
TP Aerospace Holding A/S

Stamholmen 165R, DK-2650 Hvidovre

Annual Report for 2023

CVR No. 31 60 34 20

The Annual Report was
presented and adopted
at the Annual General
Meeting of the
company
on 1/3 2024

Tinneke Torpe
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 TP Aerospace Holding A/S for the financial year 1 January - 31 December 2023.

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 2023 of the Company and of the results of the Company operations for 2023.

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.

Hvidovre, 6 February 2024

Executive Board

Nikolaj Lei Jacobsen

Tinneke Torpe

Nikolai Peter Hertz

Felix Ammann

Board of Directors

Jens Flemming Jensen
Chairman

Peter Ryttergaard

Vilhelm Eigil Hahn-Petersen

Peter Jørgen Lyager

Nina Fisker Olesen

Andrew Hoad

Michael John Humphreys

Independent Auditor's report

To the shareholder of TP Aerospace Holding A/S

Opinion

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

We have audited the Financial Statements of TP Aerospace Holding A/S for the financial year 1 January - 31 December 2023, 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 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' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 Financial Statements Act.

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

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.

Independent Auditor's report

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.

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.

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.

Hellerup, 6 February 2024

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Torben Jensen

State Authorised Public Accountant

mne18651

Thomas Baunkjær Andersen

State Authorised Public Accountant

mne35483

Company information

The Company	TP Aerospace Holding A/S Stamholmen 165R DK-2650 Hvidovre CVR No: 31 60 34 20 Financial period: 1 January - 31 December Incorporated: 9 July 2008 Financial year: 15th financial year Municipality of reg. office: Hvidovre
Board of Directors	Jens Flemming Jensen, chairman Peter Ryttergaard Vilhelm Eigil Hahn-Petersen Peter Jørgen Lyager Nina Fisker Olesen Andrew Hoad Michael John Humphreys
Executive Board	Nikolaj Lei Jacobsen Tinneke Torpe Nikolai Peter Hertz Felix Ammann
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 DK-2900 Hellerup

Financial Highlights

Seen over a 2-year period, the development of the Company is described by the following financial highlights:

	<u>2023</u>	<u>2022</u>
	TUSD	TUSD
Key figures		
Profit/loss		
Gross profit	7,642	5,997
Profit/loss of primary operations	2,929	2,799
Net profit/loss for the year	3,207	12,460
Balance sheet		
Balance sheet total	149,414	147,021
Investment in property, plant and equipment	73	292
Equity	65,211	62,114
Number of employees	32	21
Ratios		
Return on assets	2.0%	1.9%
Solvency ratio	43.6%	42.2%
Return on equity	5.0%	40.1%

The annual report has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C for the first time in 2023, why the financial highlights only includes two years.

Explanation of financial ratios are disclosed in accounting policies - note 16.

Management's review

Key activities

TP Aerospace is the leading aftermarket supplier of wheels and brakes, carrying the world's largest ready to go inventory in the market for most commercial, regional and commuter aircraft types.

From our locations in Copenhagen, Hamburg, East Midlands (UK), Orlando, Las Vegas, Singapore, Bangkok, Kuala Lumpur and Melbourne, we offer our services to airlines all over the world through our Components, Programs and Distribution divisions, supported by our extensive in house MRO capabilities.

The Company's main activity is to act as a holding company of group subsidiaries as well as to exercise management activities in relation to these enterprises.

Development in the year

The income statement of the Company for 2023 shows a profit of TUSD 3,207, and at 31 December 2023 the balance sheet of the Company shows a positive equity of TUSD 65,211.

Financial exposure

Management does not consider that the company has any financial exposure of significance.

Outlook

Given the positive development in air traffic demand and flight recovery in 2023, our expectation for 2024 is a continued high activity level among our customers and thereby high demand throughout the year. Our financial performance for 2024 is expected to reflect the above with a result before tax assumed to reach USD 9-14m including income from investments in subsidiaries.

The expectations stated above based on the assumptions that the global macroeconomic and geopolitical situation will not worsen significantly and thereby change the business conditions for TP Aerospace, that the inflation will stabilise at a level below 4% throughout 2024, and that the exchange rates, especially the US dollar versus the Euro and Danish kroner, will remain around the end 2023 level throughout 2024.

This outlook is subject to risks and uncertainties as various factors, many of which are beyond the company's control, may cause the actual development and financial results to differ materially from expectations.

Research and development

To support the growth strategy of the company, TP Aerospace continues to develop its product platform, capacity, capability and global footprint.

External environment

TP Aerospace acknowledges its community responsibility. Operating in the aftermarket, re use of parts is an integrated part of our strategy. For further information reference is made to the consolidated financial statements for TPA Holding I A/S.

Intellectual capital resources

All employees in TP Aerospace go through continuous training and evaluation to increase the Company's knowledge level.

Statement on gender composition

The TP Aerospace Group's COP report and diversity policy are described in the consolidated Financial Statements for TPA Holding I A/S, where a reference is made to for further information.

Uncertainty relating to recognition and measurement

There has been no uncertainty regarding recognition and measurement in the Annual Report.

Management's review

Unusual events

The financial position at 31 December 2023 of the Company and the results of the activities for 2023 have not been affected by any unusual events.

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	2023	2022
		TUSD	TUSD
Gross profit		7,642	5,997
Staff expenses	1	-4,472	-3,128
Amortisation, depreciation and impairment losses of intangible assets and property, plant and equipment	2	-121	-70
Other operating expenses		-120	0
Profit/loss before financial income and expenses		2,929	2,799
Income from investments in subsidiaries		5,670	9,885
Financial income	3	5,102	5,646
Financial expenses	4	-9,735	-4,784
Profit/loss before tax		3,966	13,546
Tax on profit/loss for the year	5	-759	-1,086
Net profit/loss for the year	6	3,207	12,460

Balance sheet 31 December

Assets

	Note	2023	2022
		TUSD	TUSD
Completed development projects		252	67
Development projects in progress		0	292
Intangible assets	7	252	359
Other fixtures and fittings, tools and equipment		6	13
Leasehold improvements		75	4
Property, plant and equipment	8	81	17
Investments in subsidiaries	9	65,763	59,974
Fixed asset investments		65,763	59,974
Fixed assets		66,096	60,350
Receivables from group enterprises		81,658	83,261
Other receivables		354	158
Deferred tax asset	10	271	1,120
Corporation tax		232	880
Prepayments	11	699	614
Receivables		83,214	86,033
Cash at bank and in hand		104	638
Current assets		83,318	86,671
Assets		149,414	147,021

Balance sheet 31 December

Liabilities and equity

	Note	2023	2022
		TUSD	TUSD
Share capital		313	313
Reserve for net revaluation under the equity method		63,116	57,556
Reserve for development costs		145	228
Retained earnings		1,637	4,017
Equity		65,211	62,114
Provisions relating to investments in group enterprises		38	309
Provisions		38	309
Credit institutions		28,457	38,255
Long-term debt	12	28,457	38,255
Credit institutions	12	2,959	2,915
Trade payables		512	417
Payables to group enterprises		51,337	41,875
Other payables		900	1,136
Short-term debt		55,708	46,343
Debt		84,165	84,598
Liabilities and equity		149,414	147,021
Contingent assets, liabilities and other financial obligations	13		
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Statement of changes in equity

	Share capital	Reserve for net revaluation under the equity method	Reserve for development costs	Retained earnings	Total
	TUSD	TUSD	TUSD	TUSD	TUSD
Equity at 1 January	313	57,556	228	4,017	62,114
Exchange adjustments relating to foreign entities	0	-110	0	0	-110
Depreciation, amortisation and impairment for the year	0	0	-83	83	0
Net profit/loss for the year	0	5,670	0	-2,463	3,207
Equity at 31 December	313	63,116	145	1,637	65,211

Notes to the Financial Statements

	2023	2022
	TUSD	TUSD
1. Staff Expenses		
Wages and salaries	4,140	2,954
Pensions	197	128
Other social security expenses	21	19
Other staff expenses	114	27
	<u>4,472</u>	<u>3,128</u>
Including remuneration to the Executive Board and Board of Directors:		
Executive board	1,825	1,096
Board of directors	148	128
	<u>1,973</u>	<u>1,224</u>
Average number of employees	<u>32</u>	<u>21</u>

In 2023 and earlier years, employees, management and Board of Directors of TP Aerospace have been offered the opportunity to purchase shares in TPA Green Manco ApS which is a shareholder of TP Aerospace Group. The participants acquired the shares at an estimated market price. If an employee leaves the Group before an exit, the company has the option to buy back the shares at an estimated market price. As the program does not have any negative effect on the company, no expense is recognized in the income statement.

	2023	2022
	TUSD	TUSD
2. Amortisation, depreciation and impairment losses of intangible assets and property, plant and equipment		
Amortisation of intangible assets	107	33
Depreciation of property, plant and equipment	14	37
	<u>121</u>	<u>70</u>
	<u>2023</u>	<u>2022</u>
	TUSD	TUSD
3. Financial income		
Interest received from group enterprises	5,102	3,398
Exchange gains	0	2,248
	<u>5,102</u>	<u>5,646</u>

Notes to the Financial Statements

	<u>2023</u>	<u>2022</u>
	TUSD	TUSD
4. Financial expenses		
Interest paid to group enterprises	4,328	1,759
Other financial expenses	4,073	3,025
Exchange adjustments, expenses	1,334	0
	<u>9,735</u>	<u>4,784</u>
	<u>2023</u>	<u>2022</u>
	TUSD	TUSD
5. Income tax expense		
Current tax for the year	-91	-759
Deferred tax for the year	850	1,845
	<u>759</u>	<u>1,086</u>
	<u>2023</u>	<u>2022</u>
	TUSD	TUSD
6. Profit allocation		
Reserve for net revaluation under the equity method	5,670	9,885
Retained earnings	-2,463	2,575
	<u>3,207</u>	<u>12,460</u>

Notes to the Financial Statements

7. Intangible fixed assets

	Completed development projects	Develop- ment projects in progress
	TUSD	TUSD
Cost at 1 January	161	292
Transfers for the year	292	-292
Cost at 31 December	<u>453</u>	<u>0</u>
Impairment losses and depreciation at 1 January	94	0
Depreciation for the year	107	0
Impairment losses and depreciation at 31 December	<u>201</u>	<u>0</u>
Carrying amount at 31 December	<u>252</u>	<u>0</u>
Amortised over	<u>3 years</u>	<u>3 years</u>

Development projects encompass the creation of an internal business software. These initiatives facilitate increased efficiency among employees, and the outcomes derived from the development projects are systematically monitored in accordance with the business plan.

8. Property, plant and equipment

	Other fixtures and fittings, tools and equipment	Leasehold improvements
	TUSD	TUSD
Cost at 1 January	80	56
Additions for the year	0	73
Cost at 31 December	<u>80</u>	<u>129</u>
Impairment losses and depreciation at 1 January	66	51
Depreciation for the year	8	3
Impairment losses and depreciation at 31 December	<u>74</u>	<u>54</u>
Carrying amount at 31 December	<u>6</u>	<u>75</u>

Notes to the Financial Statements

	2023	2022
	TUSD	TUSD
9. Investments in subsidiaries		
Cost at 1 January	2,109	2,109
Additions for the year	500	0
Cost at 31 December	<u>2,609</u>	<u>2,109</u>
Value adjustments at 1 January	57,556	47,821
Exchange adjustment	-110	-150
Net profit/loss for the year	5,670	9,885
Value adjustments at 31 December	<u>63,116</u>	<u>57,556</u>
Equity investments with negative net asset value transferred to provisions	<u>38</u>	<u>309</u>
Carrying amount at 31 December	<u>65,763</u>	<u>59,974</u>

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Ownership
TP Aerospace Solutions ApS	Hvidovre, Denmark	100%
TP Aerospace Pro ApS	Hvidovre, Denmark	100%
TP Aerospace Asia Pte. Ltd.	Singapore	100%
TP Aerospace Americas Corp	Las Vegas, US	100%
TP Aerospace Technics LLC	Orlando, US	100%
TP Aerospace Technics NV LLC	Las Vegas, US	100%
TP Aerospace Technics GmbH	Norderstadt, Germany	100%
TP Aerospace Technics Czech s.r.o.	Bmo, Czech Republic	100%
TP Aerospace Asia Technics Pte. Ltd.	Singapore	100%
TP Aerospace Malaysia Sdn. Bhd.	Kuala Lumpur, Malaysia	100%
TP Aerospace Technics Pty Ltd.	Melbourne, Australia	100%
TP Aerospace Technics UK Ltd	United Kingdom	100%
TP Aerospace (Thailand) Co., Ltd.	Bangkok, Thailand	100%
TP Aerospace Distribution ApS	Hvidovre, Denmark	100%

Notes to the Financial Statements

	2023	2022
	TUSD	TUSD
10. Deferred tax asset		
Deferred tax asset at 1 January	1,120	2,965
Amounts recognised in the income statement for the year	-849	-1,845
Deferred tax asset at 31 December	271	1,120

The recognised tax asset is primary attributable to amortizations costs, in the coming years the joint taxation group expects earnings and taxable income to be positive and has accordingly recognised deferred tax asset at 31 December 2023.

11. Prepayments

Prepayments consist of prepaid expenses concerning event and insurance costs paid in advance for subsequent years.

	2023	2022
	TUSD	TUSD
12. 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:

Credit institutions

After 5 years	0	0
Between 1 and 5 years	28,457	38,255
Long-term part	28,457	38,255
Within 1 year	2,959	2,915
	31,416	41,170

	2023	2022
	TUSD	TUSD
13. Contingent assets, liabilities and other financial obligations		

Charges and security

The Company has pledged floating charge in fixed assets, inventories, and receivables as security for bank debt, as well as group companies' bank commitments for a total of MDKK 74.

Notes to the Financial Statements

	2023	2022
	TUSD	TUSD
13. Contingent assets, liabilities and other financial obligations		
Rental and lease obligations		
Lease obligations, period of non-terminability	27	208

Guarantee obligations

TP Aerospace Holding A/S has provided a guarantee for the Parent Company TPA Holding I A/S' bank debt as well as a guarantee for the subsidiaries TP Aerospace PRO ApS, TP Aerospace Solutions ApS and TP Aerospace Distribution ApS' bank debt.

Furthermore TP Aerospace Holding A/S has provided a guarantee for all of the foreign subsidiaries' bank debt.

Other contingent liabilities

The Danish group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable is disclosed in the Annual Report of CC Green Wall Invest ApS, which is the management company of the joint taxation purposes. Moreover, the Danish group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

The Company has issued a letter of support to the subsidiary TP Aerospace Distribution ApS. The Letter of support is valid until 31 December 2024.

Notes to the Financial Statements

14. Related parties and disclosure of consolidated financial statements

	<u>Basis</u>
Controlling interest	
CataCap I K/S, Copenhagen	Ultimate capital owner, 28 %
TP Aerospace Holding A/S, Hvidovre	Capital owner, 100 %
CataCap I K/S ultimately controls the majority of the votes in the Group, due to specific rights in the ownership agreement between parties.	

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.

All transactions with related parties have occurred on normal market conditions in the financial year 2023.

Consolidated Financial Statements

The Company is included in the Group Annual Report of the Parent Company of the largest and smallest group:

<u>Name</u>	<u>Place of registered office</u>
TPA Holding I A/S	Hvidovre

The Group Annual Report of may be obtained at the following address:

TPA Holding I A/S
Stamholmen 165R
DK-2650 Hvidovre
Danmark

15. Subsequent events

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

Notes to the Financial Statements

16. Accounting policies

The Annual Report of TP Aerospace Holding A/S for 2023 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2023 are presented in TUSD. The exchange rate is 6,74 as of 31 December 2023 and 6,97 as of 31 December 2022.

Consolidated financial statements

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements for 2023 of TPA Holding I ApS, 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 TPA Holding I ApS, the Company has not prepared a cash flow statement.

Recognition and measurement

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.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Gains and losses 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.

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 transaction date rates are recognised in financial income and expenses in the income statement; however, see the section on hedge accounting.

Income statements of foreign subsidiaries and associates that are separate legal entities are translated at transaction date rates or approximated average exchange rates. Balance sheet items are translated at the exchange rates at the balance sheet date. Exchange adjustments arising on the translation of the opening equity and exchange adjustments arising from the translation of the income statements at the exchange rates at the balance sheet date are recognised directly in equity.

Income statement

Other external expenses

Other external expenses comprise expenses for premises, administration cost as well as office expenses, etc.

Notes to the Financial Statements

Gross profit/loss

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

Staff expenses

Staff costs include wages and salaries including compensated absence and pensions as well as other social security contributions etc. made to the entity's employees.

Amortisation, depreciation and impairment losses

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

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 gains and losses on the sale of intangible assets and property, plant and equipment.

Income from investments in subsidiaries

The item "Income from investments in subsidiaries" in the income statement includes the proportionate share of the profit for the year.

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 deferred tax for the year. The tax attributable to the profit for year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

Any changes in deferred tax due to changes to tax rates are recognised in the income statement.

The Company is jointly taxed with CC Green Wall Invest ApS. The tax effect of the joint taxation with the subsidiaries is allocated to Danish enterprises showing profits or losses in proportion to their taxable incomes (full allocation with credit for tax losses).

Notes to the Financial Statements

Balance sheet

Intangible fixed assets

Development projects

Costs of development projects comprise salaries, amortisation and other expenses directly or indirectly attributable to the Company's development activities.

Development projects that are clearly defined and identifiable and in respect of which technical feasibility, sufficient resources and a potential future market or development opportunity in the enterprise can be demonstrated, and where it is the intention to manufacture, market or use the project, are recognised as intangible assets. This applies if sufficient certainty exists that the value in use of future earnings can cover cost of sales, distribution and administrative expenses involved as well as the development costs.

Development projects that do not meet the criteria for recognition in the balance sheet are recognised as expenses in the income statement as incurred.

Capitalised development costs are measured at cost less accumulated amortisation and impairment losses or at a lower recoverable amount. An amount corresponding to the recognised development costs is allocated to the equity item 'Reserve for development costs'. The reserve comprises only development costs recognised in financial years beginning on or after 1 January 2016. The reserve is reduced by amortisation of and impairment losses on the development projects on a continuing basis.

As of the date of completion, capitalised development costs are amortised on a straight-line basis over the period of the expected economic benefit from the development work. The amortisation period is 3 year.

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.

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:

Other fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	5 years

The fixed assets' residual values are determined at nil.

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

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

The recoverable amount of the asset is calculated as the higher of net selling price and value in use. Where a recoverable amount cannot be determined for the individual asset, the assets are assessed in the smallest group of assets for which a reliable recoverable amount can be determined based on a total assessment.

Investments in subsidiaries

Investments in subsidiaries are recognised and measured under the equity method.

Notes to the Financial Statements

The item “Investments in subsidiaries” in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealised intercompany profits or losses and with addition of the remaining value of any increases in value and goodwill calculated at the time of acquisition of the enterprises.

The total net revaluation of investments in subsidiaries is transferred upon distribution of profit to “Reserve for net revaluation under the equity method“ under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in the subsidiaries.

Subsidiaries with a negative net asset value are recognised at USD 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

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.

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Deferred tax assets and liabilities

Deferred tax is recognised in respect of all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised in respect of temporary differences concerning goodwill not deductible for tax purposes and other items - apart from business acquisitions - where temporary differences have arisen at the time of acquisition without affecting the profit for the year or the taxable income.

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. In cases where the computation of the tax base may be made according to alternative tax rules, deferred tax is measured on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carry-forwards, 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.

Deferred tax assets and liabilities are offset within the same legal tax entity.

Current tax receivables and liabilities

Current tax receivables and liabilities are recognised in the balance sheet at the amount calculated on the basis of the expected taxable income for the year adjusted for tax on taxable incomes for prior years. Tax receivables and liabilities are offset if there is a legally enforceable right of set-off and an intention to settle on a net basis or simultaneously.

Financial liabilities

Loans, such as 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.

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