
TP Aerospace PRO ApS

Stamholmen 165T, DK-2650 Hvidovre

Annual Report for 1 January - 31 December 2022

CVR No 32 36 22 49

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
22/2 2023

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 PRO ApS for the financial year 1 January - 31 December 2022.

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

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

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

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

Hvidovre, 16 February 2023

Executive Board

Thomas Daniel Ibsø

Nikolaj Lei Jacobsen

Tinneke Torpe

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 2022 and of the results of the Company's operations for the financial year 1 January - 31 December 2022 in accordance with the Danish Financial Statements Act.

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

Basis for 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 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, 16 February 2023

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 PRO ApS
Stamholmen 165T
DK-2650 Hvidovre

CVR No: 32 36 22 49
Financial period: 1 January - 31 December
Incorporated: 10 August 2009
Financial year: 13rd financial year
Municipality of reg. office: Hvidovre

Executive Board

Thomas Daniel Ibsø
Nikolaj Lei Jacobsen
Tinneke Torpe

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
DK-2900 Hellerup

Financial Highlights

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

	2022 TUSD	2021 TUSD	2020 TUSD	2019 TUSD	2018 TUSD
Key figures					
Profit/loss					
Revenue	64,303	51,883	32,105	42,979	34,252
Gross profit/loss	7,684	6,288	5,721	6,166	3,174
Operating profit/loss	5,384	4,290	3,485	4,340	1,316
Profit/loss before financial income and expenses	5,794	4,572	3,892	4,340	1,316
Net financials	-274	-660	-2,348	-1,104	1,077
Net profit/loss for the year	4,301	3,051	1,032	2,523	1,844
Balance sheet					
Balance sheet total	110,718	80,260	76,622	77,090	53,900
Equity	17,817	13,516	10,465	9,433	6,910
Investment in property, plant and equipment	319	504	-2,484	1,987	-1,173
Number of employees	16	10	14	14	14
Ratios					
Gross margin	11.9%	12.1%	17.8%	14.3%	9.3%
Profit margin	9.0%	8.8%	12.1%	10.1%	3.8%
Solvency ratio	16.1%	16.8%	13.7%	12.2%	12.8%
Return on equity	27.5%	25.4%	10.4%	30.9%	30.8%

Explanation of financial ratios are disclosed in accounting policies - note 17.

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.

TP Aerospace PRO ApS' activities consists of integrated wheel and brake programs and lease activities offered to aircraft operators in the European region.

Development in the year

The income statement of the Company for 2022 shows a profit of TUSD 4,301, and at 31 December 2022 the balance sheet of the Company shows equity of TUSD 17,817.

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

Net result after tax for 2022 of TUSD 4,301 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 in line with expectations from 2021.

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 and flight recovery in 2022, our expectation for 2023 is a continued high activity level among our customers and thereby high demand throughout the year. Our financial performance for 2023 is expected to reflect the above with sales and earnings assumed to exceed 2022.

Research and development

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

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

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

Statutory statement regarding sustainability and social responsibility in accordance with section 99a of the Danish 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).

Statutory statement regarding the underrepresented gender in accordance with section 99b of the Danish Financial Statements act

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

TP Aerospace PRO ApS has in 2022 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.

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

Governance and ethics in accordance with section 99d of the Danish 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 Aerospace PRO 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".

Management's Review

Unusual events

No unusual matters have affected the financial statements for 2022.

Subsequent events

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

Income Statement 1 January - 31 December

	Note	2022 TUSD	2021 TUSD
Revenue	1	64,303	51,883
Other operating income	2	410	282
Cost of sales		-56,335	-46,193
Other external expenses		-694	316
Gross profit/loss		7,684	6,288
Staff expenses	3	-1,570	-1,294
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	4	-320	-422
Profit/loss before financial income and expenses		5,794	4,572
Financial income	5	3,700	1,743
Financial expenses	6	-3,974	-2,403
Profit/loss before tax		5,520	3,912
Tax on profit/loss for the year	7	-1,219	-861
Net profit/loss for the year		4,301	3,051

Balance Sheet 31 December

Assets

	Note	2022 TUSD	2021 TUSD
Other fixtures and fittings, tools and equipment		3,832	5,570
Property, plant and equipment	8	3,832	5,570
Fixed assets		3,832	5,570
Inventories		54,889	42,420
Trade receivables		12,974	7,199
Receivables from group enterprises		37,998	24,971
Other receivables		857	50
Prepayments	9	109	6
Receivables		51,938	32,226
Cash at bank and in hand		59	44
Currents assets		106,886	74,690
Assets		110,718	80,260

Balance Sheet 31 December

Liabilities and equity

	Note	2022 TUSD	2021 TUSD
Share capital		25	25
Retained earnings		17,792	13,491
Equity		17,817	13,516
Provision for deferred tax	11	392	578
Other provisions	12	2,050	1,685
Provisions		2,442	2,263
Bank loans		4,769	2,096
Prepayments received from customers		981	30
Trade payables		2,757	715
Payables to group enterprises		77,558	57,995
Corporation tax		1,395	846
Deposits		2,697	1,918
Other payables		302	881
Short-term debt		90,459	64,481
Debt		90,459	64,481
Liabilities and equity		110,718	80,260
Subsequent events	16		
Distribution of profit	10		
Contingent assets, liabilities and other financial obligations	13		
Related parties	14		
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Statement of Changes in Equity

	Share capital	Retained earnings	Total
	TUSD	TUSD	TUSD
Equity at 1 January	25	13,491	13,516
Net profit/loss for the year	0	4,301	4,301
Equity at 31 December	25	17,792	17,817

Notes to the Financial Statements

	2022	2021
	TUSD	TUSD
1 Revenue		
Geographical segments		
Revenue, EMEA Region	64,303	51,883
	64,303	51,883
Business segments		
CFR Revenue	43,190	27,279
LFL Revenue	9,246	6,904
Leasing Revenue	117	907
Intercompany Revenue	11,750	16,793
	64,303	51,883

The Company's activities are carried out in the EMEA Region and Management are not reporting on individual countries but the region as one segment.

2 Other operating income

Government grants	410	282
	410	282

Notes to the Financial Statements

	2022	2021
	TUSD	TUSD
3 Staff expenses		
Wages and salaries	1,485	1,222
Pensions	68	54
Other social security expenses	5	5
Other staff expenses	12	13
	<u>1,570</u>	<u>1,294</u>
Including remuneration to the Executive Management of: Executive Management	<u>100</u>	<u>100</u>
	<u>100</u>	<u>100</u>
Average number of employees	<u>16</u>	<u>10</u>

Remuneration to the Executive Management:

The remuneration paid to Executive Management in 2022 is made in other Group companies. Amounts allocated for Executive Management functions in the Company are USD 100k, for the financial year 2022.

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

Depreciation of property, plant and equipment	331	449
Gain and loss on disposal	-11	-27
	<u>320</u>	<u>422</u>

5 Financial income

Interest received from group enterprises	2,479	876
Exchange gains	1,221	867
	<u>3,700</u>	<u>1,743</u>

Notes to the Financial Statements

	2022 <u>TUSD</u>	2021 <u>TUSD</u>
6 Financial expenses		
Interest paid to group enterprises	3,723	2,348
Other financial expenses	126	55
Exchange loss	125	0
	<u>3,974</u>	<u>2,403</u>
7 Tax on profit/loss for the year		
Current tax for the year	1,400	851
Deferred tax for the year	-185	10
Adjustment of deferred tax concerning previous years	4	0
	<u>1,219</u>	<u>861</u>
8 Property, plant and equipment		Other fixtures and fittings, tools and equipment <u>TUSD</u>
Cost at 1 January		7,498
Additions for the year		319
Disposals for the year		<u>-1,738</u>
Cost at 31 December		<u>6,079</u>
Impairment losses and depreciation at 1 January		1,928
Depreciation for the year		331
Impairment and depreciation of sold assets for the year		<u>-12</u>
Impairment losses and depreciation at 31 December		<u>2,247</u>
Carrying amount at 31 December		<u>3,832</u>
Depreciated over		<u>20 years</u>

Notes to the Financial Statements

9 Prepayments

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

	2022 TUSD	2021 TUSD
10 Distribution of profit		
Retained earnings	4,301	3,051
	4,301	3,051

11 Provision for deferred tax

Provision for deferred tax at 1 January	578	568
Amounts recognised in the income statement for the year	-186	10
Provision for deferred tax at 31 December	392	578
Intangible assets	0	-65
Property, plant and equipment	843	1,014
Provisions	-451	-371
	392	578

12 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.

Other provisions	2,050	1,685
	2,050	1,685

Notes to the Financial Statements

	2022 TUSD	2021 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 39.

Guarantee obligations

TP Aerospace PRO 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.

14 Related parties

Basis

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 the parties.

Transactions

All transactions with related parties have occurred on normal market conditions in the financial year 2022.

Notes to the Financial Statements

14 Related parties (continued)

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 165R
DK-2650 Hvidovre
Danmark

15 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.

16 Subsequent events

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

Notes to the Financial Statements

17 Accounting Policies

The Annual Report of TP Aerospace PRO ApS for 2022 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 2022 are presented in TUSD. The exchange rate is 6,97 as of 31 December 2022 and 6,56 as of 31 December 2021.

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.

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

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

Notes to the Financial Statements

17 Accounting Policies (continued)

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

Notes to the Financial Statements

17 Accounting Policies (continued)

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.

Revenue

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

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.

The Company delivers repaired or overhauled wheels or brakes to its customers either as a service (CFR) or as sale of the repaired or overhauled wheel or brake (LFL). The Company exchanges the core units of the wheel or brake (core asset) with its customers' core unit, and the sale therefore consists of the repair or overhaul of the wheel or brake. Revenue furthermore consists of leasing out wheels and brakes to airlines.

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

Notes to the Financial Statements

17 Accounting Policies (continued)

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.

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.

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.

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.

Notes to the Financial Statements

17 Accounting Policies (continued)

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:

Other fixtures and fittings, tools and equipment	20 years
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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 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.

Notes to the Financial Statements

17 Accounting Policies (continued)

Prepayments

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

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.

Notes to the Financial Statements

17 Accounting Policies (continued)

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.

Financial Highlights

Explanation of financial ratios

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