December 2016

The annual report have been submitted and approved by the general meeting on the 31 May 2017.

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Erwin Kristoffersen
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 managing director has today presented the annual report of Danish Marine Service ApS for the financial year 1 January to 31 December 2016.

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

I consider the accounting policies used appropriate, and in my opinion, the consolidated annual accounts and the annual accounts provide a true and fair view of the assets, the liabilities and the financial position, consolidated and for the company respectively as on 31 December 2016, and of the results of the activities, consolidated and of the company respectively and of consolidated cash flows in the financial year 1 January to 31 December 2016.

I am 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, 26 May 2017

Managing Director

Erwin Thingholm Kristoffersen
Director

Independent auditor's report

To the shareholders of Danish Marine Service ApS

Opinion

We have audited the consolidated annual accounts and the annual accounts of Danish Marine Service ApS for the financial year 1 January to 31 December 2016, which comprise accounting policies used, profit and loss account, balance sheet, statement of changes in equity and notes, consolidated and for the company respectively and consolidated cash flow statement. The consolidated annual accounts and the annual accounts are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated annual accounts and the annual accounts give a true and fair view of the assets, liabilities and financial position, consolidated and for the company respectively at 31 December 2016 and of the results of the company's operations, consolidated and for the company respectively and of consolidated cash flows for the financial year 1 January to 31 December 2016 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 consolidated annual accounts and 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 consolidated annual accounts and the annual accounts

The management is responsible for the preparation of consolidated annual accounts and 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 consolidated annual accounts and annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated annual accounts and the annual accounts, the management is responsible for evaluating the group's and 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 consolidated annual accounts and the annual accounts, unless the management either intends to liquidate the group or the company or to cease operations, or if it has no realistic alternative but to do so.

Independent auditor's report

Auditor’s responsibilities for the audit of the consolidated annual accounts and the annual accounts

Our objectives are to obtain reasonable assurance about whether the consolidated annual accounts and 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 consolidated annual accounts and the annual accounts

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 consolidated annual accounts and 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 group’s and 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 consolidated annual accounts and 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 group’s and 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 consolidated annual accounts and 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 group and the company to cease to continue as a going concern.

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

- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or the business activities within the group to express an opinion on the consolidated annual accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in 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 consolidated annual accounts and 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.

In connection with our audit of the consolidated annual accounts and 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 consolidated annual accounts and 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 consolidated annual accounts or 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.

Aalborg, 26 May 2017

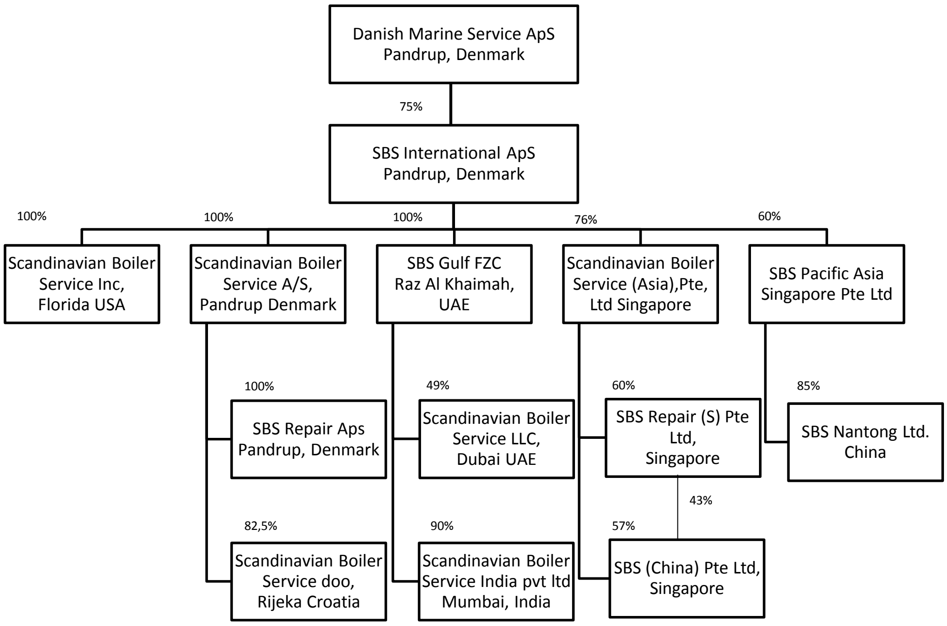
Redmark
State Authorised Public Accountants
Company reg. no. 29 44 27 89

Marian Fruergaard
State Authorised Public Accountant

Company data

The company	Danish Marine Service ApS Industrivej 12 9490 Pandrup	
	Phone	+4570271000
	Fax	+4570271001
	Web site	www.sbs-international.com
	Company reg. no.	31 57 82 56
	Established:	1 June 2008
	Domicile:	Pandrup
	Financial year:	1 January - 31 December
Managing Director	Erwin Thingholm Kristoffersen, Director	
Auditors	Redmark Statsautoriseret Revisionspartnerselskab Hasseris Bymidte 6 9000 Aalborg	
Bankers	Danske Bank, Prinsensgade 11, 9000 Aalborg Nordea Bank, Prinsensgade 15, 9000 Aalborg	
Subsidiaries	SBS International ApS, Pandrup Scandinavian Boiler Service A/S, Pandrup Scandinavian Boiler Service Inc., USA Scandinavian Boiler Service (Asia) Pte. Ltd., Singapore SBS Gulf FZE, UAE Scandinavian Boiler Service LLC, UAE Scandinavian Boiler Service India Pte. Ltd., India SBS Pacific Asia Pte. Ltd., Singapore Scandinavian Boiler Service Nantong Ltd., China Scandinavian Boiler Service doo, Croatia SBS Repair ApS, Pandrup SBS Repair Pte Ltd., Singapore SBS (China) Pte. Ltd., Singapore	

Koncernoversigt



Consolidated financial highlights

DKK in thousands.	2016	2015	2014	2013	2012
Profit and loss account:					
Net turnover	134.860	150.993	138.322	152.899	186.692
Gross profit	53.811	61.995	64.175	44.166	79.576
Results from operating activities	1.937	5.388	8.903	-12.275	16.472
Net financials	-2.446	-2.061	-2.028	-2.082	-2.039
Results for the year	396	1.121	694	-6.377	4.128
Balance sheet:					
Balance sheet sum	97.484	98.411	90.528	81.773	103.235
Equity	17.090	18.569	7.467	5.701	12.822
Cash flow:					
Operating activities	3.441	719	167	6.669	4.375
Investment activities	-1.480	-2.176	-857	-8.581	-1.758
Financing activities	-1.092	-2.163	-1.236	2.996	-483
Cash flow in total	870	-3.620	-1.927	1.085	0
Employees:					
Average number of full time employees	92	101	121	124	116
Key figures in %:					
Gross margin	39,9	41,1	46,4	28,9	42,6
Profit margin	1,4	3,6	6,4	-8,0	8,8
Solvency ratio	6,0	7,6	8,2	7,0	12,4
Return on equity	-18,9	-16,3	10,5	-68,9	38,9

*) The key figures have been laid out in accordance with the publication "Anbefalinger & Nøgletal 2015" ("Recommendations & Key Figures 2015") published by the CFA Society Denmark.

Management's review

The principal activities of the group

The activity pf the group are sales, service and repair within the maritime business sector.

Development in activities and financial matters

The gross sales for the year amount to DKK 134.859.596 against DKK 150.992.752 last year. The gross profit for the year is DKK 53.811.487 against DKK 61.995.403 last year. The results after tax of the year are DKK 395.787 against DKK 1.120.651 last year. This is after charging an extra write-down of DKK 1M 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 management considers the results for less satisfactory.

The expected development

To improve the business performance of the SBS group, it has been decided to re-organize the company from the original regional structure to a more global form. The primary change is the merging of repair, retrofit and global sales functions into one company and the establishing of a centralized management responsible for the entire group.

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 is rather positive for the coming 2-3 years, as the new building market for ships will be very slow due to strict NOx-requirements 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 is solid, cruise market is stable and it is believed that the container market will find its end consolidation in 2017, with good opportunities for 2018. 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 is increasing again to the level of 2015 due to more long lead projects based on energy saving projects for major customers, and it is expected that this situation will remain for the foreseeable future, as the oil price futures support the current investment incentive with our customers.

Based on these changes the group’s expectation for the coming year is an improved result compared to present year.

Accounting policies used

The annual report for Danish Marine Service ApS is presented in accordance with those regulations of the Danish Financial Statements Act concerning companies identified as class C enterprises (medium sized enterprises).

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 Danish Marine Service 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 group 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 group 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.

Accounting policies used

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.

The consolidated annual accounts

The consolidated annual accounts comprise the parent company Danish Marine Service ApS and those group enterprises of which Danish Marine Service ApS directly or indirectly owns more than 50 % of the voting rights or in other ways has controlling interest. As it appears from the group chart, enterprises of which the group owns between 20 and 50 % of the voting rights and exercises considerable, but not controlling interest are considered associated enterprises.

By the consolidation, elimination of intercompany income and costs, shareholding, intercompany balances and dividends and realised and unrealised gains and losses from transactions among the consolidated enterprises takes place.

Equity interests in group enterprises are settled by the proportional share of the group enterprises' trade value of net assets and liabilities at the date of acquisition.

Newly acquired or newly established enterprises are recognised in the consolidated annual accounts as of the date of acquisition. Disposed or terminated enterprises are recognised in the consolidated annual accounts until the date of disposal. In relation to newly acquired, disposed or terminated enterprises, comparative figures are not adjusted.

Positive balances (goodwill) between cost and fair value of the acquired, identifiable assets and liabilities, including provisions for restructuring, are recognised under intangible fixed assets and in accordance with an individual evaluation allocated on a systematic basis over their useful lives in the profit and loss account. Negative balances (negative goodwill) is recognised as income in the profit and loss account at the date of acquisition when the general requirements for recognition of income are met.

Goodwill and negative goodwill from acquirees may be adjusted until 12 months after the acquisition.

Minority interests

The items of the group enterprises are recognised by 100 % in the consolidated annual accounts. The minority interests' proportionate share of the profit or loss and the equity of the group enterprises are adjusted annually, and they are recognised as a separate item below the profit and loss account and as a separate item in the balance sheet respectively.

Accounting policies used

The profit and loss account

Net turnover

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.

When the results of a contract can not be determined reliably, the net turnover is only recognised on a cost basis, however, to the extent that it is probable that the costs will be recovered.

Cost of sales

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

Other operating income/costs

Other operating income and costs comprise accounting items of secondary nature in proportion to the principal activities of the enterprise, including gains and losses on disposal of intangible and tangible fixed assets.

Other external costs

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.

Accounting policies used

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 parent enterprise and the Danish group enterprises are subject to the Danish rules on compulsory joint taxation of the consolidated Danish enterprises. The parent enterprise acts as an administration company in relation to the joint taxation. This means that the total Danish tax payable of the income of the Danish consolidated companies is paid to the tax authorities by the company.

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

Intangible fixed assets

Goodwill

Acquired goodwill is measured at cost with deduction of accumulated amortisation. As it is not possible to determine a reliable estimate of the useful life, the amortisation period is set at 10 years.

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:

Buildings	30 years
Technical plants and machinery	5-10 years
Other plants, operating assets, fixtures and furniture	3-5 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.

Leasing contracts

At the first recognition in the balance sheet, leasing contracts concerning tangible fixed assets by which the group holds all essential risks and advantages attached to the proprietary right (financial leasing) are measured either at fair value or at the present value of the future leasing services, whichever value is lower. When calculating the present value, the internal interest rate of the leasing contract or alternatively the borrowing rate of the enterprise is used as discount rate. Afterwards, financially leased assets are treated in the same way as other similar tangible assets.

The capitalised residual leasing liability is recognised in the balance sheet as a liability, and the interest part of the leasing contract is recognised in the profit and loss account over the term of the contract.

All other leasing contracts are considered operational leasing. Payments in connection with operational leasing and other rental agreements are recognised in the profit and loss account over the term of the contract. The group's total liabilities concerning operational leasing and rental agreements are recognised under contingencies etc.

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.

Accounting policies used

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.

Inventories

Inventories are measured at cost on basis of measured average prices. In case the net realisable value is lower than the cost, writedown takes place at this lower value.

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 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

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.

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

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.

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.

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.

Accounting policies used

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.

Danish Marine Service ApS is jointly taxed with the Danish group companies and acts in this respect as the administration company. According to the rules of joint taxation, Danish Marine Service ApS is unlimited, jointly and severally 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.

Payable and receivable joint taxation contributions are recognised in the balance sheet as "Receivable corporate tax" or “Payable corporate tax".

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 group 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 group.

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.

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.

The cash flow statement

The cash flow statement shows the cash flow of the group for the year, divided in cash flows deriving from operating activities, investment activities, and financing activities respectively, the changes in the liabilities, and the available funds at the beginning and the end of the year respectively.

The effect of cash flow deriving from purchase and sale of enterprises appears separately under cash flow from investment activities. In the cash flow statement, cash flow deriving from purchased enterprises is recognised as of the date of acquisition, and cash flow deriving from sold enterprises is recognised until the sales date.

Cash flow from operating activities

Cash flow from operating activities are calculated as the results for the year adjusted for non-cash operating items, the change in the working capital, and corporate tax paid.

Cash flow from investment activities

Cash flow from investment activities comprises payments in connection with the acquisition and sale of enterprises and activities as well as the acquisition and sale of intangible and tangible fixed assets and fixed asset investments respectively.

Cash flow from financing activities

Cash flow from financing activities comprises changes in the size or the composition of the share capital and the costs in this connection. Furthermore, these activities comprise borrowings, instalments on interestbearing debt, and payment of dividend to the shareholders.

Available funds

Available funds comprise cash funds with deduction of short-term bank debt and short-term securities with a term of less than 3 months which can easily be converted into cash funds and on which only an insignificant risk of value changes exists.

Profit and loss account 1 January - 31 December

All amounts in DKK.

		Group		Parent enterprise	
Note		2016	2015	2016	2015
	Net turnover	134.859.596	150.992.752	0	1
	Other operating income	7.277	7.216	0	0
	Raw materials and consumables used	-72.044.635	-79.112.610	0	0
	Other external costs	-9.010.751	-9.891.955	-18.900	-11.587
	Gross results	**53.811.487**	**61.995.403**	**-18.900**	**-11.586**
2	Staff costs	-48.483.007	-54.145.371	0	0
	Depreciation, amortisation and writedown relating to tangible and intangible fixed assets	-3.391.083	-2.462.288	0	0
	Operating profit	**1.937.397**	**5.387.744**	**-18.900**	**-11.586**
	Income from equity investments in group enterprises	0	0	-108.655	-41.287
	Other financial income	138.778	316.447	0	0
3	Other financial costs	-2.584.505	-2.377.551	-935.478	-978.419
	Results before tax	**-508.330**	**3.326.640**	**-1.063.033**	**-1.031.292**
	Tax on ordinary results	904.117	-2.205.989	-191.808	-182.446
4	**Results for the year**	**395.787**	**1.120.651**	**-1.254.841**	**-1.213.738**
	The Group result is distributed as follows:				
	Shareholders in Danish Marine Service ApS	-1.254.842	-1.213.738		
	Minority interests	1.650.629	2.334.389		
		395.787	**1.120.651**		

Balance sheet 31 December

All amounts in DKK.

Assets

Note		Group 2016	Group 2015	Parent enterprise 2016	Parent enterprise 2015
	Fixed assets				
5	Goodwill	7.771.981	8.562.974	0	0
	Intangible fixed assets in total	7.771.981	8.562.974	0	0
6	Land and property	24.856.980	25.984.938	0	0
7	Production plant and machinery	448.432	321.595	0	0
8	Other plants, operating assets, and fixtures and furniture	1.385.086	1.641.764	0	0
	Tangible fixed assets in total	26.690.498	27.948.297	0	0
9	Equity investments in group enterprises	0	0	26.165.685	26.599.405
	Financial fixed assets in total	0	0	26.165.685	26.599.405
	Fixed assets in total	**34.462.479**	**36.511.271**	**26.165.685**	**26.599.405**

Balance sheet 31 December

All amounts in DKK.

Assets

Note		Group 2016	Group 2015	Parent enterprise 2016	Parent enterprise 2015
	Current assets				
	Raw materials and consumables	10.236.983	9.166.292	0	0
	Inventories in total	10.236.983	9.166.292	0	0
	Trade debtors	29.771.924	30.644.426	0	0
10	Work in progress for the account of others	4.476.566	6.106.875	0	0
11	Deferred tax assets	2.261.327	868.960	0	286.003
	Receivable corporate tax	186.295	0	0	0
	Other debtors	1.828.238	1.640.638	0	0
12	Accrued income and deferred expenses	1.432.049	1.780.020	0	0
	Debtors in total	39.956.399	41.040.919	0	286.003
	Available funds	12.828.413	11.692.469	0	0
	Current assets in total	**63.021.795**	**61.899.680**	**0**	**286.003**
	Assets in total	**97.484.274**	**98.410.951**	**26.165.685**	**26.885.408**

Balance sheet 31 December

All amounts in DKK.

Equity and liabilities

Note		Group 2016	Group 2015	Parent enterprise 2016	Parent enterprise 2015
	Equity				
13	Contributed capital	125.000	125.000	125.000	125.000
14	Reserves for net revaluation as per the equity method	0	0	3.126.747	3.976.896
15	Results brought forward	5.737.080	7.316.985	2.610.333	3.340.090
	Equity before non-controlling interest.	5.862.080	7.441.985	5.862.080	7.441.986
	Minority interests	11.228.406	11.126.831	0	0
	Equity in total	**17.090.486**	**18.568.816**	**5.862.080**	**7.441.986**
	Provisions				
	Provisions for deferred tax	0	331.368	0	0
16	Other provisions	109.259	190.735	0	0
	Provisions in total	**109.259**	**522.103**	**0**	**0**
	Liabilities				
17	Mortgage debt	14.056.024	14.566.791	0	0
18	Leasing liabilities	1.306.783	1.213.174	0	0
	Debt to group enterprises	13.551.339	12.940.030	13.551.339	12.940.030
	Long-term liabilities in total	28.914.146	28.719.995	13.551.339	12.940.030

Balance sheet 31 December

All amounts in DKK.

Equity and liabilities

Note		Group 2016	Group 2015	Parent enterprise 2016	Parent enterprise 2015
	Liabilities	806.331	737.781	0	0
	Bank debts	19.204.595	18.047.523	0	0
	Prepayments received from customers	2.077.512	3.848.397	0	0
10	Work in progress for the account of others	359.397	368.345	0	0
	Trade creditors	7.284.202	10.094.293	20.000	20.000
	Debt to group enterprises	14.799.858	10.065.473	6.732.266	6.483.393
	Corporate tax	785.278	780.312	0	0
	Other debts	6.053.210	6.657.913	0	-1
	Short-term liabilities in total	51.370.383	50.600.037	6.752.266	6.503.392
	Liabilities in total	**80.284.529**	**79.320.032**	**20.303.605**	**19.443.422**
	Equity and liabilities in total	**97.484.274**	**98.410.951**	**26.165.685**	**26.885.408**

1 Special items

19 Mortgage and securities

20 Contingencies

21 Related parties

Consolidated statement of changes in equity

All amounts in DKK.

	Contributed capital	Results brought forward	Minority interests	In total
Equity 1 January 2015	125.000	7.342.362	11.114.474	18.581.836
Profit or loss for the year brought forward	0	-1.213.739	0	-1.213.739
Currency alignment	0	1.188.362	12.357	1.200.719
Equity 1 January 2016	125.000	7.316.985	11.126.831	18.568.816
Profit or loss for the year brought forward	0	-1.254.841	101.575	-1.153.266
Currency alignment	0	380.498	0	380.498
Aquired minority	0	-705.562	0	-705.562
	125.000	**5.737.080**	**11.228.406**	**17.090.486**

Statement of changes in equity of the parent enterprise

All amounts in DKK.

	Contributed capital	Reserves for net revaluation as per the equity method	Results brought forward	In total
Equity 1 January 2015	125.000	2.829.821	4.512.541	7.467.362
Share of results	0	1.147.075	0	1.147.075
Profit or loss for the year brought forward	0	0	-2.360.813	-2.360.813
Currency alignment	0	0	1.188.362	1.188.362
Equity 1 January 2016	125.000	3.976.896	3.340.090	7.441.986
Share of results	0	-850.149	-404.692	-1.254.841
Currency alignment	0	0	380.498	380.498
Aquired minority	0	0	-705.563	-705.563
	125.000	**3.126.747**	**2.610.333**	**5.862.080**

Cash flow statement 1 January - 31 December

All amounts in DKK.

Note		Group 2016	2015
	Results for the year	395.787	1.120.651
22	Adjustments	4.801.720	6.680.032
23	Change in working capital	1.637.525	-4.923.206
	Cash flow from operating activities before net financials	6.835.032	2.877.477
	Interest received and similar amounts	138.778	263.482
	Interest paid and similar amounts	-2.584.505	-2.148.045
	Cash flow from ordinary activities	4.389.305	992.914
	Corporate tax paid	-947.973	-274.170
	Cash flow from operating activities	**3.441.332**	**718.744**
	Purchase of intangible fixed assets	0	-1.322.118
	Purchase of tangible fixed assets	-538.782	-1.018.760
	Sale of tangible fixed assets	0	164.757
	Aquired minority	-940.751	0
	Cash flow from investment activities	**-1.479.533**	**-2.176.121**
	Raising of long-term debts	0	134.004
	Repayments of long-term debt	-953.300	-642.861
	Dividend paid	-138.434	-1.654.243
	Cash flow from financing activities	**-1.091.734**	**-2.163.100**
	Changes in available funds	**870.065**	**-3.620.477**
	Available funds 1 January 2016	12.737.914	16.358.391
	Available funds 31 December 2016	**13.607.979**	**12.737.914**
	Available funds		
	Available funds	12.828.413	11.692.469
	Short-term bank debts	779.566	1.045.445
	Available funds 31 December 2016	**13.607.979**	**12.737.914**

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.

	Group		Parent enterprise	
	2016	2015	2016	2015
Costs:				
Writedown of fixed assets	-1.000.000	0	0	0
	-1.000.000	0	0	0
Special items are recognised in the following items in the annual accounts:				
Depreciation, amortisation and writedown relating to tangible and intangible fixed assets	1.000.000	0	0	0
Results of special items, net	**1.000.000**	**0**	**0**	**0**

Notes

All amounts in DKK.

		Group		Parent enterprise	
		2016	2015	2016	2015
2.	**Staff costs**				
	Salaries and wages	41.870.077	47.453.590	0	0
	Pension costs	4.025.369	3.806.320	0	0
	Other costs for social security	2.587.561	2.885.461	0	0
		48.483.007	**54.145.371**	**0**	**0**
	Average number of employees	92	101	0	0
3.	**Other financial costs**				
	Financial costs, group enterprises	660.035	673.609	984.204	944.832
	Other financial costs	1.924.470	1.703.942	-48.726	33.587
		2.584.505	**2.377.551**	**935.478**	**978.419**

4.	**Proposed distribution of the results**		
	Reserves for net revaluation as per the equity method	-850.149	1.147.075
	Allocated from results brought forward	-404.692	-2.360.813
	Distribution in total	**-1.254.841**	**-1.213.738**

Notes

All amounts in DKK.

		Group 31/12 2016	Group 31/12 2015	Parent enterprise 31/12 2016	Parent enterprise 31/12 2015
5.	**Goodwill**				
	Cost 1 January 2016	14.408.261	13.086.143	0	0
	Additions during the year	0	1.322.118	0	0
	Cost 31 December 2016	**14.408.261**	**14.408.261**	**0**	**0**
	Amortisation and writedown 1 January 2016	-5.845.287	-5.054.294	0	0
	Amortisation and writedown for the year	-790.993	-790.993	0	0
	Amortisation and writedown 31 December 2016	**-6.636.280**	**-5.845.287**	**0**	**0**
	Book value 31 December 2016	**7.771.981**	**8.562.974**	**0**	**0**

		Group 31/12 2016	Group 31/12 2015	Parent enterprise 31/12 2016	Parent enterprise 31/12 2015
6.	**Land and property**				
	Cost 1 January 2016	29.138.893	27.618.491	0	0
	Additions during the year	85.981	17.382	0	0
	Currency alignment	434.922	1.503.020	0	0
	Cost 31 December 2016	**29.659.796**	**29.138.893**	**0**	**0**
	Depreciation and writedown 1 January 2016	-3.153.955	-2.366.331	0	0
	Depreciation and writedown for the year	-1.625.388	-740.610	0	0
	Currency alignment	-23.473	-47.014	0	0
	Depreciation and writedown 31 December 2016	**-4.802.816**	**-3.153.955**	**0**	**0**
	Book value 31 December 2016	**24.856.980**	**25.984.938**	**0**	**0**

Notes

All amounts in DKK.

		Group		Parent enterprise	
		31/12 2016	31/12 2015	31/12 2016	31/12 2015
7.	**Production plant and machinery**				
	Cost 1 January 2016	4.806.753	4.615.333	0	0
	Additions during the year	249.442	53.000	0	0
	Disposals during the year	0	-21.420	0	0
	Currency alignment	40.095	159.840	0	0
	Cost 31 December 2016	**5.096.290**	**4.806.753**	**0**	**0**
	Depreciation and writedown 1 January 2016	-4.485.158	-4.214.395	0	0
	Depreciation and writedown for the year	-118.294	-138.878	0	0
	Currency alignment	-44.406	-149.731	0	0
	Depreciation and writedown, assets disposed of	0	17.846	0	0
	Depreciation and writedown 31 December 2016	**-4.647.858**	**-4.485.158**	**0**	**0**
	Book value 31 December 2016	**448.432**	**321.595**	**0**	**0**

Notes

All amounts in DKK.

		Group		Parent enterprise	
		31/12 2016	31/12 2015	31/12 2016	31/12 2015
8.	**Other plants, operating assets, and fixtures and furniture**				
	Cost 1 January 2016	8.723.733	7.830.300	0	0
	Additions during the year	594.284	965.760	0	0
	Disposals during the year	-5.505	-393.435	0	0
	Currency alignment	304.786	321.108	0	0
	Cost 31 December 2016	**9.617.298**	**8.723.733**	**0**	**0**
	Depreciation and writedown 1 January 2016	-7.081.969	-6.245.847	0	0
	Depreciation and writedown for the year	-860.951	-829.602	0	0
	Currency alignment	-294.797	-268.119	0	0
	Depreciation and writedown, assets disposed of	5.505	261.599	0	0
	Depreciation and writedown 31 December 2016	**-8.232.212**	**-7.081.969**	**0**	**0**
	Book value 31 December 2016	**1.385.086**	**1.641.764**	**0**	**0**
	Leased assets are included with a book value of	864.056	834.408	0	0

Notes

All amounts in DKK.

		Group		Parent enterprise	
		31/12 2016	31/12 2015	31/12 2016	31/12 2015
9.	**Equity investments in group enterprises**				
	Acquisition sum, opening balance 1 January 2016	0	0	22.622.508	22.622.508
	Cost 31 December 2016	**0**	**0**	**22.622.508**	**22.622.508**
	Revaluations, opening balance 1 January 2016	0	0	8.645.587	6.926.952
	Results for the year before goodwill amortisation	0	0	462.905	530.273
	Currency alignment	0	0	-325.065	1.188.362
	Revaluation 31 December 2016	**0**	**0**	**8.783.427**	**8.645.587**
	Amortisation of goodwill, opening balance 1 January 2016	0	0	-4.668.690	-4.097.130
	Amortisation of goodwill for the year	0	0	-571.560	-571.560
	Depreciation on goodwill 31 December 2016	**0**	**0**	**-5.240.250**	**-4.668.690**
	Book value 31 December 2016	**0**	**0**	**26.165.685**	**26.599.405**

Group enterprises:

	Domicile	**Share of ownership**
SBS International ApS	Pandrup	75 %
Scandinavian Boiler Service A/S	Pandrup	75 %
Scandinavian Boiler Service Inc.	USA	75 %
Scandinavian Boiler Service (Asia) Pte. Ltd.	Singapore	57 %
SBS Gulf FZE	UAE	100 %
Scandinavian Boiler Service LLC	UAE	49 %
Scandinavian Boiler Service India Pte. Ltd.	India	90 %
SBS Pacific Asia Pte. Ltd.	Singapore	60 %
Scandinavian Boiler Service Nantong Ltd.	China	85 %
Scandinavian Boiler Service doo	Croatia	82,5 %
SBS Repair ApS	Pandrup	75 %
SBS Repair Pte Ltd.	Singapore	60 %
SBS (China) Pte. Ltd.	Singapore	57 %

Notes

All amounts in DKK.

		Group		Parent enterprise	
		31/12 2016	31/12 2015	31/12 2016	31/12 2015
10.	**Work in progress for the account of others**				
	Sales value of the production of the period	4.117.169	5.738.530	0	0
	Work in progress for the account of others, net	**4.117.169**	**5.738.530**	**0**	**0**
	The following is recognised:				
	Work in progress for the account of others (Current assets)	4.476.566	6.106.875	0	0
	Work in progress for the account of others(Short-term liabilities)	-359.397	-368.345	0	0
		4.117.169	**5.738.530**	**0**	**0**

		Group		Parent enterprise	
		31/12 2016	31/12 2015	31/12 2016	31/12 2015
11.	**Deferred tax assets**				
	Deferred tax assets 1 January 2016	868.960	1.990.650	0	286.003
	Defered tax of the result of the year	1.392.367	-1.121.690	0	0
		2.261.327	**868.960**	**0**	**286.003**

Based on the budgets up until 2019, the management finds it likely that future taxable income will be available, by which unutilised tax losses and unutilised tax deductions may be utilised.

12.	**Accrued income and deferred expenses**				
	Other prepayments/deferred income	1.432.049	1.780.020	0	0
		1.432.049	**1.780.020**	**0**	**0**

Notes

All amounts in DKK.

		Group		Parent enterprise	
		31/12 2016	31/12 2015	31/12 2016	31/12 2015
13.	**Contributed capital**				
	Contributed capital 1 January 2016	125.000	125.000	125.000	125.000
		125.000	**125.000**	**125.000**	**125.000**
14.	**Reserves for net revaluation as per the equity method**				
	Reserves for net revaluation 1 January 2016	0	0	3.976.896	2.829.821
	Share of results	0	0	-850.149	1.147.075
		0	**0**	**3.126.747**	**3.976.896**
15.	**Results brought forward**				
	Results brought forward 1 January 2016	7.316.985	7.342.362	3.340.090	4.512.541
	Profit or loss for the year brought forward	-1.254.841	-1.213.739	-404.692	-2.360.813
	Currency alignment	380.499	1.188.362	380.498	1.188.362
	Adjustment - Aquirered Minority	-705.563	0	-705.563	0
		5.737.080	**7.316.985**	**2.610.333**	**3.340.090**
16.	**Other provisions**				
	Provisions for guarentee	109.259	190.735	0	0
		109.259	**190.735**	**0**	**0**

Notes

All amounts in DKK.

17. Mortgage debt

Mortgage debt in total	14.582.997	14.977.839	0	0
Share of amount due within 1 year	-526.973	-411.048	0	0
	14.056.024	**14.566.791**	**0**	**0**
Share of liabilities due after 5 years	10.614.672	11.352.453	0	0

18. Leasing liabilities

Leasing liabilities in total	1.586.141	1.539.907	0	0
Share of amount due within 1 year	-279.358	-326.733	0	0
	1.306.783	**1.213.174**	**0**	**0**

19. Mortgage and securities

As security for mortgage debts, DKK 14.862.355, mortgage has been granted on land and buildings representing a book value of DKK 24.856.980 at 31 December 2016.

The group has insured owners mortgage at a total amount of DKK 1.500.000 as security for bank debts. The owners mortgage provided mortgages in land and buildings whose caarying amount at 31. december 2016 is DKK 5.265.000.

The group has issued a blank debentures as guarantee for the payment of rent payabales DKK. 1.075.000.

20. Contingencies

Contingent liabilities

The group has entered into a rent building contract that experis on December 1. 2019. The annual rent is currently DKK 180.000.

Joint taxation

The company is the administration company of the group of companies subject to the Danish scheme of joint taxation and unlimited jointly and severally liable with the other jointly taxed companies for the total corporation tax.

Notes

All amounts in DKK.

. **Contingencies (continued)**

Joint taxation (continued)

The company is unlimited jointly and severally liable with the other jointly taxed companies for any obligation to withhold tax on interest, royalties and dividends.

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.

21. Related parties

Controlling interest

Danish Marine Holding GbR Kaiserstrasse 4 Kiel Germany	Majority shareholder

	Group	
	2016	2015
22. Adjustments		
Depreciation and amortisation	3.391.083	2.457.569
Income from equity investments in group enterprises	0	0
Other financial income	-138.778	-263.483
Other financial costs	2.584.505	2.148.045
Tax on ordinary results	-904.117	2.205.989
Other adjustments	-130.973	131.912
	4.801.720	**6.680.032**

	2016	2015
23. Change in working capital		
Change in inventories	-926.273	-1.012.455
Change in debtors	3.276.280	-10.700.826
Change in trade creditors and other liabilities	-712.482	6.790.075
	1.637.525	**-4.923.206**