ST ENGINEERING AEROSPACE SOLUTIONS A/S

Amager Strandvej 392

2770 Kastrup

CVR no. 28 50 10 48

Annual report 2019

The annual report was presented and approved at the Company's annual general meeting on

16 September 2020

Henrik Eilif Schlotfeldt

Chairman

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Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of ST Engineering Aerospace Solutions A/S for the financial year 1 January —31 December 2019.

The annual report has been prepared in accordance with the Danish Financial Statements Act. In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2019 and of the results of the Company's operations for the financial year 1 January —31 December 2019.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's operations and financial matters, of the results for the year and of the Company's financial position.

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

Copenhagen. 16 September 2020

Executive Board:

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Henrik Eilif Schlotfeldt

Board of Directors:

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Lam Wai Meng Jeffrey	Chuang Hwee Jin
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Goh Poh Loh	Kieran Gerard Butler

Independent auditor's report

To the shareholders of ST Engineering Aerospace Solutions A/S

Opinion

We have audited the financial statements of ST Engineering Aerospace Solution A/S for the financial year 1 January – 31 December 2019 comprising income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2019 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2019 in accordance with the Danish Financial Statements Act.

Basis for opinion

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' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter regarding matters in the financial statements

The Company's equity is negative with EUR 71 million as at 31 December 2019. Without qualifying our opinion we wish to highlight note 9 in which Management explain, that the parent Company, which finance the Company, has confirmed to provide further funds if necessary at least until 31 December 2020.

Management's responsibility 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 that 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 as to 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 in Denmark will always detect a material misstatement when it exists. Misstatements may arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic.

Independent auditor's report (continued)

decisions of financial statement users made on the basis of these financial statements.

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

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

Independent auditor's report (continued)

Statement on the Management's review
Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the 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 the Management's review and, in doing so, consider whether the 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 the Management's review provides the information required under the Danish Financial Statements Act.

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

Copenhagen, 16 September 2020

KPMG
Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

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Martin Eiler
State Authorised
Public Accountant
mne32271

Management's review

Company details
ST Engineering Aerospace Solutions A/S
Amager Strandvej 392
2770 Kastrup

Telephone: 45 72 48 00 00
Fax: 4532324012
Website: www.staseu.com

CVRno.: 28501048
Registered office: Taarnby
Financial year: 1 January — 31 December

Board of Directors
Lam Wai Meng Jeffrey, Chairman
Chuang Hwee Jin
Kieran Gerard Butler
Goh Poh Loh

Executive Board
Henrik Eilif Schlotfeldt

Auditor
KPMG
Statsautoriseret Revisionspartnerselskab
Dampfaergevej 28
DK-2100 Copenhagen
Denmark

Annual general meeting
The annual general meeting will be held on 16 September 2020.

Financial highlights

EUR´000	2019	2018	2017	2016	2015
Key Figures					
Revenue	40.029	16.202	21.186	16.921	18.229
Operating Loss	-12.930	-20.532	-17.274	-20.665	-15.554
Net loss from Financial Income and Expenses	-3.011	-2.462	-1.537	-1.977	-1.532
Loss for the year	-15.941	-22.994	-18.811	-22.642	-17.086
Non-Current Assets	22.709	22.501	23.150	23.578	23.066
Current Assets	32.069	34.318	48.896	64.941	83.454
Total Assets	54.778	56.819	72.046	88.519	106.520
Contributed capital	60.912	60.912	60.912	60.912	60.912
Equity	-70.523	-54.715	-31.563	-13.066	9.779
Non-Current Liabilities other than provisions	98.956	96.548	94.136	95.994	90.263
Current Liabilities other than provisions	26.345	14.986	9.473	4.583	6.389
Ratios					
Gross Margin	44,0%	49,9%	51,3%	61,4%	58,5%
Operating Margin	-32,3%	-126,7%	-81,5%	-122,1%	-85,3%
Return on Invested Capital	-46,0%	-45,4%	-26,1%	-24,3%	-27,8%
Current Ratio	121,7%	229,0%	516,2%	1417,0%	1306,2%
Return on Equity	-25,5%	-53,3%	-84,3%	-1377,7%	-96,6%
Solvency Ratio	-128,7%	-96,3%	-43,8%	-14,8%	9,2%
Other Key Figures					
Average number of full-time employees	87	93	97	98	104

Financial ratios are calculated in accordance with the Danish Society of Financial Analysts latest guidelines on the calculation of financial ratios ‘Recommendations & Ratios”.

Gross Margin	$\frac{\text{Gross Profit/Loss x 100}}{\text{Revenue}}$
Operating Margin	$\frac{\text{Operating Profit/Loss x 100}}{\text{Revenue}}$
Return on Invested Capital	$\frac{\text{Operating Profit/Loss x 100}}{\text{Average invested capital}}$
Current Ratio	$\frac{\text{Current Assets x 100}}{\text{Current Liabilities}}$
Invested capital	Operating intangible assets and property, plant and equipment plus net working capital
Return on Equity	$\frac{\text{Profit/Loss from ordinary activities after tax x 100}}{\text{Average Equity}}$
Solvency Ratio	$\frac{\text{Equity ex. non-controlling interests at year end x 100}}{\text{Total equity and liabilities at year end}}$

Operating 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 aircrafts.

Profit/loss for the year

The Company’s income statement for 2019 shows a loss of EUR 15,9 million (2018: loss of EUR 23,0 million). Equity in the Company’s balance sheet at 31 December 2019 came in at EUR -71 million against EUR -55 million in 2018.

Operating loss decreased from EUR 20.5 million in 2018 to EUR 13.0 million in 2019. The decrease in operating loss is mainly due to an increase in revenue compared to 2018.

Development in activities and financial position

The company has in 2019 extended its contract with leading cargo airline carrier with another 5 years. The contract is expected to contribute considerably to the overall revenue. In 2019 , the company also started a negotiation with a Major Airline on a MRO program for Boeing 737 and Airbus 330. The MRO program contract duration is 6 years. In February 2020 the contract with the Major Airline was awarded to STEA Solution and signed and with start-up on April 1, 2020. The contract is considered to become a significant contributor to the yearly revenue.

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.

Profitability improvement activities have primarily comprised focus on reducing man-hours spent, material consumption in the MRO business and process improvements.

Activities related to cost reduction activities have in the last years mainly been focusing on reducing inventory and dismantling the storage facilities in Copenhagen, and In first half 2019, the company sold its inventory in Copenhagen to a sister company and in second half the company terminated its storage facilities in Copenhagen.

At 31 December 2019, the balance sheet total amounted to EUR 54,8 million compared to EUR 56,8 million at 31 December2018.

Investments

The Company has an equity investment in the wholly-owned subsidiary ST Engineering Aerospace Rotables Limited (ARL). The investment was measured at the recoverable amount, EUR 7.0 million at 31 December 2019.

ARL’s strategy comprises focus on MBH programs (maintenance by the hour) in Europe. In 2019, the Company realized a profit of EUR 0.1 million.

Apart from investments in ordinary operations, no significant investments were made in 2019.

Capital resources

The Company is financed by intra-group credit facilities and the shareholder has confirmed to provide funds if necessary for a period of at least 2020.

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

Uncertainty regarding recognition and measurement

Deferred tax assets

In the financial statements, no deferred tax asset was recognised at 31 December 2019 (unchanged from previous year). The Company has realised operating losses for many years but is expected to be profitable going forward.

Investment in subsidiary

The subsidiary ST Engineering Aerospace Rotables Limited (ARL) has with the redefined focus on MRO programs in Europe for the ST Engineering Aerospace Group, further financial improvement is expected in the coming years due to increased activity and efficiency as well as other cost-cutting initiatives. The valuation of ARL is based on these expectations.

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.

Outlook

The company is a significant player in the MRO marked, the company has proven its strategy focus on the MRO marked. 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.

The new facility has ensured the capacity for the future growth of the Company and will continue to support the product development activities into new product types.

In 2020, the Company will continue to invest in new repair capabilities that will become key products in the aviation industry for the next 15 years. 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 Boeing 787 Dreamliner products. These product lines are granted through license agreements that will ensure that the Company plays a dominant role in the aviation industry, as the number of licenses granted is limited.

The Company will represent the ST Aerospace Group in Europe for these licenses.

The ST Engineering Group is also investing in a new product line for the Airbus A320 market. The Airbus A320 is one of the most significant mid-range aircrafts in Europe and the Company sees great potential in investing in this product line, as the demand for support will increase in the coming years.

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 spending has in 2019 shown an increased, although the Corona virus has had its entrance and it is management's assessment that the impact for 2020 will be significant and the aviation industry still will be affected in 2021. From 2022, management expect normalized conditions and a growth rate within the aero industry of 3-4 %.

In 2020, the Company will continue its process improvement activities, implementing additional actions to improve profitability and customer satisfaction.

Sales related to the new capabilities has showed positive trends in 2019 leading to almost doubled revenue compared to 2018. Management's expectations are therefore positive with regards to the future

Subsequent events

In first quarter 2020 the aviation industry together with the rest of the world, were introduced to the COVID 19 pandemic and this has impacted the aero industry ever since. It is our expectation that COVID 19 will have a significant impact on the result for 2020, and we will see the consequence impacting the industry for at least another two years, although we expect to be back to normalised before end 2022.

ST Engineering Aerospace Rotables Limited (ARL) is a subsidiary of STEA Solutions. While facing COVID-19, a post-FY2019 event, ARL's largest customer, Flybe, entered into administration on 5 March 2020. ARL consequently lost a significant income stream. As per now the Company's investment in ARL amounts to EUR 10 million which is highly likely to be subject to impairment in 2020.

Financial statements 1 January — 31 December

Income statement

EUR´000	Note	2019	2018
Revenue		40.029	16.202
Expenses for materials and services		-22.408	-8.123
Gross Profit		**17.621**	**8.079**
Other operating income		1	13
Other external Costs		-11.730	-6.277
Staff Costs	2	-6.269	-6.953
Depreciation and Impairment losses on current assets	3	-12.553	-15.394
Operating Loss		**-12.930**	**-20.532**
Financial Expenses	4	-3.011	-2.462
Loss Before Tax		**-15.941**	**-22.994**
Tax for the year		-	-
Loss for the year	5	**-15.941**	**-22.994**

Balance Sheet

EUR´000	Note	2019	2018
ASSETS			
Fixed Assets			
Intangible assets			
Research & Development		93	-
Property, Plant and Equipment	6		
Aircraft components		10.185	10.457
Leasehold improvements		2.154	2.280
Machinery, fittings and tools		3.000	2.757
Other equipment		36	7
Assets under construction		241	-
		15.616	15.501
Investments	7		
Equity investments in group entities		7.000	7.000
Total Fixed Assets		**22.709**	**22.501**
Current Assets			
Inventories			
Raw materials and consumables		2.076	3.634
Work in Progress		1.978	849
Finished goods and goods for resale		1.269	21.338
		5.323	25.821
Receivables			
Trade Receivables		4.148	1.899
Receivables from group entities		16.316	2.926
Other receivables		4.497	2.924
		24.961	7.749
Cash and cash equivalents		1.785	748
Total current Assets		**32.069**	**34.318**
TOTAL ASSETS		**54.778**	**56.819**

Balance sheet

EUR´000	Note	2019	2018
EQUITY AND LIABILITIES			
Equity			
Contributed capital	8	60.912	60.912
Retained earnings		-131.483	-115.600
Cashflow Hedge		48	-27
Total Equity		**-70.523**	**-54.715**
Liabilities			
Non-Current liabilities	9		
Payables to group entities		98.956	96.548
Current liabilities			
Trade payables		1.654	1.612
Payables to group entities		17.091	10.692
Other Payables		7.600	2.682
		26.345	14.986
Total Liabilities		**125.301**	**111.534**
TOTAL EQUITY AND LIABILITIES		**54.778**	**56.819**

10) Contractual obligtions, contingencies, etc

11) Related party disclosures

Financial statements 1 January — 31 December

Statement of changes in equity

EUR´000	Contributed Capital	Retained Earnings	Cash Flow Hedge	Total
Equity at 1 January 2019	60.912	-115.600	-27	-54.715
Net loss for the year		-15.941		-15.941
Prior year adjustment		58		
Fair Value adjustment of hedging instruments			75	75
Equity at 31 December 2019	**60.912**	**-131.483**	**48**	**-70.523**

Notes

1) Accounting policies

The annual report of ST Engineering Aerospace Solutions A/S for 2019 has been prepared in accordance with the provisions applying to reporting class C medium-sized entities under the Danish Financial Statements Act.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Omission of consolidated financial statements
Pursuant to section 112(1) of the Danish Financial Statements Act, no consolidated financial statements have been prepared. The financial statements of ST Engineering Aerospace Solutions A/S and group entities are included in the consolidated financial statements of ST Engineering Ltd., 540 Airport Road, Paya Lebar, Singapore 539938, Company Registration Number 198105870H.

Omission of cash flow statement
Pursuant to section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared. The Company's cash flows are included in the cash flow statement in the consolidated financial statements of ST Engineering Ltd.

Reporting currency
The annual report is presented in thousand EUR based on accounting records processed in EUR.

Basis of recognition and measurement
Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including amortisation, depreciation and impairment losses, are also recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits 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 from the Company and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. On subsequent recognition, assets and liabilities are measured as described below for each individual accounting item.

Certain financial assets and liabilities are measured at amortised cost using the effective interest method.

Amortised cost is calculated as the historic cost less any instalments and plus/less the accumulated amortisation of the difference between the cost and the nominal amount.

On recognition and measurement, allowance is made for predictable losses and risks which occur before the annual report is presented and which evidence matters existing at the balance sheet date.

Foreign currency translation
On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

Derivative financial instruments
Derivative financial instruments consist of forward agreements acquired for the purpose of hedging exchange rate risk exposures. Hedging instruments are measured at fair value. Profit or loss due to changes in fair value are recognised in equity and recycled to the income statement when the hedged expense is incurred.

Income statement

Revenue
Income is recognised in the income statement provided that delivery and transfer of risk to the buyer have taken place before year end and that the income can be reliably measured and is expected to be received.

Revenue is measured at fair value of the agreed consideration ex. VAT and taxes charged on behalf of third parties. All discounts granted are recognised in revenue.

Contract work in progress is recognised at the rate of completion, which means that revenue equals the selling price of the work completed for the year end (percentage of completion method). This method is applied when total revenue 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.

Expenses for materials and services
Expenses for materials and services include materials, external repairs and engineering and other services used in generating the year's revenue.

The Net booked value for components sold or scrapped is considered as material.

Other external costs
Other external expenses include expenses related to distribution, sales, advertising, administration, premises, bad debts, lease payments under operating leases, etc.

Staff costs
Staff costs comprise wages and salaries, including holiday allowance, pension and other social security costs, etc., to the Company's employees, excluding reimbursements from public authorities.

Financial income and expenses

Financial income and expenses comprise interest income and expenses, gains and losses on receivables, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

Tax on profit/loss for the year

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

Balance sheet

Property, plant and equipment

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

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date on which the asset is available for use. Indirect production overheads and borrowing costs are not recognised in cost.

Where individual components of an item of property, plant or equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

The basis of depreciation is cost less any projected residual value after the end of the useful life.

Depreciation is provided on a straight-line basis over the estimated useful life. The estimated useful lives are as follows:

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

The useful life and residual value are reassessed annually. Changes are treated as accounting estimates, and the effect on depreciation is recognized prospectively.

Fixed assets under construction are recognized and measured at cost at the balance sheet date. Upon entry into service, the cost is transferred to the relevant group of property, plant and equipment.

Gains and losses on the disposal of property, plant and equipment are stated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses are recognized in the income statement as other operating income or other operating costs, respectively.

Equity investments in group entities

Investments in subsidiaries are measured at cost. Dividends exceeding the accumulated earnings in the subsidiary in the period of ownership are treated as a cost reduction. Where the costs exceed the net realisable value, write-down is made to such lower value.

Impairment of assets

The carrying amount of property, plant and equipment as well as investments in group entities is subject to an annual evaluation of impairment other than the decrease in value reflected by depreciation or amortization.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

The recoverable amount is the higher of an asset's net selling price and its value in use. The value in use is determined as the present value of the forecast net cash flows from the use of the asset or the group of assets, including forecast net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Leases

Payments relating to operating leases and any other leases are recognised in the income statement over the term of the lease. The Company's total obligation relating to operating leases and other leases is disclosed in contingent liabilities, etc.

Inventories, including work in progress

Inventories, including goods for resale, are measured at cost in accordance with the weighted average method. Cost comprises purchase price plus delivery costs

Work in progress is measured at cost, covering the cost of materials and time added expected profit.

Components (non-current assets) reclassified to goods for sale are transferred at cost less accumulated depreciation at the time of transfer.

Where the net realisable value is lower than cost, inventories are written down to this lower value.

The net realisable value of inventories is calculated as the sales amount less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and development in expected selling price.

Receivables

Receivables are measured at amortized cost.

Write-down is made for bad debt losses where there is an objective indication that a receivable or a portfolio of receivables has been impaired. If there is an objective indication that an individual receivable has been impaired, write-down is made on an individual basis.

Receivables with no objective indication of individual impairment are assessed for objective indication of impairment on a portfolio basis. The portfolios are primarily based on the debtors registered offices and credit rating in accordance with the Company's credit risk management policy. The objective indicators used in relation to portfolios are determined on the basis of historical loss experience.

Write-downs are calculated as the difference between the carrying amount of receivables and the present value of forecast cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

Cash and cash equivalents
Cash and cash equivalents comprise cash and short-term marketable securities with a term of three months or less that are readily convertible to cash and are subject to an insignificant risk of changes in value.

Equity
Dividends

The expected dividend payment for the year is disclosed as a separate item under equity.

Corporation tax and deferred tax
Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on the planned use of the asset or settlement of the liability, respectively.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised at the expected value of their utilisation within the foreseeable future; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Any deferred net assets are measured at net realisable value.

Deferred tax is measured in accordance with the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Changes in deferred tax as a result of changes in tax rates are recognised in the income statement or equity, respectively.

Liabilities other than provisions
Financial liabilities are recognised at cost at the date of borrowing, corresponding to the proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost using the effective interest method. Accordingly, the difference between cost and the nominal value is recognised in the income statement over the term of the loan together with interest expenses.

Other liabilities are measured at net realisable value.

2) Staff Costs

EUR´000	2019
Wages and Salaries	4.804
Pensions	503
Social security costs and other staff costs	962
	6.269
Average number of full-time employees	87

Pursuant to section 98b, 3 (2) of the Danish Financial Statements Act, remuneration of the Executive Board has not been disclosed

3) Depreciation and impairment losses on current assets

EUR´000	2019
Impairment losses on current assets	-11.323
Depreciation on property, plant and equipment	-1.230
	-12.553

4) Financial Expenses

Financial expenses regarding group entities amounted to EUR 2,299 thousand in 2019 (2018: EUR 2,159 thousand).

5) **Proposed Distribution of loss**

EUR´000	2019
Retained earnings	-15.941

6) Property, plant and equipment

EUR´000	Aircraft Compo-nents	Lease-hold improve-ments	Machi-nery, Fittings and tools	Other Equip-ment	Assets under Construc-tion	Total
Cost at 1 January 2019	19.833	2.458	5.343	285	-	27.919
Additions for the year	446	45	485	35	241	1.252
Disposals for the year	-1.472	-	-	-	-	-1.472
Transfer from inventory	1.078	-	-	-	-	1.078
Cost at 31 December 2019	19.885	2.503	5.828	320	241	28.777
Depreciation and impairment losses at 1 January 2019	-9.376	-178	-2.586	-278	-	-12.418
Opening balance adjustment	-	12	9	-	-	21
Depreciation for the year	-789	-183	-251	-6	-	-1.229
Reversed depreciation and impairment losses on assets sold	465	-	-	-	-	465
Depreciation and impairment losses at 31 December 2019	-9.700	-349	-2.828	-284	-	-13.161
Carrying amount at 31 December 2019	**10.185**	**2.154**	**3.000**	**36**	**241**	**15.616**

7) Investments

EUR´000	Equity investments in group entities
Cost at 1 January 2019	18.000
Cost at 31 December 2019	18.000
Revaluations at 1 January 2019	-11.000
Revaluations at 31 December 2019	-11.000
Carrying amount at 31 December 2019	**7.000**

Name/legal form	Registered Office	Voting Rights and ownership	Equity	Profit for the year
Subsidiaries:			EUR´000	EUR´000
Airline Rotables (UK Holdings) Limited	Stansted, UK	100%	-5.727	108
			-5.727	108

8) Equity

The share capital consists of 4,563,966 shares of a nominal value of DKK 100 each.

All shares rank equally.

There have been no changes in the share capital during the last five years.

9) Non-current liabilities

The Company is financed by intra-group credit facilities. In the loan agreement issued, it is not stated when the loan should be paid back. The shareholder has provided a support letter in which further funding is confirmed necessary If required to continue the Company's operations and meet its obligation for at least 2020. Following this confirmation the intra-group debt will at the earliest expire in 2021 and the debt has accordingly been classified as long-term debt.

In the opinion of the Board of Directors and the Managing Director, the Company's capital resources are adequate even though the equity is negative with the amount of EUR 71 million at 31 December 2019.

10) Contractual obligations, contingencies, etc.

Contingent assets

The unrecognised deferred tax asset amounted to EUR 54 million at 31 December 2019 (31 December 2018: EUR 50 million). The deferred tax asset primarily relates to tax losses carried forward.

Operating lease obligations

Operating lease obligations mainly relate to leasehold of premises for the Company's offices in Copenhagen and Stockholm.

EUR'000	2019	2018
Within 1 year	1924	2,112
Between 1 and 5 years	1359	2,563
Total	**3,283**	**4,675**

11) Related party disclosures

Control

ST Engineering Aerospace Ltd. is the sole owner of the contributed capital in the Company.

ST Engineering Aerospace Solutions A/S and ST Engineering Aerospace Ltd. are included in the consolidated financial statements of the ultimate parent company, ST Engineering Ltd.

The consolidated financial statements are publicly available from the parent company:

Company Registration Number 1981 05870H
540 Airport Road, Paya Lebar
Singapore 539938

Related party transactions

The Company's balances with group entities at 31 December 2019 are recognised in the balance sheet. Interest expenses with respect to group entities are disclosed in note 4.

EUR000	2019
Sales of goods and services to group entities	17,652
Purchase of goods and services from group entities	2,306