# *TP Aerospace PRO ApS*

Stamholmen 165 R, DK-2650 Hvidovre

# Annual Report for 1 January - 31 December 2018

CVR No 32 36 22 49

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 19/3 2019

Peter Jørgen Lyager
Chairman of the General Meeting

# Contents


| | Page |
|---|---|
| **Management's Statement and Auditor's Report** | |
| Management's Statement | 1 |
| Independent Auditor's Report | 2 |
| **Management's Review** | |
| Company Information | 5 |
| Financial Highlights | 6 |
| Management's Review | 7 |
| **Financial Statements** | |
| Income Statement 1 January - 31 December | 9 |
| Balance Sheet 31 December | 10 |
| Statement of Changes in Equity | 12 |
| Notes to the Financial Statements | 13 |


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# Management's Statement

The Executive Board has today considered and adopted the Annual Report of TP Aerospace PRO ApS for the financial year 1 January - 31 December 2018.

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 2018 of the Company and of the results of the Company operations for 2018.

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, 19 February 2019

**Executive Board**

Thomas Daniel Ibsø    Peter Jørgen Lyager

# Independent Auditor's Report

To the Shareholder of TP Aerospace PRO ApS

**Opinion**
In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2018 and of the results of the Company's operations for the financial year 1 January - 31 December 2018 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of TP Aerospace PRO ApS for the financial year 1 January - 31 December 2018, 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' 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 requirements. 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 Financials 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.

# Independent Auditor’s Report

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

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

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

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.

# Independent Auditor's Report

- 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, 19 February 2019
**PricewaterhouseCoopers**
Statsautoriseret Revisionspartnerselskab
*CVR No 33 77 12 31*

| | |
|---|---|
| Torben Jensen | Thomas Baunkjær Andersen |
| statsautoriseret revisor | statsautoriseret revisor |
| mne18651 | mne35483 |

# Company Information

| | |
|---|---|
| **The Company** | TP Aerospace PRO ApS<br>Stamholmen 165 R<br>DK-2650 Hvidovre<br><br>CVR No: 32 36 22 49<br>Financial period: 1 January - 31 December<br>Incorporated: 10 August 2009<br>Financial year: 9th financial year<br>Municipality of reg. office: Hvidovre |
| **Executive Board** | Thomas Daniel Ibsø<br>Peter Jørgen Lyager |
| **Auditors** | PricewaterhouseCoopers<br>Statsautoriseret Revisionspartnerselskab<br>Strandvejen 44<br>DK-2900 Hellerup |

# Financial Highlights

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

| | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|
| | TUSD | TUSD | TUSD | TUSD | TUSD |
| **Key figures** | | | | | |
| **Profit/loss** | | | | | |
| Revenue | 34.252 | 29.804 | 18.139 | 8.905 | 7.340 |
| Gross profit/loss | 3.174 | 3.037 | 4.388 | 1.543 | 1.048 |
| Operating profit/loss | 1.316 | 1.290 | 3.465 | 1.174 | 548 |
| Profit/loss before financial income and expenses | 1.316 | 1.290 | 3.465 | 1.174 | 548 |
| Net financials | 1.077 | 341 | -370 | -133 | -85 |
| Net profit/loss for the year | 1.844 | 1.244 | 2.404 | 786 | 353 |
| **Balance sheet** | | | | | |
| Balance sheet total | 53.900 | 39.285 | 30.264 | 9.450 | 5.100 |
| Equity | 6.910 | 5.066 | 3.822 | 1.873 | 1.227 |
| Investment in property, plant and equipment | 1.484 | 803 | 7.049 | 65 | 146 |
| Number of employees | 14 | 10 | 7 | 4 | 5 |
| **Ratios** | | | | | |
| Gross margin | 9,3% | 10,2% | 24,2% | 17,3% | 14,3% |
| Profit margin | 3,8% | 4,3% | 19,1% | 13,2% | 7,5% |
| Return on equity | 30,8% | 28,0% | 84,4% | 50,7% | 33,6% |

For definitions, see under accounting policies.

# 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, Las Vegas, Orlando, Singapore, Dubai and Melbourne, we offer our services to airlines all over the world through our Trading and Program divisions, supported by our extensive in-house MRO capabilities.

TP Aerospace PRO ApS' activities consists of the Groups Program and lease activities within the EU Region.

### Development in the year

Revenue has increased from USD 29.8m in 2017 to USD 34.2m in 2018. The increase is primarily due to strong growth in the number of customers and contracts during 2018.

EBITDA has increased from USD 1.6m in 2017 to USD 1.7m in 2018.

Net result after tax for 2018 of USD 1.8m is an increase of USD 0.6m.

### Special risks - operating risks and financial risks

#### *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.

### Targets and expectations for the year ahead

Management expects the positive development of the company to continue during 2018.

### Research and development

To support the growth strategy of the company, TP Aerospace Group continues to develop its product platform, capacity, capability and global footprint. In 2018 the Group has opened repair facilities in the UK, Thailand, Malaysia and Russia.

# Management’s Review

### 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 a reference are made to the consolidated Financial Statements for TPA Holding I A/S.

### Intellectual capital resources

As a consequence of the continuing growth of the Company, the number of employees has increased during 2018.

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 Groups COP report and diversity policy are described in the consolidated Financial Statements for TPA Holding I A/S.

### Uncertainty relating to recognition and measurement

In the application of the Company's accounting policies, the Management of the Company 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

No unusual matters have affected the Financial Statement for 2018.

### Subsequent events

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

# Income Statement 1 January - 31 December

| | Note | 2018<br>TUSD | 2017<br>TUSD |
|---|---|---|---|
| **Revenue** | | **34.252** | **29.804** |
| Cost of sales | | -28.772 | -24.789 |
| Other external expenses | | -2.306 | -1.978 |
| **Gross profit/loss** | | **3.174** | **3.037** |
| Staff expenses | 2 | -1.469 | -1.447 |
| Depreciation, amortisation and impairment of intangible assets and property, plant and equipment | 3 | -389 | -300 |
| **Profit/loss before financial income and expenses** | | **1.316** | **1.290** |
| Financial income | 4 | 2.311 | 1.396 |
| Financial expenses | 5 | -1.234 | -1.055 |
| **Profit/loss before tax** | | **2.393** | **1.631** |
| Tax on profit/loss for the year | 6 | -549 | -387 |
| **Net profit/loss for the year** | | **1.844** | **1.244** |

# Balance Sheet 31 December

## Assets

| | Note | 2018 TUSD | 2017 TUSD |
|---|---|---|---|
| Other fixtures and fittings, tools and equipment | | 7.831 | 7.048 |
| **Property, plant and equipment** | 7 | **7.831** | **7.048** |
| **Fixed assets** | | **7.831** | **7.048** |
| **Inventories** | | **22.169** | **17.464** |
| Trade receivables | | 4.951 | 4.266 |
| Receivables from group enterprises | | 13.071 | 8.604 |
| Other receivables | | 57 | 237 |
| Prepayments | 8 | 4.736 | 1.574 |
| **Receivables** | | **22.815** | **14.681** |
| **Cash at bank and in hand** | | **1.085** | **92** |
| **Currents assets** | | **46.069** | **32.237** |
| **Assets** | | **53.900** | **39.285** |

# Balance Sheet 31 December

## Liabilities and equity

| | Note | 2018 | 2017 |
|---|---|---|---|
| | | TUSD | TUSD |
| Share capital | | 25 | 25 |
| Retained earnings | | 6.885 | 5.041 |
| **Equity** | | **6.910** | **5.066** |
| Provision for deferred tax | 10 | 333 | 157 |
| Other provisions | 11 | 1.077 | 618 |
| **Provisions** | | **1.410** | **775** |
| Bank loans | | 1.921 | 2.582 |
| Prepayments received from customers | | 945 | 932 |
| Trade payables | | 479 | 1.348 |
| Payables to group enterprises | | 41.664 | 28.331 |
| Corporation tax | | 351 | 78 |
| Other payables | | 220 | 173 |
| **Short-term debt** | | **45.580** | **33.444** |
| **Debt** | | **45.580** | **33.444** |
| **Liabilities and equity** | | **53.900** | **39.285** |
| Subsequent events | 1 | | |
| Distribution of profit | 9 | | |
| Contingent assets, liabilities and other financial obligations | 12 | | |
| Related parties | 13 | | |
| Accounting Policies | 14 | | |

# Statement of Changes in Equity

| | Share capital | Retained earnings | Total |
|---|---|---|---|
| | TUSD | TUSD | TUSD |
| Equity at 1 January | 25 | 5.041 | 5.066 |
| Net profit/loss for the year | 0 | 1.844 | 1.844 |
| **Equity at 31 December** | **25** | **6.885** | **6.910** |

# Notes to the Financial Statements

## 1 Subsequent events

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

## 2 Staff expenses

| | 2018 | 2017 |
|---|---|---|
| | TUSD | TUSD |
| Wages and salaries | 1.379 | 1.390 |
| Pensions | 67 | 45 |
| Other social security expenses | 19 | 8 |
| Other staff expenses | 4 | 4 |
| | **1.469** | **1.447** |
| Including remuneration to the Executive Board of: | | |
| Executive Board | 100 | 100 |
| | **100** | **100** |
| **Average number of employees** | **14** | **10** |

Remuneration to the Executive Board:
The remuneration paid to Executive Board in 2018 is made in other Group companies. Amounts allocated for Executive Board functions in the Company are USD 100k, for the financial year 2018.

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

| | 2018 | 2017 |
|---|---|---|
| | TUSD | TUSD |
| Depreciation of property, plant and equipment | 396 | 356 |
| Gain and loss on disposal | -7 | -56 |
| | **389** | **300** |

## 4 Financial income

| | 2018 | 2017 |
|---|---|---|
| Interest received from group enterprises | 363 | 0 |
| Other financial income | 1.697 | 1.301 |
| Exchange gains | 251 | 95 |
| | **2.311** | **1.396** |

# Notes to the Financial Statements

| | 2018 | 2017 |
|---|---|---|
| | TUSD | TUSD |

## 5 Financial expenses

| | | |
|---|---|---|
| Interest paid to group enterprises | 1.170 | 714 |
| Other financial expenses | 64 | 22 |
| Exchange loss | 0 | 319 |
| | **1.234** | **1.055** |

## 6 Tax on profit/loss for the year

| | | |
|---|---|---|
| Current tax for the year | 352 | 78 |
| Deferred tax for the year | 176 | 309 |
| Adjustment of tax concerning previous years | 21 | 0 |
| | **549** | **387** |

## 7 Property, plant and equipment

| | Other fixtures and fittings, tools and equipment |
|---|---|
| | TUSD |
| Cost at 1 January | 7.569 |
| Additions for the year | 1.484 |
| Disposals for the year | -311 |
| Cost at 31 December | 8.742 |
| Impairment losses and depreciation at 1 January | 522 |
| Depreciation for the year | 396 |
| Reversal of impairment and depreciation of sold assets | -7 |
| Impairment losses and depreciation at 31 December | 911 |
| **Carrying amount at 31 December** | **7.831** |
| Depreciated over | 20 years |

# Notes to the Financial Statements

## 8 Prepayments

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

## 9 Distribution of profit

| | 2018 | 2017 |
|---|---|---|
| | TUSD | TUSD |
| Retained earnings | 1.844 | 1.244 |
| | **1.844** | **1.244** |

## 10 Provision for deferred tax

| | 2018 | 2017 |
|---|---|---|
| Provision for deferred tax at 1 January | 157 | -152 |
| Amounts recognised in the income statement for the year | 176 | 309 |
| **Provision for deferred tax at 31 December** | **333** | **157** |

## 11 Other provisions

Lending of assets included in the programs by customers (mutual pool) occasionally occur in connection with the CFR program activities. In case that these programs end, the Company must return similar assets in the same condition as when the lending took place. The provisions include an amount counterbalancing the restoration liability based on an estimate of the expected expenses. The liability is recognised during the application period of the lend assets.

| | 2018 | 2017 |
|---|---|---|
| Other provisions | 1.077 | 618 |
| | **1.077** | **618** |

# Notes to the Financial Statements

## 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.

**Guarantee obligations**

TP Aerospace PRO A/S 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

| | Basis |
|---|---|
| **Controlling interest** | |
| CataCap I K/S, Copenhagen | Ultimate capital owner, 39 % |
| 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 the parties.

**Transactions**

All transactions with related parties have occurred on normal market conditions in the financial year 2018.

**Consolidated Financial Statements**

Name and registered office of the Parents preparing consolidated financial statements for the smallest and largest group:

| Name | Place of registered office |
|---|---|
| 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 165 rst.
DK-2650 Hvidovre
Danmark

# Notes to the Financial Statements

## 14 Accounting Policies

The Annual Report of TP Aerospace PRO ApS for 2018 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 2018 are presented in TUSD. The exchange rate is 6,51 as of 31 December 2018 and 6,20 as of 31 December 2017.

### Changes in accounting estimates

*Change of method for estimating core values*

The group has changed methods for estimating core values in CFR and LFL programmes. The new method estimates core value to be the standard cost of the initial purchase. The new method is implemented and effective from 1 January 2018. Impairment is evaluated once a year.

It replaces the previous method, where core values were written down in accordance with an historic cost price model. Core values of units purchased prior to 1 January 2018, has not been changed, but will undergo the same yearly impairment test as under the new method.

The change in accounting estimates have affected 2018 by increasing EBITDA with USD 1,567k, Tax expenses with USD 345k, Fixed Assets with USD 1,567k and Equity with USD 1,222k, comparative figure are not affected by the change in accounting estimates.

### 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 A/S, 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.

# Notes to the Financial Statements

**14 Accounting Policies** (continued)

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 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.

• The sales value of the CFR programs is recognised concurrently with the customer's use of the asset delivered (per cycle). Cost of goods sold related to CFR programs are expensed over the expected average period until the next exchange calculated for wheels and brakes in all CFR programs, respectively.

• 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.

• Lending of assets included in the programs by customers (mutual pool) occasionally occur in connection with the CFR program activities. In case that these programs end, the Company must return similar assets in the same condition as when the lending took place. The provisions for such restoration liabili-

# Notes to the Financial Statements

**14 Accounting Policies** (continued)

ties include an amount counterbalancing the expected expenses. The amount is based on an estimate.

### 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.

## Income Statement

### Revenue

Revenue related to sale and lease out of aircraft parts is recognized in revenue when delivery is made and risk has passed to the buyer. Revenue related to the programs are recognised exclusive of the value of the core assets that are exchanged during delivery within the program. Revenue therefore consist of revenue generated from maintenance, repair and overhaul and not exchange.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

### Cost of sales

Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for ordinary inventory write-downs. Such costs include an amount counterbalancing, if any, the restoration liability on asset lend by customers (mutual pool) in connection with CFR program activities, based on an estimate of the expected expenses. For programs, cost of the delivered core asset is transferred for recognition as cost of the core asset received.

# Notes to the Financial Statements

**14 Accounting Policies** (continued)

### Other external expenses

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

### Staff expenses

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

### Amortisation, depreciation and impairment losses

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

### Financial income and expenses

Financial income and expenses comprises interest, including interest income, expenses and charges on receivables and payables from group enterprises, net capital gains and losses on securities, payables and transactions in foreign currencies, amortisation of financial assets as well as tax relief under the Danish Tax Prepayment Scheme etc.

### Tax on profit/loss for the year

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

The Company is jointly taxed with their Danish parent company. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

# 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.

# Notes to the Financial Statements

**14 Accounting Policies** (continued)

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 | 20 years |

Depreciation period and residual value are reassessed annually.

**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.

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

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

**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

## 14 Accounting Policies (continued)

### Provisions

Lending of assets included in the programs by customers (mutual pool) occasionally in connection with the CFR program activities. In case that these programs end, the Company must return similar assets in the same condition as when the lending took place. The provisions include an amount counterbalancing the restoration liability based on an estimate of the expected expenses. The liability is recognised during the application period of the lend assets.

The provisions are recognised and measured as the best estimate of the expenses required to settle the liabilities at the balance sheet date. Provisions that are estimated to mature more than one year after the balance sheet date are measured at their discounted value.

### Deferred tax assets and liabilities

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

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

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

### Current tax receivables and liabilities

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

### Financial debts

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.

# Notes to the Financial Statements

**14 Accounting Policies** (continued)

### Deferred income

Deferred income comprises payments received in respect of income in subsequent years.

# Financial Highlights

### Explanation of financial ratios

| | |
|---|---|
| Gross margin | $\dfrac{\text{Gross profit x 100}}{\text{Revenue}}$ |
| Profit margin | $\dfrac{\text{Profit before financials x 100}}{\text{Revenue}}$ |
| Return on equity | $\dfrac{\text{Net profit for the year x 100}}{\text{Average equity}}$ |