
ST Engineering Aerospace Solutions A/S

Amager Strandvej 392, DK-2770 Kastrup

Annual Report for 1 January - 31 December 2022

CVR No 28 50 10 48

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
14/7 2023

Henrik Eilif Schlotfeldt
Chairman of the General
Meeting



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Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of ST Engineering Aerospace Solutions A/S for the financial year 1 January - 31 December 2022.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2022 of the Company and of the results of the Company operations for 2022.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Copenhagen, 14 July 2023

Executive Board

Henrik Eilif Schlotfeldt

Board of Directors

Lam Wai Meng Jeffrey
Chairman

Lit Yoke Suan

Goh Poh Loh

Kieran Gerard Butler

Independent Auditor's Report

To the Shareholder of ST Engineering Aerospace Solutions A/S

Report on the Financial Statements

Qualified Opinion

In our opinion, excepting the potential effects of the matter described in the Basis for qualified opinion paragraph, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2022 and of the results of the Company's operations for the financial year 1 January - 31 December 2022 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of ST Engineering Aerospace Solutions A/S for the financial year 1 January - 31 December 2022, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("the Financial Statements").

Basis for Qualified Opinion

The Company has in 2021 and 2022 received inventory items of respectively EUR 1.3 million and EUR 0.7 million from its UK subsidiary with a total net realisation value of EUR 2.0 million as of 31 December 2022. The UK subsidiary is with-out activity, and the transfers have been made at EUR 0. In the financial year 2022, the Company has have recognised inventory items to net realization value of EUR 0.7 million and the gain from the write-up is recognized as income from Investments in subsidiaries.

As the transfer has been performed without any formal agreement or payment, we have not been able to obtain sufficient and appropriate audit documentation for the ownership or valuation of the inventory items recognized at a value of EUR 2 million or the recognized income from Investments in subsidiaries. Consequently, we have not been able to determine whether any changes to these amounts are necessary.

The Company's accounting records do not provide sufficient evidence supporting contract work in progress of EUR 4.9 million as of 31 December 2022. There were no satisfactory audit procedures that we could have performed to obtain reasonable assurance that the contract work in progress is properly recognised at the rate of completion. As a result, we were unable to determine whether any adjustments would be required in respect of recorded or unrecorded revenue.

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

Independent Auditor's Report

Statement on Management's Review

Management is responsible for Management's Review.

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

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

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

As described in the Basis for Qualified Opinion section, we express a qualified opinion on the financial statements due to lack of sufficient appropriate audit evidence for certain financial statement line items. We conclude, for the same reason, that Management's Review may not be free from material misstatement in relation to the amounts and other elements affected by these circumstances.

Management's responsibilities for the Financial Statements

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

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

Auditor's responsibilities for the audit of the Financial Statements

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

Independent Auditor's Report

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

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

Independent Auditor's Report

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

Reporting obligations under section 7(2) of the Danish Executive Order on Approved Auditors' Reports

Non-compliance with the Danish Bookkeeping Act

In our opinion, the Company has not complied with the requirements of the Danish Bookkeeping Act in respect of the bookkeeping being planned and conducted in accordance with generally accepted accounting practice with due consideration of the nature and size of its business.

Company Management may incur liability on the basis of the non-compliance with the Danish Bookkeeping Act.

Hellerup, 14 July 2023

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Ulrik Ræbild
State Authorised Public Accountant
mne33262

Gösta Gauffin
State Authorised Public Accountant
mne45821

Company Information

The Company

ST Engineering Aerospace Solutions A/S
Amager Strandvej 392
DK-2770 Kastrup

CVR No: 28 50 10 48

Financial period: 1 January - 31 December

Municipality of reg. office: Tårnby

Board of Directors

Lam Wai Meng Jeffrey, Chairman
Lit Yoke Suan
Goh Poh Loh
Kieran Gerard Butler

Executive Board

Henrik Eilif Schlotfeldt

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
DK-2900 Hellerup

Financial Highlights

Seen over a five-year period, the development of the Company is described by the following financial highlights:

	2022	2021	2020	2019	2018
	TEUR	TEUR	TEUR	TEUR	TEUR
Key figures					
Profit/loss					
Operating profit/loss	-370	-567	-8,501	-12,931	-20,532
Profit/loss before financial income and expenses	-370	-567	-9,452	-12,930	-22,994
Net financials	-225	839	-8,693	-3,011	-2,462
Net profit/loss for the year	-595	272	-18,145	-15,941	-22,994
Balance sheet					
Balance sheet total	47,089	46,677	44,130	54,778	56,819
Equity	-89,033	-88,479	-88,634	-70,523	-54,715
Investment in property, plant and equipment	9,989	3,203	5,874	1,252	1,169
Number of employees	74	72	79	87	93
Ratios					
Return on assets	-0.8%	-1.2%	-21.4%	-23.6%	-40.5%
Solvency ratio	-189.1%	-189.6%	-200.8%	-128.7%	-96.3%
Return on equity	0.7%	-0.3%	22.8%	25.5%	53.3%

The ratios have been prepared in accordance with the definitions described under accounting policies.

Management's Review

Principal activities

The Company's purpose is, directly or indirectly through shareholdings in other companies, to perform repair and overhaul of aircraft components and sale of assets and expendables for commercial aircrafts.

Profit/loss for the year

The income statement of the Company for 2022 shows a loss of TEUR 595, and at 31 December 2022 the balance sheet of the Company shows negative equity of TEUR 89,033.

Development in activities and financial position

The company baseload of business come from long term contracts valid for next 3-5 years. The contracts is expected to contribute considerably to the overall revenue. In 2021, the company has consolidated its position as a strategic and important service-provider in its segment.

The strategy focusing on MRO activities has proved successful, and the company expects the development from MRO activities to be increasing in the coming years, where the company's other activities will be kept at the same level or be wound up.

Investments

Apart from investments in ordinary operations, no significant investments were made in 2022.

Capital resources

The Company is financed by intra-group credit facilities and the shareholder has confirmed, through a letter of support, that they will provide funds if necessary for a period of at least until the approval of the 2022 financial statements.

In the opinion of the Board of Directors and the Managing Director, the Company's capital resources are adequate.

Uncertainty regarding recognition and measurement

In the financial statements, no deferred tax asset was recognised at 31 December 2022 (unchanged from previous year). Up to this year, the Company has realized operating losses for several years but is expected to be profitable going forward

Management's Review

Unusual events

During 2022, the aviation industry slowly gained momentum post the COVID 19 pandemic which has impacted the aero industry ever since its origin.

But unfortunately, the aftermath from the pandemic resulted us not achieving the expected result for 2022.

We believe next year financial result to improve leading to a net positive result.

Branches

Headquarter and administration is in Copenhagen, Denmark.

Our main branch for STEA Solutions Aerostructures MRO capabilities is centralised in our Stockholm based facility. Our team of aerostructures specialists have through dedication, innovation, and experience provided quality MRO services to the aviation community across the globe.

External environment

The external environment was impacted by the unprecedented pandemic, and among the toughest crises that many businesses had to manage, likewise for ST Engineering Aerospace Solutions. It upended the plans we had laid out for 2022 and put to test our Business Continuity plans.

The world today is not quite the same as before the pandemic. We are surrounded by more uncertainties, a wider drive for digital transformation enabled by technological advances, greater need for workforce competency to be better prepared for sustainable solutions.

Financial risks

The Company's activities are exposed to currency risk, interest rate risk and credit risk. Interest rate risk has been reduced as a consequence of the reduced external financing.

The Managing Director is responsible for outlining the objectives and underlying principles of financial risk management for the Company. On this basis, policies have been implemented with regard to risk identification and measurement, exposure of limits and hedging strategies, handling of financial risks and exposure measurement against limits set.

Currency risks

Currency risk is primarily related to exposures to DKK, SEK and USD in connection with the Company's operations. The Company manages this risk by entering into forward exchange contracts.

Management's Review

Outlook

The company is a significant player in the MRO market, the company has proven its strategy focus on the MRO market. It is our belief that our business platform is strong but we have no intention of stopping here. The Company will continue to focus on developing new product lines and on consolidating existing product lines.

In 2022, the Company will continue to invest in new repair capabilities that will become key products in the aviation industry for the years to come. On this basis, the Company plans to become a significant and competitive player in the industry going forward. Planned investments include the continuation of the capability development of new generation aircraft products.

The Company is at a stage where it has reduced its cost structure and developed its sales activities to a level where it is possible to take market shares from competitors and to secure a steady growth. The market for aircraft maintenance has been impacted by Corona virus and it is management's assessment that the whole aviation industry will still be affected with a reduced capacity until 2024.

Our overall expectations is a positive result of MEUR 2 for the year 2023.

Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Income Statement 1 January - 31 December

	Note	2022 TEUR	2021 TEUR
Gross profit/loss		6,904	5,736
Staff expenses	2	-5,087	-4,201
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	3	-2,187	-2,102
Profit/loss before financial income and expenses		-370	-567
Income from investments in subsidiaries		715	1,288
Financial income		1	1
Financial expenses	4	-941	-450
Profit/loss before tax		-595	272
Tax on profit/loss for the year		0	0
Net profit/loss for the year		-595	272

Balance Sheet 31 December

Assets

	Note	2022 TEUR	2021 TEUR
Development projects		600	97
Intangible assets	5	600	97
Lease assets		3,702	4,803
Plant and machinery		3,807	2,765
Other fixtures and fittings, tools and equipment		43	7
Rotables		12,904	6,867
Leasehold improvements		1,989	1,816
Property, plant and equipment in progress		0	1,625
Property, plant and equipment	6	22,445	17,883
Investments in subsidiaries	7	0	0
Fixed assets		23,045	17,980
Inventories	8	9,541	5,152
Trade receivables		1,921	1,543
Contract work in progress	9	4,923	6,506
Receivables from group enterprises		4,985	13,404
Other receivables		458	836
Receivables		12,287	22,289
Cash at bank and in hand		2,216	1,256
Currents assets		24,044	28,697
Assets		47,089	46,677

Balance Sheet 31 December

Liabilities and equity

	Note	2022 TEUR	2021 TEUR
Share capital		60,912	60,912
Reserve for development costs		384	0
Reserve for hedging transactions		6	-35
Retained earnings		-150,335	-149,356
Equity		-89,033	-88,479
Lease obligations		2,913	3,861
Payables to group enterprises		101,509	100,467
Other payables		176	176
Long-term debt	11	104,598	104,504
Lease obligations	11	1,067	1,062
Prepayments received from customers		2,423	0
Trade payables		1,551	4,074
Payables to group enterprises	11	22,433	21,496
Other payables	11	4,050	4,020
Short-term debt		31,524	30,652
Debt		136,122	135,156
Liabilities and equity		47,089	46,677
Going concern	1		
Distribution of profit	10		
Contingent assets	13		
Related parties	14		
Accounting Policies	15		

Statement of Changes in Equity

	Share capital	Reserve for development costs	Reserve for hedging transactions	Retained earnings	Total
	TEUR	TEUR	TEUR	TEUR	TEUR
Equity at 1 January	60,912	0	-35	-149,356	-88,479
Fair value adjustment of hedging instruments	0	0	41	0	41
Development costs for the year	0	384	0	-384	0
Net profit/loss for the year	0	0	0	-595	-595
Equity at 31 December	60,912	384	6	-150,335	-89,033

Notes to the Financial Statements

1 Going concern

The Company's equity is negative with the amount of EUR 89 million as of 31st of December 2022. The Company's current assets amounts to EUR 24 million and the short term liabilities amounts to EUR 32 million. The shareholder has provided a letter of support in which further funding is confirmed if required to continue the Company's operations and meet its obligation for a period of at least until the approval of the 2023 financial statements.

Based on this, the annual report is presented on the assumption of going concern.

	2022	2021
	TEUR	TEUR
2 Staff expenses		
Wages and salaries	3,631	2,826
Pensions	342	461
Other social security expenses	1,091	902
Other staff expenses	23	12
	<u>5,087</u>	<u>4,201</u>
Average number of employees	<u>74</u>	<u>72</u>

Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.

3 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment

Amortisation of intangible assets	8	7
Depreciation of property, plant and equipment	2,179	2,095
	<u>2,187</u>	<u>2,102</u>

4 Financial expenses

Interest paid to group enterprises	564	264
Other financial expenses	117	147
Exchange adjustments, expenses	260	39
	<u>941</u>	<u>450</u>

Notes to the Financial Statements

5 Intangible assets

	Development projects <u>TEUR</u>
Cost at 1 January	98
Additions for the year	<u>517</u>
Cost at 31 December	<u>615</u>
Amortisation for the year	<u>15</u>
Impairment losses and amortisation at 31 December	<u>15</u>
Carrying amount at 31 December (Awaiting description from management)	<u>600</u>

6 Property, plant and equipment

	Lease assets <u>TEUR</u>	Plant and machinery <u>TEUR</u>	Other fixtures and fittings, tools and equipment <u>TEUR</u>	Rotables <u>TEUR</u>	Leasehold improvements <u>TEUR</u>
Cost at 1 January	8,619	6,168	335	13,137	2,518
Additions for the year	0	1,417	56	8,086	430
Disposals for the year	<u>0</u>	<u>0</u>	<u>0</u>	<u>-3,987</u>	<u>0</u>
Cost at 31 December	<u>8,619</u>	<u>7,585</u>	<u>391</u>	<u>17,236</u>	<u>2,948</u>
Impairment losses and depreciation at 1 January	3,924	3,406	328	6,239	703
Depreciation for the year	993	372	20	538	256
Impairment and depreciation of sold assets for the year	<u>0</u>	<u>0</u>	<u>0</u>	<u>-2,445</u>	<u>0</u>
Impairment losses and depreciation at 31 December	<u>4,917</u>	<u>3,778</u>	<u>348</u>	<u>4,332</u>	<u>959</u>
Carrying amount at 31 December	<u>3,702</u>	<u>3,807</u>	<u>43</u>	<u>12,904</u>	<u>1,989</u>

Notes to the Financial Statements

	2022 <u>TEUR</u>	2021 <u>TEUR</u>
7 Investments in subsidiaries		
Cost at 1 January	7,000	7,000
Cost at 31 December	7,000	7,000
Value adjustments at 1 January	-7,000	-7,000
Value adjustments at 31 December	-7,000	-7,000
Carrying amount at 31 December	0	0

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership	Equity	Net profit/loss for the year
Airline Rotables (UK Holdings) Limited	Stansted, UK	3.079.680	100%	-2,065,073	0
Airline ST Engineering Rotables Limited	Stansted, UK	302.075	100%	-1,543,528	13,778,271

8 Inventories

	2022 <u>TEUR</u>	2021 <u>TEUR</u>
Raw materials and consumables	6,232	4,019
Work in progress	3,309	1,133
	9,541	5,152

9 Contract work in progress

	2022 <u>TEUR</u>	2021 <u>TEUR</u>
Selling price of work in progress	4,923	6,506
	4,923	6,506

Notes to the Financial Statements

	2022	2021
	TEUR	TEUR
10 Distribution of profit		
Retained earnings	-595	272
	-595	272

11 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

	2022	2021
	TEUR	TEUR
Lease obligations		
Between 1 and 5 years	2,913	3,861
Long-term part	2,913	3,861
Within 1 year	1,067	1,062
	3,980	4,923
Payables to group enterprises		
Between 1 and 5 years	101,509	100,467
Long-term part	101,509	100,467
Other short-term debt to group enterprises	22,433	21,496
	123,942	121,963
Other payables		
Between 1 and 5 years	176	176
Long-term part	176	176
Other short-term payables	4,050	4,020
	4,226	4,196

12 Derivative financial instruments

Derivative financial instruments contracts in the form of forward exchange contracts have been concluded. At the balance sheet date, the fair value of derivative financial instruments amounts to: TEUR 6.

Notes to the Financial Statements

13 Contingent assets

The unrecognised deferred tax asset relating to the Danish activities amounted to approximately EUR 47 million at 31 December 2022 (31 December 2021: EUR 47 million). The deferred tax asset primarily relates to tax losses carried forward.

14 Related parties

Basis

Controlling interest

ST Engineering RHQ Ltd.	Immediate parent
ST Engineering Ltd.	Ultimate parent

Transactions

The Company has chosen only to disclose transactions which have not been made on an arm's length basis in accordance with section 98(c)(7) of the Danish Financial Statements Act.

Ownership

The following shareholder is recorded in the Company's register of shareholders as holding at least 5% of the votes or at least 5% of the share capital:

ST Engineering RHQ Ltd.

Consolidated Financial Statements

The Company is included in the Group annual report of the Parent Company of the largest and smallest group:

Name	Place of registered office
ST Engineering Ltd.	Company Registration Number 1981 05870H 540 Airport Road, Paya Lebar Singapore 539938

Notes to the Financial Statements

15 Accounting Policies

The Annual Report of ST Engineering Aerospace Solutions A/S for 2022 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

Certain amounts have been reclassified in the comparative figures for 2021 to ensure the same presentation. The accounting policies applied remain unchanged from last year.

The Financial Statements for 2022 are presented in TEUR.

Consolidated financial statements

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements of ST Engineering Ltd., the Company has not prepared consolidated financial statements.

Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of , the Company has not prepared a cash flow statement.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Notes to the Financial Statements

15 Accounting Policies (continued)

Leases

The Company is applying IFRS 16 as its base of interpretation for both recognition and classification of leases.

A lease asset and a corresponding lease liability are recognised in the balance sheet when a lease has been concluded and the lease asset has been made available.

The lease asset is initially measured at cost equivalent to the value of the lease liability added prepaid lease payments. The lease liability is initially measured at the net present value of future lease payments discounted at the interest rate implicit in the lease or the Company's incremental borrowing rate if the interest rate implicit in the lease is not available.

Subsequently, the asset is measured at cost less accumulated depreciation and impairment losses. The lease asset is depreciated over the lease term. Depreciation is recognised on a straight-line basis in the income statement.

Leases with terms of less than 12 months are not recognised in the balance sheet. This also applies to leases of low-value assets. Lease payments are instead recognised in the income statement on a straightline basis over the lease term. No leases subject to variable payments have been concluded.

When assessing the expected lease term, the non-cancellable lease term is identified. If the lease includes an extension option which Management is reasonably certain to exercise, this is added to the non-cancellable lease term.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Notes to the Financial Statements

15 Accounting Policies (continued)

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently remeasured at their fair values. Positive and negative fair values of derivative financial instruments are classified as "Other receivables" and "Other payables", respectively.

Changes in the fair values of derivative financial instruments are recognised in the income statement unless the derivative financial instrument is designated and qualify as hedge accounting, see below.

Hedge accounting

Changes in the fair values of financial instruments that are designated and qualify as fair value hedges of a recognised asset or a recognised liability are recognised in the income statement as are any changes in the fair value of the hedged asset or the hedged liability related to the hedged risk.

Changes in the fair values of derivative financial instruments that are designated and qualify as hedges of expected future transactions are recognised in retained earnings under equity as regards the effective portion of the hedge. The ineffective portion is recognised in the income statement. If the hedged transaction results in an asset or a liability, the amount deferred in equity is transferred from equity and recognised in the cost of the asset or the liability, respectively. If the hedged transaction results in an income or an expense, the amount deferred in equity is transferred from equity to the income statement in the period in which the hedged transaction is recognised. The amount is recognised in the same item as the hedged transaction.

Changes in the fair values of financial instruments that are designated and qualify as hedges of net investments in independent foreign subsidiaries or associates are recognised directly in equity as regards the effective portion of the hedge, whereas the ineffective portion is recognised in the income statement.

Income Statement

Revenue

The enterprise is applying IFRS 15 as its basis of interpretation for the recognition of revenue. Revenue from contracts with customers is recognised on the basis of transfer of control, which according to IFRS 15 takes place at the time when control of the product or service delivered passes to the customer. Control is considered passed to the customer when:

- a binding sales agreement has been made
- delivery has been made before year end
- the sales price has been determined; and
- payment has been received or may with reasonable certainty be expected to be received

Contract work in progress (construction contracts) is recognised at the rate of completion, which means

Notes to the Financial Statements

15 Accounting Policies (continued)

that revenue equals the selling price of the work completed for the year (percentage-of-completion method). This method is applied when total revenues and expenses in respect of the contract and the stage of completion at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Company. The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the contract.

Services are recognised at the rate of completion of the service to which the contract relates by using the percentage-of-completion method, which means that revenue equals the selling price of the service completed for the year. This method is applied when total revenues and expenses in respect of the service and the stage of completion at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Company. The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the service.

The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the service. Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the year.

Other external expenses

Other external expenses comprise indirect production costs and expenses for premises, sales and distribution as well as office expenses, etc.

Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue, expenses for raw materials and consumables and other external expenses.

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Notes to the Financial Statements

15 Accounting Policies (continued)

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company, including write-downs of current assets, that exceed normal write-downs.

Income from investments in subsidiaries

Dividends from subsidiaries are recognised as income in the income statement when adopted at the General Meeting of the subsidiary. However, dividends relating to earnings in the subsidiary before it was acquired by the Parent Company are set off against the cost of the subsidiary. Income from investments in subsidiaries includes impairment costs as well.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

Balance Sheet

Intangible assets

Development costs and costs relating to rights developed by the Company are recognised in the income statement as costs in the year of acquisition.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Interest expenses on loans raised directly for financing the construction of property, plant and equipment are recognised in cost over the period of construction.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Notes to the Financial Statements

15 Accounting Policies (continued)

Aircraft components	8-25 years	
Leasehold improvements	3-20 years	
Plant and machinery	2-15 years	
Other fixtures and fittings, tools and equipment	2-3	years

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

Investments in subsidiaries

Investments in subsidiaries are measured at cost. Where cost exceeds the recoverable amount, write-down is made to this lower value.

Inventories

Inventories are measured at the lower of cost based on weighted average prices and net realisable value.

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of goods for resale, raw materials and consumables equals landed cost.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour with addition of indirect production costs. Indirect production costs comprise the cost of indirect materials and labour as well as maintenance and depreciation of the machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Notes to the Financial Statements

15 Accounting Policies (continued)

Contract work in progress

Contract work in progress regarding service is measured at selling price of the work performed calculated on the basis of the stage of completion. The stage of completion is measured by the proportion that the contract expenses incurred to date bear to the estimated total contract expenses. Where it is probable that total contract expenses will exceed total revenues from a contract, the expected loss is recognised as an expense in the income statement.

Where the selling price cannot be measured reliably, the selling price is measured at the lower of expenses incurred and net realisable value.

Payments received on account are set off against the selling price. The individual contracts are classified as receivables when the net selling price is positive and as liabilities when the net selling price is negative.

Expenses relating to sales work and the winning of contracts are recognised in the income statement as incurred.

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Notes to the Financial Statements

15 Accounting Policies (continued)

Financial debts

Loans, such as mortgage loans and loans from credit institutions, are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

Mortgage loans are measured at amortised cost, which for cash loans corresponds to the remaining loan. Amortised cost of debenture loans corresponds to the remaining loan calculated as the underlying cash value of the loan at the date of raising the loan adjusted for depreciation of the price adjustment of the loan made over the term of the loan at the date of raising the loan.

Other debts are measured at amortised cost, substantially corresponding to nominal value.

Financial Highlights

Explanation of financial ratios

Return on assets	$\frac{\text{Profit before financials} \times 100}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$