
TP Aerospace Solutions ApS

Stamholmen 165 rst., DK-2650 Hvidovre

Annual Report for 2023

CVR No. 31 60 42 06

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 has today considered and adopted the Annual Report of TP Aerospace Solutions ApS 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

Nicolai Peter Hertz

Independent Auditor's report

To the shareholder of TP Aerospace Solutions ApS

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 Solutions ApS 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 Solutions ApS Stamholmen 165 rst. DK-2650 Hvidovre CVR No: 31 60 42 06 Financial period: 1 January - 31 December Incorporated: 10 July 2008 Financial year: 14th financial year Municipality of reg. office: Hvidovre
Executive Board	Nikolaj Lei Jacobsen Tinneke Torpe Nicolai Peter Hertz
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 DK-2900 Hellerup

Financial Highlights

Seen over a 5-year period, the development of the Company is described by the following financial highlights:

	2023	2022	2021	2020	2019
	TUSD	TUSD	TUSD	TUSD	TUSD
Key figures					
Profit/loss					
Revenue	48,964	52,462	28,635	23,601	42,101
Gross profit	3,382	5,385	4,469	3,786	5,307
Profit/loss of primary operations	1,758	4,089	2,757	2,325	3,723
Profit/loss of financial income and expenses	622	-2,685	-1,540	-471	-744
Net profit/loss for the year	1,856	970	949	1,446	2,323
Balance sheet					
Balance sheet total	70,264	171,070	89,025	108,627	122,590
Investment in property, plant and equipment	0	0	0	0	-9
Equity	21,240	19,384	18,414	17,465	16,019
Number of employees	9	9	11	15	13
Ratios					
Gross margin	6.9%	10.3%	15.6%	16.0%	12.6%
Profit margin	3.6%	7.8%	9.6%	9.9%	8.8%
Solvency ratio	30.2%	11.3%	20.7%	16.1%	13.1%
Return on equity	9.1%	5.1%	5.3%	8.6%	15.6%

Explanation of financial ratios are disclosed in accounting polices - 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 main activity of TP Aerospace Solution ApS consists of trading and wholesale of wheel and brake components in the aftermarket (used serviceable material).

Development in the year

The income statement of the Company for 2023 shows a profit of TUSD 1,856, and at 31 December 2023 the balance sheet of the Company shows a positive equity of TUSD 21,240.

The past year and follow-up on development expectations from last year

Net result after tax for 2023 of TUSD 1,856 reflecting a high air traffic demand and flight recovery during the year, and sales and earnings before net financials and tax returning to a pre pandemic level, which is above the expectations from 2022.

Business risks

TP Aerospace is Part 145, ISO 9001 and AS 9120 approved. To retain this certification level there is continuing focus on quality and risk management.

Financial exposure

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

Outlook

Given the positive development in air traffic demand, aircraft utilisation and aircraft fleet in service in 2023 as well as the imbalances in the global supply chains for wheels and brakes leading to limited supply of used serviceable material, 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 revenue in the range of USD 50-60m while we expect to achieve a gross profit margin between 6% and 9%.

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 TP Aerospace Solutions ApS' 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.

Management's review

Intellectual capital resources

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

Statement of corporate social responsibility, cf. section 99a of the Financial Statements Act

TP Aerospace acknowledges its community responsibility. Operating in the aftermarket, reuse of parts is an integrated part of our strategy. For the statutory statement on §99a reference is made to the consolidated financial statements for TPA Holding I A/S (CVR no. 38473492).

Statement on gender composition, cf. section 99b of the Financial Statements Act

The Executive Board consists of 2 males and 1 female while other management levels consist of 1 female, and thus the gender split is considered balanced and is expected to maintain as such in the future. TP Aerospace Solutions ApS is exempted from the requirement, as per the Danish Financial Statements Act, to define targets for the gender composition for upper management.

TP Aerospace Solutions ApS has in 2023 employed less than 50 full time employees and is thus exempted from the requirement, as per the Danish Financial Statements Act, to implement and act upon a policy for other management levels.

2023

Top management

Total number of members	3
Underrepresented gender %	33%

Other management levels

Total number of members	1
Underrepresented gender %	0%

TP Aerospace's COP report and diversity policy are described in the consolidated financial statements for TPA Holding I A/S (CVR no. 38473492).

Statement on data ethics, cf. section 99d of the Financial Statements Act

TP Aerospace's business policy on data ethics and the related data processes and procedures are described in the consolidated financial statements for TPA Holding I A/S (CVR no. 38473492).

Uncertainty relating to recognition and measurement

In the application of the Company's accounting policies, management of TP Solutions ApS is required to make accounting judgements, estimates and assumptions which form basis for the financial statements that are not readily apparent from other sources. Description of critical accounting judgement, estimates and assumptions are included in the section "Accounting policies".

Unusual events

The financial position at 31 December 2023 of the Company and the results of the activities and cash flows of the Company for the financial year 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
Revenue	1	48,964	52,458
Other operating income	2	18	883
Expenses for raw materials and consumables		-45,010	-46,802
Other external expenses		-590	-1,154
Gross profit		3,382	5,385
Staff expenses	3	-1,616	-1,288
Depreciation and impairment losses of property, plant and equipment		-8	-8
Profit/loss before financial income and expenses		1,758	4,089
Financial income	4	3,079	4,423
Financial expenses	5	-2,457	-7,108
Profit/loss before tax		2,380	1,404
Tax on profit/loss for the year	6	-524	-434
Net profit/loss for the year	7	1,856	970

Balance sheet 31 December

Assets

	Note	2023	2022
		TUSD	TUSD
Land and buildings		98	106
Property, plant and equipment	8	98	106
Fixed assets		98	106
Finished goods and goods for resale		23,755	27,544
Inventories		23,755	27,544
Trade receivables		3,189	2,895
Receivables from group enterprises		42,477	138,590
Other receivables		2	236
Deferred tax asset	9	20	21
Prepayments	10	723	1,678
Receivables		46,411	143,420
Current assets		70,166	170,964
Assets		70,264	171,070

Balance sheet 31 December

Liabilities and equity

	Note	2023	2022
		TUSD	TUSD
Share capital	11	27	27
Retained earnings		21,213	19,357
Equity		21,240	19,384
Credit institutions		42,537	27,979
Prepayments received from customers		91	565
Trade payables		5,200	10,585
Payables to group enterprises		0	111,647
Corporation tax		523	432
Other payables		673	478
Short-term debt		49,024	151,686
Debt		49,024	151,686
Liabilities and equity		70,264	171,070
Contingent assets, liabilities and other financial obligations	12		
Related parties	13		
Fee to auditors appointed at the general meeting	14		
Subsequent events	15		
Accounting Policies	16		

Statement of changes in equity

	Share capital	Retained earnings	Total
	TUSD	TUSD	TUSD
Equity at 1 January	27	19,357	19,384
Net profit/loss for the year	0	1,856	1,856
Equity at 31 December	27	21,213	21,240

Notes to the Financial Statements

	<u>2023</u>	<u>2022</u>
	TUSD	TUSD
1. Revenue		
Geographical segments		
Revenue, Americas Region	11,085	10,547
Revenue, APAC Region	12,310	14,561
Revenue, EMEA Region	25,569	27,350
	<u>48,964</u>	<u>52,458</u>

The Company is not considered to have different business segments.

	<u>2023</u>	<u>2022</u>
	TUSD	TUSD
2. Other operating income		
Government grants	18	883
	<u>18</u>	<u>883</u>

	<u>2023</u>	<u>2022</u>
	TUSD	TUSD
3. Staff Expenses		
Wages and salaries	1,541	1,234
Pensions	35	35
Other social security expenses	8	11
Other staff expenses	32	8
	<u>1,616</u>	<u>1,288</u>
Including remuneration to the Board of Directors	<u>100</u>	<u>100</u>
Average number of employees	<u>9</u>	<u>9</u>

Remuneration to the Executive Management:

The remuneration paid to Executive Management in 2023 is made in other Group companies. Amounts allocated for Executive Management functions in the Company are USD 100k, for the financial year 2023.

Notes to the Financial Statements

	2023	2022
	TUSD	TUSD
4. Financial income		
Interest received from group enterprises	2,966	4,423
Other financial income	18	0
Exchange gains	95	0
	<u>3,079</u>	<u>4,423</u>
	2023	2022
	TUSD	TUSD
5. Financial expenses		
Interest paid to group enterprises	0	3,615
Other financial expenses	2,457	1,109
Exchange loss	0	2,384
	<u>2,457</u>	<u>7,108</u>
	2023	2022
	TUSD	TUSD
6. Income tax expense		
Current tax for the year	523	432
Deferred tax for the year	1	2
	<u>524</u>	<u>434</u>
	2023	2022
	TUSD	TUSD
7. Profit allocation		
Retained earnings	1,856	970
	<u>1,856</u>	<u>970</u>

Notes to the Financial Statements

8. Property, plant and equipment

	Land and buildings
	TUSD
Cost at 1 January	161
Cost at 31 December	161
Impairment losses and depreciation at 1 January	55
Depreciation for the year	8
Impairment losses and depreciation at 31 December	63
Carrying amount at 31 December	98
Amortised over	20 years

9. Deferred tax asset

	2023	2022
	TUSD	TUSD
Deferred tax asset at 1 January	21	23
Amounts recognised in the income statement for the year	-1	-2
Deferred tax asset at 31 December	20	21
Property, plant and equipment	-20	-21
Transferred to deferred tax assets	20	21
	0	0
Deferred tax asset		
Calculated tax assets	20	21
Carrying amount	20	21

The recognised tax asset comprises timing differences relating to property, plant and equipment. In the years ahead, the Company or the group of jointly taxed enterprises expect to realise the recognised deferred tax asset; on that basis, the asset has been recognised at 31 December 2023.

10. Prepayments

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

Notes to the Financial Statements

11. Share capital

	Number	Nominal value
		TUSD
A-shares	1,250	26
B-shares	65	1
		<u>27</u>

12. 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.

Guarantee obligations

TP Aerospace Solutions ApS has provided a guarantee for the Parent Companies TP Aerospace Holding A/S and TPA Holding I A/S' bank debt.

Other contingent liabilities

The 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 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.

Notes to the Financial Statements

13. 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 TPA Holding I A/S may be obtained at the following address:

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

14. Fee to auditors appointed at the general meeting

In accordance with section 96(3) of the Danish Financial Statements Act, fees paid the auditors appointed at the annual general meeting has been omitted as it is included in the consolidated financial statements in TPA Holding I ApS.

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 Solutions ApS for 2023 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large 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.

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.

Critical accounting judgements, estimates and assumptions

In the application of the Company's accounting policies, Management is required to make accounting judgements, estimates and assumptions that are not readily apparent from other sources in order to serve as the basis for the preparation of the financial statements. The estimates, judgements and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The judgements, estimates and underlying assumptions are reviewed on an ongoing basis. Changes in accounting estimates are recognised in the period in which the estimate is changed if the change affects only that period, or in the period of the change and future periods if the change affects both current and future periods. In particular, the accounting judgements, estimates and assumptions relate to the following matters:

- Revenue related to the programs are recognised as a service exclusive of the value of the core assets that are exchanged during delivery within the program as they are considered exchange of assets of similar nature and value. Cost of the delivered core asset is transferred for recognition as cost of the core asset received. Costs related to maintenance, repair and overhaul (MRO) of the goods delivered are expensed on delivery.
- For goods to be included in programs, the allocation of total cost between the core element and the MRO element, respectively, is determined at the first exchange based on an estimate.
- Inventories are recognised at cost less write-down to net realisable value in case of impairment. The estimate of the required write-downs is made on the basis of an assessment of the individual characteristics and historical sales patterns for the inventories in the perspective of a value loss over time.

In addition, further write-downs are made to the extent that impairment is indicated specifically.

Notes to the Financial Statements

Leases

All leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the 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.

Segment information on revenue

Information on geographical segments is based on the Company's risks and returns and its internal financial reporting system. Geographical segments are regarded as the primary segments.

Income statement

Revenue

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Company.

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 as well as office expenses, etc.

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 depreciation and impairment of 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 property, plant and equipment.

Notes to the Financial Statements

Financial income and expenses

Financial income and expenses comprise interest, financial expenses in respect of finance leases, realised and unrealised exchange adjustments, price adjustment of securities, amortisation of mortgage loans as well as extra payments and repayment under the on-account taxation scheme.

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).

Balance sheet

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:

Land and buildings	20 years
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Impairment of fixed assets

The carrying amounts of 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.

Inventories

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

Cost consists of purchase price plus delivery costs

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

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.

Notes to the Financial Statements

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.

Financial Highlights

Explanation of financial ratios

Gross margin	$\text{Gross profit} \times 100 / \text{Revenue}$
Profit margin	$\text{Profit/loss of ordinary primary operations} \times 100 / \text{Revenue}$
Solvency ratio	$\text{Equity at year end} \times 100 / \text{Total assets at year end}$
Return on equity	$\text{Net profit for the year} \times 100 / \text{Average equity}$