# Danish Marine Service ApS

**Karetmagervej 1, 9490 Pandrup**

**Company reg. no. 31 57 82 56**

## Annual report

## 1 January - 31 December 2020

The annual report was submitted and approved by the general meeting on the 7 May 2021.

Tham Yew Hong
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 report

The managing director has today presented the annual report of Danish Marine Service ApS for the financial year 1 January to 31 December 2020.

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 at 31 December 2020, 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 2020.

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

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

Pandrup, 7 May 2021

**Managing Director**

Tham Yew Hong
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 2020, which comprise profit and loss account, balance sheet, statement of changes in equity, notes and accounting policies, 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 2020 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 2020 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 financial statements and the annual accounts**

Management is responsible for the preparation of consolidated financial statements and annual accounts that give a true and fair view in accordance with the Danish Financial Statements Act. Management is also responsible for such internal control as the management determines is necessary to enable the preparation of consolidated financial statements 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, 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 management and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of 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.

## Independent auditor's report

- 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**

Management is responsible for the management's review.

Our opinion on the consolidated financial statements 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 financial statements 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 or 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 financial statements and 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, 7 May 2021

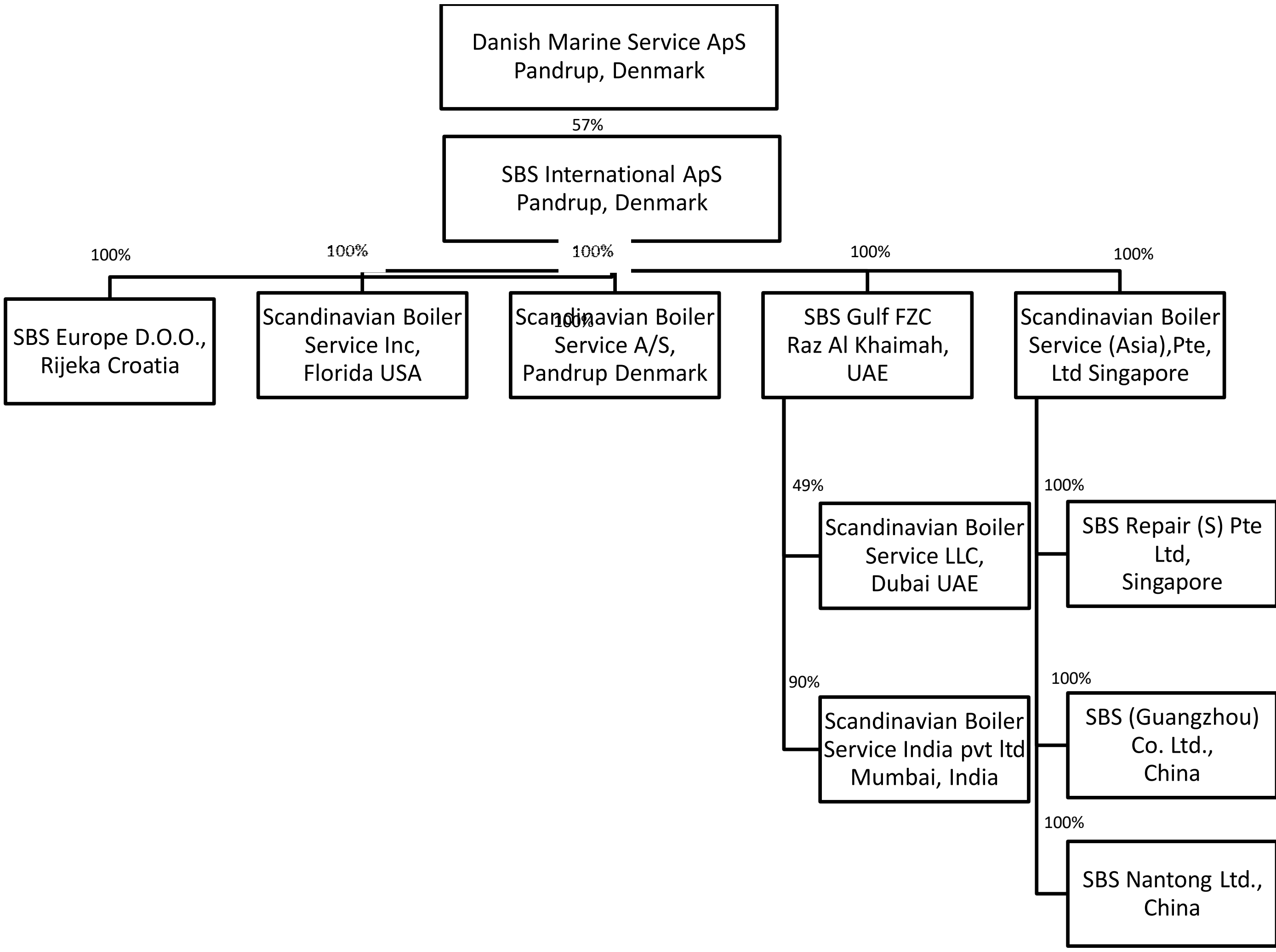
**Redmark**
State Authorised Public Accountants
Company reg. no. 29 44 27 89

Marian Fruergaard
State Authorised Public Accountant
mne24699

## Company information

| | | |
|---|---|---|
| **The company** | Danish Marine Service ApS<br>Karetmagervej 1<br>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** | Tham Yew Hong, Director | |
| **Auditors** | Redmark<br>Statsautoriseret Revisionspartnerselskab<br>Hasseris Bymidte 6<br>9000 Aalborg | |
| **Subsidiaries** | SBS International ApS, Pandrup<br>Scandinavian Boiler Service A/S, Pandrup<br>Scandinavian Boiler Service Inc., USA<br>Scandinavian Boiler Service (Asia) Pte. Ltd., Singapore<br>SBS Gulf FZE, UAE<br>Scandinavian Boiler Service LLC, UAE<br>Scandinavian Boiler Service India Pte. Ltd., India<br>Scandinavian Boiler Service Nantong Ltd., China<br>SBS Europe D.o.o,, Croatia<br>SBS Repair (S)Pte Ltd., Singapore<br>SBS Repair (Guangzhou) Co. Ltd., China | |

## Koncernoversigt



## Consolidated financial highlights

| DKK in thousands. | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|
| **Income statement:** | | | | | |
| Gross profit | 25.594 | 44.177 | 43.742 | 64.261 | 53.811 |
| Profit from operating activities | 767 | 2.355 | -10.163 | -3.427 | 1.937 |
| Net financials | -2.320 | -2.415 | -1.624 | -2.569 | -2.446 |
| Net profit or loss for the year | -1.745 | -1.019 | -12.958 | -6.541 | 396 |
| **Statement of financial position:** | | | | | |
| Balance sheet total | 62.144 | 76.398 | 69.777 | 107.764 | 97.484 |
| Investments in property, plant and equip-ment | -3.553 | -313 | -6.580 | -3.200 | -539 |
| Equity | 2.751 | 6.639 | 7.105 | 19.161 | 17.090 |
| **Cash flows:** | | | | | |
| Operating activities | 5.772 | 1.922 | 6.499 | -2.494 | 3.441 |
| Investing activities | -3.188 | -266 | 8.761 | -4.272 | -1.480 |
| Financing activities | -1.564 | -196 | -16.787 | -746 | -1.092 |
| Total cash flows | 1.020 | 1.460 | -1.527 | -7.512 | 870 |
| **Employees:** | | | | | |
| Average number of full-time employees | 80 | 118 | 104 | 109 | 92 |
| **Key figures in %:** | | | | | |
| Acid test ratio | 89,8 | 104,7 | 95,5 | - | - |
| Solvency ratio | -12,8 | -6,5 | -5,7 | 3,3 | 6,0 |
| Return on equity | - | - | - | -92,7 | -18,9 |

Calculations of key figures and ratios follow the recommendations of the Danish Association of Finance Analysts.

## Management commentary

### The principal activities of the group

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

### Development in activities and financial matters

2020 is a challenging year, the COVID-19 pandemic has greatly affected the maritime industry which SBS is in. While SBS is making its best efforts to prevent the further spread of COVID-19, as well as ensuring business continuity to fulfil its social responsibility as a corporate, and adverse effect on its operating results for the short term is unavoidable.

The gross sales for the year amount to DKK 66.129.282 against DKK 104.272.528 last year. The gross profit for the year is DKK 26.536.591 against DKK 44.176.660 last year. The results after tax of the year are DKK -1.553.520 against DKK -1.019.332 last year.

### The expected development

In 2020, we have collaboration with Tegma on Thermo Electrical Power Unit (TEPU) which is a solution for utilizing waste energy onboard vessels. We believe green product is the future trend as shipowners and managers continue to grapple with big challenges to meet IMO2030 and IMO2050 targets to reduce greenhouse gas emissions.

Changes in the business environment are becoming more intense year by year, and we believe the current COVID-19 situation will make our business condition even more intense.

There is still travel restriction in 2021, however with the vaccine roll out and better & speedy COVID-19 test will definitely help our business.

The market in Europe is recovering from pandemic shock and consumer goods are in high demand, resulting in a lot of business for the container liners. For months now it has been difficult to find vacant slots in the Asia-Europe routes and even getting a container is now a challenge. This leaves the container business segment in a very strong condition, even considering new deliveries of more super-carriers over the coming years. Market leader Maersk has announced that they don’t see a new building boom as a result, as future propulsion technology is still undetermined, prompting more interest in retrofits and non-fossil fuels.

The tanker market appears solid, though not as hot as the container segment. Many companies are still struggling to get scrubbers installed, somewhat hampered by corona-restrictions and material shortage. VLCC’s are still used for floating storage, but to a lesser extent, as the oil prices are recovering to a more normal level. HFO is now back above the 400 USD-mark, well above the level making WHR-projects feasible and the spread to LSMGO is down to 150 USD, somewhat lower than the historic +200 level, disfavoring more scrubber investments and the use of HFO.

## Management commentary

The cruise segment remains dead quiet and over the past year, more than a dozen large ships have been sent to the ship breakers, especially Carnival has sacrificed tonnage and sent some good old clients of ours on the beach. This segment will only pick up in full once there is an internationally accepted vaccine pass or the pandemic has blown over, so we will be in Q3-Q4 before there is any light in this tunnel.

Bulkers remain a low cost segment that we have never been strong in on anything but spare parts. There seems to be a surplus of vessels and for strange reasons both Chinese and Japanese yards continue to build new ships to an oversaturated market. In general, both boilers and power packs are too small to be really significant, so I see no signs of new opportunities here.

Over the next 2-3 years, we will see a rapid development in climate friendly solutions, with the use of HFO fired boilers declining and focus on waste heat utilization increasing.
Our focus remains on developing our end-to-end effective boiler service, repair, spare part and technology solutions.

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.

Therefore, the Management has great faith and optimism moving forward.

**Events subsequent to the financial year**

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

## Income statement 1 January - 31 December

All amounts in DKK.

| Note | | Group 2020 | Group 2019 | Parent 2020 | Parent 2019 |
|---|---|---|---|---|---|
| | **Gross profit** | **25.593.838** | **44.176.660** | **-26.376** | **-20.100** |
| 2 | Staff costs | -22.726.174 | -39.587.734 | 0 | 0 |
| | Depreciation, amortisation and writedown relating to tangible and intangible fixed assets | -2.100.781 | -2.233.885 | 0 | 0 |
| | **Operating profit** | **766.883** | **2.355.041** | **-26.376** | **-20.100** |
| | Income from equity investments in group enterprises | 0 | 0 | -449.615 | -29.113 |
| | Other financial income | 900.386 | 647.336 | 0 | 0 |
| 3 | Other financial costs | -3.220.785 | -3.062.020 | -1.257.925 | -1.275.854 |
| | **Pre-tax net profit or loss** | **-1.553.516** | **-59.643** | **-1.733.916** | **-1.325.067** |
| | Tax on ordinary results | -191.881 | -959.689 | 0 | 0 |
| **4** | **Net profit or loss for the year** | **-1.745.397** | **-1.019.332** | **-1.733.916** | **-1.325.067** |
| | Break-down of the consolidated profit or loss: | | | | |
| | Shareholders in Danish Marine Service ApS | -1.733.911 | -1.325.065 | | |
| | Minority interests | -11.486 | 305.733 | | |
| | | **-1.745.397** | **-1.019.332** | | |

## Statement of financial position at 31 December

All amounts in DKK.

**Assets**

| Note | | Group 2020 | Group 2019 | Parent 2020 | Parent 2019 |
|---|---|---|---|---|---|
| | **Non-current assets** | | | | |
| 5 | Goodwill | 3.670.880 | 4.324.699 | 0 | 0 |
| | Total intangible assets | 3.670.880 | 4.324.699 | 0 | 0 |
| 6 | Property | 27.672.300 | 30.746.858 | 0 | 0 |
| 7 | Plant and machinery | 215.701 | 495.434 | 0 | 0 |
| 8 | Other fixtures and fittings, tools and equipment | 3.627.536 | 608.243 | 0 | 0 |
| | Total property, plant, and equipment | 31.515.537 | 31.850.535 | 0 | 0 |
| 9 | Equity investments in group enterprises | 0 | 0 | 17.156.913 | 18.827.809 |
| 10 | Deposits | 9.771 | 10.796 | 0 | 0 |
| | Total investments | 9.771 | 10.796 | 17.156.913 | 18.827.809 |
| | **Total non-current assets** | **35.196.188** | **36.186.030** | **17.156.913** | **18.827.809** |

## Statement of financial position 31 December

All amounts in DKK.

**Assets**

| Note | | Group 2020 | Group 2019 | Parent 2020 | Parent 2019 |
|---|---|---|---|---|---|
| | **Current assets** | | | | |
| | Raw materials and consumables | 6.338.804 | 11.164.680 | 0 | 0 |
| | Total inventories | 6.338.804 | 11.164.680 | 0 | 0 |
| | Trade debtors | 8.622.268 | 16.455.663 | 0 | 0 |
| | Amounts owed by group enterprises | 2.996.796 | 2.357.037 | 0 | 0 |
| 11 | Deferred tax assets | 518.486 | 518.486 | 0 | 0 |
| | Receivable corporate tax | 0 | 103.862 | 0 | 0 |
| | Other debtors | 883.884 | 2.819.005 | 0 | 0 |
| 12 | Accrued income and deferred expenses | 538.435 | 764.526 | 0 | 0 |
| | Total receivables | 13.559.869 | 23.018.579 | 0 | 0 |
| | Available funds | 7.049.143 | 6.029.206 | 0 | 0 |
| | **Total current assets** | **26.947.816** | **40.212.465** | **0** | **0** |
| | **Total assets** | **62.144.004** | **76.398.495** | **17.156.913** | **18.827.809** |

## Statement of financial position at 31 December

All amounts in DKK.

**Equity and liabilities**

| Note | | Group 2020 | Group 2019 | Parent 2020 | Parent 2019 |
|---|---|---|---|---|---|
| | **Equity** | | | | |
| 13 | Contributed capital | 125.000 | 125.000 | 125.000 | 125.000 |
| | Reserve for foreign currency translation | 0 | 0 | -905.449 | 315.832 |
| 14 | Retained earnings | -8.077.986 | -5.122.789 | -7.172.538 | -5.438.622 |
| | Equity before non-controlling interest. | -7.952.986 | -4.997.789 | -7.952.987 | -4.997.790 |
| | Minority interests | 10.704.196 | 11.637.002 | 0 | 0 |
| | **Total equity** | **2.751.210** | **6.639.213** | **-7.952.987** | **-4.997.790** |
| | **Provisions** | | | | |
| 15 | Other provisions | 120.332 | 353.737 | 0 | 0 |
| | **Total provisions** | **120.332** | **353.737** | **0** | **0** |
| | **Liabilities other than provisions** | | | | |
| 16 | Mortgage debt | 11.891.873 | 14.237.372 | 0 | 0 |
| 17 | Leasing liabilities | 288.897 | 743.037 | 0 | 0 |
| 18 | Debt to group enterprises | 16.604.536 | 15.834.295 | 16.604.536 | 15.834.295 |
| | Other payables | 485.423 | 169.578 | 0 | 0 |
| | Total long term liabilities other than provisions | 29.270.729 | 30.984.282 | 16.604.536 | 15.834.295 |

## Statement of financial position 31 December

All amounts in DKK.

**Equity and liabilities**

| Note | | Group 2020 | Group 2019 | Parent 2020 | Parent 2019 |
|---|---|---|---|---|---|
| | Current portion of long term payables | 1.291.105 | 1.223.516 | 0 | 0 |
| | Bank debts | 2.081.479 | 2.453.573 | 0 | 0 |
| | Prepayments received from customers | 602.505 | 900.160 | 0 | 0 |
| | Trade payables | 2.726.936 | 6.122.319 | 20.000 | 20.000 |
| | Payables to group enterprises | 18.880.438 | 21.302.940 | 8.485.364 | 7.971.304 |
| | Corporate tax | 364.474 | 816.849 | 0 | 0 |
| | Other payables | 4.054.796 | 5.601.906 | 0 | 0 |
| | Total short term liabilities other than provisions | 30.001.733 | 38.421.263 | 8.505.364 | 7.991.304 |
| | **Total liabilities other than provisions** | **59.272.462** | **69.405.545** | **25.109.900** | **23.825.599** |
| | **Total equity and liabilities** | **62.144.004** | **76.398.495** | **17.156.913** | **18.827.809** |

**1 Special items**

**19 Charges and security**

**20 Contingencies**

**21 Related parties**

## Consolidated statement of changes in equity

All amounts in DKK.

| | Contributed capital not paid | Reserve for net revaluation according to the equity method | Retained earnings | Non-controlling interests | Total |
|---|---|---|---|---|---|
| Equity 1 January 2019 | 125.000 | 0 | -4.124.694 | 11.104.231 | 7.104.537 |
| Share of results | 0 | 0 | -1.325.065 | 305.743 | -1.019.322 |
| Foreign currency adjustment | 0 | 0 | 315.832 | 218.626 | 534.458 |
| Aquired minority | 0 | 0 | 11.138 | 8.402 | 19.540 |
| Equity 1 2020 | 125.000 | 0 | -5.122.789 | 11.637.002 | 6.639.213 |
| Share of results | 0 | 0 | -1.733.916 | 11.486 | -1.722.430 |
| Foreign currency adjustment | 0 | 0 | -1.221.281 | -944.292 | -2.165.573 |
| | **125.000** | **0** | **-8.077.986** | **10.704.196** | **2.751.210** |

## Statement of changes in equity of the parent

All amounts in DKK.

| | Contributed capital | Reserve for foreign currency translation | Retained earnings | Total |
|---|---|---|---|---|
| Equity 1 January 2019 | 125.000 | 0 | -4.124.693 | -3.999.693 |
| Profit or loss for the year brought forward | 0 | 0 | -1.325.067 | -1.325.067 |
| Foreign currency translation adjustments | 0 | 315.832 | 0 | 315.832 |
| Aquired minority | 0 | 0 | 11.138 | 11.138 |
| Equity 1 January 2020 | 125.000 | 315.832 | -5.438.622 | -4.997.790 |
| Profit or loss for the year brought forward | 0 | 0 | -1.733.916 | -1.733.916 |
| Foreign currency translation adjustments | 0 | -1.221.281 | 0 | -1.221.281 |
| | **125.000** | **-905.449** | **-7.172.538** | **-7.952.987** |

## Statement of cash flows 1 January - 31 December

All amounts in DKK.

| Note | | Group 2020 | 2019 |
|---|---|---|---|
| | Results for the year | -1.745.397 | -1.019.332 |
| 22 | Adjustments | 3.925.193 | 6.376.964 |
| 23 | Change in working capital | 6.518.068 | -586.144 |
| | Cash flow from operating activities before net financials | 8.697.864 | 4.771.488 |
| | Interest received and similar amounts | 900.386 | 647.336 |
| | Interest paid and similar amounts | -3.220.785 | -3.062.020 |
| | Cash flow from ordinary activities | 6.377.465 | 2.356.804 |
| | Corporate tax paid | -605.134 | -434.435 |
| | **Cash flow from operating activities** | **5.772.331** | **1.922.369** |
| | Purchase of tangible fixed assets | -3.552.716 | -312.715 |
| | Sale of financial fixed assets | 364.240 | 46.236 |
| | **Cash flow from investment activities** | **-3.188.476** | **-266.479** |
| | Raising of long-term debts | 1.086.086 | 2.415.341 |
| | Repayments of long-term debt | -2.277.910 | -1.662.378 |
| | Change in short-term bank facilities | -372.094 | -949.265 |
| | **Cash flow from financing activities** | **-1.563.918** | **-196.302** |
| | **Changes in available funds** | **1.019.937** | **1.459.588** |
| | Available funds 1 January 2020 | 6.029.206 | 4.569.618 |
| | **Available funds 31 December 2020** | **7.049.143** | **6.029.206** |

| | | |
|---|---|---|
| **Available funds** | | |
| Available funds | 7.049.143 | 6.029.206 |
| **Available funds 31 December 2020** | **7.049.143** | **6.029.206** |

## 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 | |
|---|---|---|
| | 2020 | 2019 |
| Income: | | |
| State Aid Covid-19 | 1.996.428 | 0 |
| | 1.996.428 | 0 |
| Special items are recognised in the following items in the annual accounts: | | |
| Gross profit | 1.996.428 | 0 |
| **Results of special items, net** | **1.996.428** | **0** |

### 2. Staff costs

| | | |
|---|---|---|
| Salaries and wages | 20.744.263 | 36.487.943 |
| Pension costs | 1.226.410 | 1.708.561 |
| Other costs for social security | 755.501 | 1.391.230 |
| | **22.726.174** | **39.587.734** |
| Average number of employees | 80 | 118 |

## Notes

All amounts in DKK.

| | | Group 2020 | Group 2019 | Parent 2020 | Parent 2019 |
|---|---|---|---|---|---|
| **3.** | **Other financial costs** | | | | |
| | Financial costs, group enterprises | 2.063.075 | 1.520.177 | 1.321.519 | 1.271.020 |
| | Other financial costs | 1.157.710 | 1.541.843 | -63.594 | 4.834 |
| | | **3.220.785** | **3.062.020** | **1.257.925** | **1.275.854** |

| | | Parent 2020 | Parent 2019 |
|---|---|---|---|
| **4.** | **Proposed appropriation of net profit** | | |
| | Allocated from retained earnings | -1.733.916 | -1.325.067 |
| | **Total allocations and transfers** | **-1.733.916** | **-1.325.067** |

| | | Group 31/12 2020 | Group 31/12 2019 |
|---|---|---|---|
| **5.** | **Goodwill** | | |
| | Cost 1 January 2020 | 11.664.771 | 11.664.771 |
| | **Cost 31 December 2020** | **11.664.771** | **11.664.771** |
| | Amortisation and writedown 1 January 2020 | -7.340.072 | -6.686.252 |
| | Amortisation and writedown for the year | -653.819 | -653.820 |
| | **Amortisation and writedown 31 December 2020** | **-7.993.891** | **-7.340.072** |
| | **Carrying amount, 31 December 2020** | **3.670.880** | **4.324.699** |

## Notes

All amounts in DKK.

| | | Group 31/12 2020 | 31/12 2019 |
|---|---|---|---|
| **6.** | **Property** | | |
| | Cost 1 January 2020 | 21.882.312 | 21.608.200 |
| | Translation by use of the exchange rate valid on balance sheet date 31 December 2020 | -2.426.361 | 274.112 |
| | **Cost 31 December 2020** | **19.455.951** | **21.882.312** |
| | Revaluation 1 January 2020 | 11.719.944 | 11.719.944 |
| | **Revaluation 31 December 2020** | **11.719.944** | **11.719.944** |
| | Depreciation and writedown 1 January 2020 | -2.855.398 | -2.362.545 |
| | Translation by use of the exchange rate valid on balance sheet date 31 December 2020 | 378.580 | 280.083 |
| | Depreciation and writedown for the year | -1.026.777 | -772.936 |
| | **Depreciation and writedown 31 December 2020** | **-3.503.595** | **-2.855.398** |
| | **Carrying amount, 31 December 2020** | **27.672.300** | **30.746.858** |

| | | Group 31/12 2020 | 31/12 2019 |
|---|---|---|---|
| **7.** | **Plant and machinery** | | |
| | Cost 1 January 2020 | 2.794.693 | 2.735.022 |
| | Translation by use of the exchange rate valid on balance sheet date 31 December 2020 | -132.180 | 30.457 |
| | Additions during the year | 0 | 29.214 |
| | **Cost 31 December 2020** | **2.662.513** | **2.794.693** |
| | Depreciation and writedown 1 January 2020 | -2.299.259 | -1.977.301 |
| | Translation by use of the exchange rate valid on balance sheet date 31 December 2020 | 113.715 | -30.786 |
| | Depreciation and writedown for the year | -261.268 | -291.172 |
| | **Depreciation and writedown 31 December 2020** | **-2.446.812** | **-2.299.259** |
| | **Carrying amount, 31 December 2020** | **215.701** | **495.434** |

## Notes

All amounts in DKK.

| | | Group | |
|---|---|---|---|
| | | 31/12 2020 | 31/12 2019 |
| **8.** | **Other fixtures and fittings, tools and equipment** | | |
| | Cost 1 January 2020 | 8.704.334 | 8.377.010 |
| | Translation by use of the exchange rate valid on balance sheet date 31 December 2020 | -812.702 | 43.823 |
| | Additions during the year | 3.552.716 | 283.501 |
| | Disposals during the year | -1.125.091 | 0 |
| | **Cost 31 December 2020** | **10.319.257** | **8.704.334** |
| | Depreciation and writedown 1 January 2020 | -8.096.091 | -7.663.399 |
| | Translation by use of the exchange rate valid on balance sheet date 31 December 2020 | 438.196 | 83.265 |
| | Depreciation and writedown for the year | -158.917 | -515.957 |
| | Depreciation and writedown, assets disposed of | 1.125.091 | 0 |
| | **Depreciation and writedown 31 December 2020** | **-6.691.721** | **-8.096.091** |
| | **Carrying amount, 31 December 2020** | **3.627.536** | **608.243** |

## Notes

All amounts in DKK.

| | | Parent | |
|---|---|---|---|
| | | 31/12 2020 | 31/12 2019 |
| **9.** | **Equity investments in group enterprises** | | |
| | Acquisition sum, opening balance 1 January 2020 | 17.193.106 | 17.193.106 |
| | **Cost 31 December 2020** | **17.193.106** | **17.193.106** |
| | Revaluations, opening balance 1 January 2020 | 6.920.451 | 6.188.208 |
| | Results for the year before goodwill amortisation | -15.229 | 405.273 |
| | Currency alignment | -1.221.281 | 315.832 |
| | Other movements in capital | 0 | 11.138 |
| | **Revaluation 31 December 2020** | **5.683.941** | **6.920.451** |
| | Amortisation of goodwill, opening balance 1 January 2020 | -5.285.748 | -4.851.362 |
| | Amortisation of goodwill for the year | -434.386 | -434.386 |
| | **Depreciation on goodwill 31 December 2020** | **-5.720.134** | **-5.285.748** |
| | **Book value 31 December 2020** | **17.156.913** | **18.827.809** |
| | The items include goodwill with an amount of | 3.401.971 | 3.836.357 |

**Group enterprises:**

| | **Domicile** | **Share of ownership** |
|---|---|---|
| SBS International ApS | Pandrup | 57 % |
| Scandinavian Boiler Service A/S | Pandrup | 57 % |
| Scandinavian Boiler Service Inc. | USA | 57 % |
| Scandinavian Boiler Service (Asia) Pte. Ltd. | Singapore | 57 % |
| SBS Gulf FZE | UAE | 57 % |
| Scandinavian Boiler Service LLC | UAE | 28 % |
| Scandinavian Boiler Service India Pte. Ltd. | India | 51 % |
| Scandinavian Boiler Service Nantong Ltd. | China | 57 % |
| SBS Europe D.o.o, | Croatia | 57 % |
| SBS Repair (S)Pte Ltd. | Singapore | 57 % |
| SBS Repair (Guangzhou) Co. Ltd. | China | 57 % |

## Notes

All amounts in DKK.

| | | Group 31/12 2020 | 31/12 2019 |
|---|---|---|---|
| **10.** | **Deposits** | | |
| | Cost 1 January 2020 | 10.796 | 57.032 |
| | Disposals during the year | -1.025 | -46.236 |
| | **Cost 31 December 2020** | **9.771** | **10.796** |
| | **Book value 31 December 2020** | **9.771** | **10.796** |
| **11.** | **Deferred tax assets** | | |
| | Deferred tax assets 1 January 2020 | 518.486 | 530.184 |
| | Deferred tax of the results for the year | 0 | -11.698 |
| | | **518.486** | **518.486** |
| | The following items are subject to deferred tax: | | |
| | Losses carried forward from previous years | 518.486 | 518.486 |
| | | **518.486** | **518.486** |
| **12.** | **Accrued income and deferred expenses** | | |
| | Other prepayments/deferred income | 538.435 | 764.526 |
| | | **538.435** | **764.526** |

## Notes

All amounts in DKK.

| | | Group | | Parent | |
|---|---|---|---|---|---|
| | | 31/12 2020 | 31/12 2019 | 31/12 2020 | 31/12 2019 |
| **13.** | **Contributed capital** | | | | |
| | Contributed capital 1 January 2020 | 125.000 | 125.000 | 125.000 | 125.000 |
| | | **125.000** | **125.000** | **125.000** | **125.000** |
| **14.** | **Retained earnings** | | | | |
| | Retained earnings 1 January 2020 | -5.438.621 | -4.124.693 | -5.438.622 | -4.124.693 |
| | Profit or loss for the year brought forward | -1.733.916 | -1.325.066 | -1.733.916 | -1.325.067 |
| | Currency alignment | -905.449 | 315.832 | 0 | 0 |
| | Aquired minority | 0 | 11.138 | 0 | 11.138 |
| | | **-8.077.986** | **-5.122.789** | **-7.172.538** | **-5.438.622** |

| | | Group | |
|---|---|---|---|
| | | 31/12 2020 | 31/12 2019 |
| **15.** | **Other provisions** | | |
| | Provisions for guarentee | 120.332 | 353.737 |
| | | **120.332** | **353.737** |
| **16.** | **Mortgage debt** | | |
| | Mortgage debt in total | 12.974.303 | 15.094.248 |
| | Share of amount due within 1 year | -1.082.430 | -856.876 |
| | | **11.891.873** | **14.237.372** |
| | Share of liabilities due after 5 years | 5.150.861 | 7.864.756 |

## Notes

All amounts in DKK.

| | | Group 31/12 2020 | Group 31/12 2019 |
|---|---|---|---|
| **17.** | **Leasing liabilities** | | |
| | Leasing liabilities in total | 497.572 | 1.109.677 |
| | Share of amount due within 1 year | -208.675 | -366.640 |
| | | **288.897** | **743.037** |
| | Share of liabilities due after 5 years | 0 | 0 |

| | | Group 31/12 2020 | Group 31/12 2019 | Parent 31/12 2020 | Parent 31/12 2019 |
|---|---|---|---|---|---|
| **18.** | **Debt to group enterprises** | | | | |
| | Debt to group enterprises in total | 16.604.536 | 15.834.295 | 16.604.536 | 15.834.295 |
| | Share of amount due within 1 year | 0 | 0 | 0 | 0 |
| | **Debt to group enterprises in total** | **16.604.536** | **15.834.295** | **16.604.536** | **15.834.295** |
| | Share of liabilities due after 5 years | 0 | 0 | 0 | 0 |

**19. Charges and security**

Group

As security for mortgage debts, DKK 12.974.303, mortgage has been granted on land and buildings representing a book value of DKK 27.672.300 at 31 December 2020.

**20. Contingencies**

**Contingent liabilities**

Group

Leasing liabilities

In addition to financial leasing contracts, the company has entered into operational leasing contracts with an average annual leasing payment of DKK 132.010. The leasing contracts have 12 months left to run, and the total outstanding leasing payment is DKK 132.010.

## Notes

All amounts in DKK.

**20. Contingencies (continued)**

**Contingent liabilities (continued)**

Recourse guarantee commitments

The group has entered into a rent building contract that experis on December 1. 2022. The annual rent is currently DKK 153.723.

**Joint taxation**

The company acts as administration company for the group of companies subject to the Danish scheme of joint taxation and is unlimitedly, jointly, and severally liable, along with the other jointly taxed companies, to pay the total corporation tax.

The company is unlimitedly, jointly, and severally liable, along with the other jointly taxed companies, for any obligations 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.

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

**21. Related parties**

**Controlling interest**

| | |
|---|---|
| Danish Marine Holding GbR, Kaiserstrasse 4, Kiel, Germany | Majority shareholder |

## Notes

All amounts in DKK.

| | | Group 2020 | 2019 |
|---|---|---|---|
| **22.** | **Adjustments** | | |
| | Depreciation and amortisation | 2.100.781 | 2.233.885 |
| | Other financial income | -900.386 | -647.336 |
| | Other financial costs | 3.220.785 | 3.062.020 |
| | Tax on ordinary results | 191.881 | 959.689 |
| | Other adjustments | -687.868 | 768.706 |
| | | **3.925.193** | **6.376.964** |

| | | Group 2020 | 2019 |
|---|---|---|---|
| **23.** | **Change in working capital** | | |
| | Change in inventories | 4.825.876 | -1.108.116 |
| | Change in debtors | 9.354.848 | -5.352.406 |
| | Change in trade creditors and other liabilities | -7.662.656 | 5.874.378 |
| | | **6.518.068** | **-586.144** |

## Accounting policies

The annual report for Danish Marine Service ApS has been presented in accordance with the Danish Financial Statements Act regulations concerning reporting class C enterprises (medium sized 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 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.

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 financial statements**

The consolidated income statements 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 exercise control.

*Consolidation policies*

The consolidated financial statements have been prepared as a summary of the parent company's and the group enterprises' financial statements by adding together uniform accounting records calculated in accordance with the group's accounting policies.

Investments in group enterprises are eliminated by the proportionate share of the group enterprises' market value of net assets and liabilities at the acquisition date.

In the consolidated financial statements, the accounting records of the group enterprises are recognised by 100%. The minority interests' share of the profit for the year and of the equity in the group enterprises, which are not 100% owned, is included in the group's profit and equity, but presented separately.

Purchases and sales of minority interests under continuing control are recognised directly in equity as a transaction between shareholders.

Investments in associates are measured in the statement of financial position at the proportionate share of the enterprises' equity value i calculated in accordance with the parent company's accounting policies and with proportionate elimination of unrealised intercompany gains and losses. In the income statement, the proportional share of the associates' results is recognised after elimination of the proportional share of intercompany gains and losses.

The group activities in joint operations are recognised in the consolidated financial statements record by record.

**Non-controlling interests**

Non-controlling interests constitute a share of the group's total equity. By distribution of net profit, profit or loss for the year is distributed on the share attributable to the non-controlling interests and the share attributable to the parent's shareholders respectively.

## Income statement

**Gross profit**

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

The enterprise will be applying IAS 11 and 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. Recognition of revenue is exclusive of VAT and taxes and less any discounts relating directly to sales.

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

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

### Staff costs

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

### Depreciation, amortisation and writedown

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

### 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 equity investments in group enterprises

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

### 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 and the Danish group enterprises are subject to the Danish rules on compulsory joint taxation of the consolidated Danish enterprises. The parent 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 assets

### Development projects, patents, and licences

Development costs and internally generated rights are recognised in the income statement as costs in the acquisition year.

Patents and licenses are measured at cost less accrued amortisation. Patents are amortised on a straightline basis over the remaining patent period and licenses are amortised over the contract period, however, for a maximum of 10 years.

Profit and loss from the sale of development projects, patents, and licenses are measured as the difference between the sales price less sales costs and the carrying amount at the time of sale. Profit or loss are recognised in the income statement as other operating income or other operating expenses, respectively.

**Goodwill**

Acquired goodwill is measured at cost less accumulated amortisation. Given that it is impossible to make a reliable estimate of the useful life, the amortisation period is set at 10 years.

**Property, plant, and equipment**

Property is measured at cost plus revaluations and less accrued depreciation and writedown for impairment. Land is not subject to depreciation.

Property is revaluated on the basis of regular, independent fair-value assessments. Net revaluation at fair value adjustment is recognised directly in equity less deferred tax and tied up in a particular revaluation reserve. Net impairment loss at fair value adjustment is recognised in the income statement.

The depreciable amount is cost plus revaluations at fair value less expected residual value after the end of the useful life of the asset. The amortisation period is fixed at the acquisition date and reassessed annually. If the residual value exceeds the carrying mount of the asset, depreciation is discontinued.

Reversal of previous revaluations and recognised deferred taxes concerning revaluations are recognised directly in company equity.

Other property, plant, and equipment are measured at cost less accrued depreciation and writedown for impairment.

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.

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

## Accounting policies

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 group holds all essential risks and advantages associated with the proprietary right (finance lease) are measured either at fair value 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.

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 group's total liabilities concerning operating leases and lease agreements are recognised under contingencies, etc.

## Accounting policies

**Impairment loss relating to non-current assets**

The carrying amount of both intangible and tangible fixed assets as well as equity investments in group enterprises 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.

**Financial fixed assets**

**Equity in group enterprises**

Equity in group enterprises are recognised and measured by applying the equity method. The equity method is used as a method of consolidation.

Equity in group enterprises 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 group enterprises, associates and equity interests but are not represented in the parent, the following accounting policies have been applied.

Equity in group enterprises with a negative equity value 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 group enterprises are transferred to the reserve under equity for net revaluation according to the equity method. Dividends from group enterprises 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 group enterprises.

Newly acquired or newly established companies are recognised in the financial statement as of the time of acquisition. Sold or liquidated companies are recognised until the date of disposal.

On the acquisition of enterprises, the acquisition method, the uniting-of-interests method or the book value method is applied, cf. the above description under Business combinations.

**Deposits**

Deposits are measured at amortised cost and represent rent deposits, etc.

**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.

Costs of goods for resale, raw materials, and consumables comprise acquisition costs plus delivery costs.

Costs of manufactured goods and work in progress comprise the cost of raw materials, consumables, direct wages, and indirect production costs. Indirect production costs comprise indirect materials and wages, maintenance and depreciation of machinery, factory buildings, and equipment used in the production process, and costs for factory administration and factory management. Borrowing expenses are not recognised in cost.

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

**Receivables**

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

## Accounting policies

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.

Accounts receivable for which there is no objective indication of impairment at the individual level are evaluated at portfolio level for objective indication of impairment. The portfolios are primarily based on the debtors' domicile and credit rating in accordance with the company's and the group's credit risk management policy. Determination of the objective indicators applied for portfolios are based on experience with historical losses.

Impairment losses are calculated as the difference between the carrying amount of accounts receivable and the present value of the expected cash flows, including the realisable value of any securities received. The effective interest rate for the individual account receivable or portfolio is used as the discount rate.

**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**

**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**

As administration company, Danish Marine Service ApS is liable to the tax authorities for the subsidiaries' corporate income taxes.

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.

## Accounting policies

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 ”Income tax receivable” or “Income tax payable”.

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.

**Provisions**

Provisions comprise expected costs of warranty commitments, loss on work in progress, restructuring, etc. Provisions are recognised when the group 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 group.

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.

On the acquisition of entities, provisions for restructuring within the acquired entity are included in the acquisition cost, and thereby in the goodwill or the consolidated goodwill, to the extent that they have been recognised in the financial statements of the acquired entity in advance of the acquisition. Provisions for restructuring are included to the extent that they have been decided at the date of acquisition at the latest and that the process have been commenced.

When it is likely that the total costs will exceed the total income of contract work in progress, the total expected loss on the contract work in progress will be recognised as provisions for liabilities. The provision is recognised under production costs.

### 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.

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

Liabilities other than provisions relating to investment properties are measured at amortised cost.

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

## Statement of cash flows

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

The effect on cash flows derived from the acquisition and sale of enterprises appears separately under cash flows from investment activities. In the statement of cash flows, cash flows derived from acquirees are recognised as of the date of acquisition, and cash flows derived from sold enterprises are recognised until the date of sale.

### Cash flows from operating activities

Cash flows from operating activities are calculated as the group's share of the profit adjusted for non-cash operating items, changes in the working capital, and corporate income tax paid. Dividend income from equity investments are recognised under “Interest income and dividend received”.

### Cash flows from investment activities

Cash flows from investment activities comprise payments in connection with the acquisition and sale of enterprises and activities as well as the acquisition and sale of intangible assets, property, plant, and equipment, and investments, respectively.

## Accounting policies

### Cash flows from financing activities

Cash flows from financing activities include changes in the size or the composition of the group's share capital and costs attached to it, as well as raising loans, repayments of interest-bearing payables and payment of dividend to shareholders.

### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and shortterm financial instruments with a term of less than 3 months, which can easily be converted into cash and cash equivalents and are associated with an insignificant risk of value change.