Annual Report 2019

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Thrane & Thrane A/S trading as Cobham SATCOM

Thrane & Thrane A/S

Lundtoftegårdsvej 93D

DK-2800 Kongens Lyngby

Central Business Registration Number: 65 72 46 18

The Annual Report was presented and adopted at the Annual General Meeting on 27 August 2020

David Grant, Chairman

Contents

Management's Statement

The Supervisory Board and the Executive Board have today considered and approved the Annual Report for Thrane & Thrane A/S for the financial year 1 January - 31 December 2019.

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

In our opinion, the Financial Statements give a true and fair view of the Company's financial position at 31 December 2019 and of the results of its' operations for the financial year 1 January – 31 December 2019.

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 to be adopted at the Annual General Meeting.

Kongens Lyngby, 27 August 2020

Executive Management

Klaus Juhl Wulff, Director

Supervisory Board

Leif Olle Ottosson, Chairman

Klaus Juhl Wulff

Thomas Evers Christensen

Henrik Munksgaard Berg

Karsten Vollmer-Larsen

Independent Auditor's Report

To the shareholders of Thrane & Thrane A/S

Opinion

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

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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 additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

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 as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and 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 the financial statements.

As part of an audit conducted in accordance with ISAs and 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 note 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.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

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

Frederiksberg, 27 August 2020

EY

Godkendt Revisionspartnerselskab

CVR no. 30 70 02 28

Karsten Bøgel
State Authorised
Public Accountant
mne27849

Company Information

The Company	Thrane & Thrane A/S Lundtoftegårdsvej 93 D DK-2800 Kongens Lyngby www.cobham.com/satcom Telephone: +45 3955 8800 Facsimile: +45 3955 8888 Central Business Registration No: 65 72 46 18 Financial period: 1 January - 31 December Municipality of reg. office: Lyngby-Taarbæk
Supervisory Board	Leif Olle Ottosson, Chairman Klaus Juhl Wulff, Deputy Chairman Thomas Evers Christensen Henrik Munksgaard Berg Karsten Vollmer-Larsen
Executive Board	Klaus Juhl Wulff, Director
Auditors	EY Godkendt Revisionspartnerselskab Dirch Passers Allé 36 2000 Frederiksberg

Financial Highlights

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

	2019 MDKK	2018 MDKK	2017 MDKK	2016 MDKK	2015 MDKK
Key figures					
Income Statement					
Revenue	1,149	1,246	1,227	1,343	1,308
Gross profit	195	155	123	196	281
Operating profit/(loss)	(43)	(129)	(134)	(94)	80
Net finance income/(expense)	(63)	(102)	12	(41)	(45)
Net profit/(loss) for the year	(165)	(192)	(93)	(112)	22
Balance Sheet					
Total assets	937	1,131	1,095	1,375	1,360
Equity	115	143	205	295	406
Investment in property, plant and equipment	8	7	14	18	16
Average number of employees	502	576	574	541	561
Ratios (in %)					
Gross margin	16.9	12.4	10.2	14.6	21.5
Profit margin	(3.8)	(10.4)	(7.6)	(7.0)	6.1
Return on assets	(4.6)	(11.4)	(12.2)	(6.8)	5.9
Return on equity	(125,3)	(110.3)	(37.2)	(32.0)	4.9

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. Definitions are disclosed in the note for accounting policies.

Management's Review

The Financial Statements of Thrane & Thrane A/S for 2019 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

Change in accounting policies

Effective from 1 January 2019, the company has applied recognition and measurement from IFRS 15 Revenue from Contract with Customers and IFRS 16 Leases using the modified retrospective method. Comparative figures are for that reason not restated in the financial statements for 2018.

Implementation of IFRS 15 has not resulted in any material differences in the income statement.

Operational lease agreements are affected by the implementation of IFRS 16. The accumulated effect at 1 January on equity is TDKK 8,704, total assets TDKK 23,960 and total liabilities TDKK 33,023. Thus, the effect of the implementation in the net value in profit for the year is minor.

Please refer to note 25 accounting policies for a full description of the effect of the adoption.

Main activity

The Company's primary activities are development, manufacturing and marketing of professional radio and satellite communication equipment.

Development in the year

The Company's income statement for the financial year 1 January – 31 December 2019 shows a loss of TDKK 165,287 and at 31 December 2019, the Company's balance sheet shows an equity of TDKK 114,775.

The Company continues to incur losses, mainly due to a high level of research and development costs which is recognised in the income statement. The research and development costs are for new products, such as the Aviator S satellite communication for the aviation industry, that is expected to create significant future revenue and profit streams.

Management has made an updated assessment on the valuation of the deferred tax asset and reduced this to TDKK 29,141 by the end of 2019. Management's assessment is based recent performance, economic uncertainty and the requirement of convincing evidence to support the utilization of the tax asset in the near future.

Capital resources

In December 2019 a capital increase for a total of TDKK 145,000 was performed through debt conversion to support the equity.

Based on the budget for 2020, the Company is expected to have adequate capital resources for the activities and investments minimum for the coming year. The company has obtained a letter of support from the group, stating that the debt will not be demanded paid fully or partially, unless the company has sufficient liquidity to do so.

Strategy and objectives

Targets and expectations for the year ahead

The Company expects improvements in the results for 2020.

The company's activities are spread over many countries. It is therefore natural that the company may be constantly affected by local circumstances, and the influence of coronavirus in the world in recent months has emphasized the need to adapt to changing supply demands.

The company's expectations for 2020 have recognized some impact from this relationship.

Basis of earnings

Research and development

Costs for research and development are incurred on a continuing basis. During the year the Company has acquired an extensive knowledge and expertise. The Company's aim is to maintain its expertise and to use its competences in relation to the development of new products.

Statutory statement of corporate social responsibility in accordance with section 99a of the Danish Financial Statements Act

A high level of corporate social responsibility has always been an integral part of the Company's mission, corporate structure, strategy and daily operations, in relation to the Company's markets and customers as well as within the Company's organisation. The Company's financial statements are part of the group financial statements for Cobham plc. In accordance with section 99a, part 6, the Company refers to the Annual Report and Accounts 2019 for Cobham plc for detailed policies in relation to the corporate social responsibility and follow-up on these. The accounts for Cobham plc will be made public available together with the annual report for Thrane & Thrane A/S, and can be downloaded at https://datacvr.virk.dk/data/

Statutory statement of underrepresented gender in accordance with section 99b of the Danish Financial Statements Act / Diversity

The Company recognises and acknowledges the importance of diversity, including diversity of gender, nationality and competencies. While Thrane & Thrane A/S trading as Cobham SATCOM considers diversity a strength when recruiting employees, the Company prioritises professional and personal competences in order to employ the right candidates for positions.

The Company strives to ensure that members of the Supervisory Board and other executives represent different educational backgrounds as well as both genders. In recruiting for potential board members as well as for other management positions, targets are generally set around ensuring that a proportion of female and ethnically diverse applicants are included in the candidate pool.

Target for the underrepresented gender among the members of the Supervisory Board

The recent re-organization in the group have resulted in changes in the Board for Thrane & Thrane A/S as well. The Supervisory Board members elected by the general meeting currently consist of zero female members and five male members. The composition of the Supervisory Board therefore no longer meets the requirement for an equal gender balance as in accordance with the Danish Companies Act and the guidance from the Danish Business Authority.

The Company will endeavor to reach the guidance from the Danish Business Authority in the coming changes of the board, taking competences and qualifications into account. Specifically, the Company has set a goal of having 40% women in the Supervisory board by 2022. This goal was not met in 2019, as the two male candidates replacing the former female members were considered better suited candidates in regards to competencies and experiences.

Policy for the underrepresented gender among other executives

In accordance with section 139a of the Danish Companies Act, the Company has set out a policy in order to increase the share of the underrepresented gender among other executives. The Company's gender composition in the executive management is 100% male members. The Company acknowledges that its industry is male dominated and therefore continues to advance diversity by maintaining a more equal gender balance. In order to do so, The Company takes the following initiatives:

- Ensuring that both genders are represented when the Company recruits for executive management positions, both internally and externally
- Encouraging anyone interested in a job with the Company to apply, irrespective of gender, age, race, religion or ethnicity
- Ensuring internal education and talent development for both women and men
- Always offering equal career development initiatives
- Ensuring gender neutrality in its communication with stakeholders
- Ensuring a sensible work/life balance in order to attract and retain the most qualified employees.

Follow-up and reporting

The Executive Board is responsible for the policy of approaching a gender balance of other executives and monitors the implementation of the initiatives in this Policy. Progress in this regard is reported to the Supervisory Board once a year.

The Company reports on the Policy annually and in accordance with applicable law and regulations.

Uncertainty relating to recognition and measurement

The Company operates an active risk management policy, which includes identification of key risks and development of action plans to mitigate those risks.

Furthermore, the preparation of the financial statements requires management to make certain judgements regarding the existence and probability of realisation of certain risks and opportunities inherent in the operation of the business. Management has exercised its professional judgement in the preparation of the financial statements in order to present a true and fair view of the financial position of the Company as at 31 December 2019.

In this respect, it can be mentioned that intangible assets have been tested for impairment, the impairment test showed an impairment of TDKK 13,800 which has been recognised. The management is following this closely. No other assets showed sign impairment.

Management has made an updated assessment on the valuation of the deferred tax asset and reduced this to TDKK 29,141 by the end of 2019. Management's assessment is based recent performance, economic uncertainty and the requirement of convincing evidence to support the utilization of the tax asset in the near future.

Management's Review

Events after the balance sheet date

On 25 July 2019, the Board of the Group announced it had reached agreement with Advent for the acquisition of the entire share capital of the Group, to be implemented by means of a Court-sanctioned scheme of arrangement under Part 26 of the Companies Act in UK. A General Meeting was held on 16 September 2019 where the Scheme was duly approved by the Group's shareholders. Regulatory approvals for the acquisition were received in multiple jurisdictions including the UK, US, France and Australia and final court approval to enact the Scheme was received on 15 January 2020 resulting in the closing of the Transaction on 17 January 2020. Cobham was re-registered as a private company and delisted from the London Stock Exchange on 20 January 2020.

Income Statement 1 January – 31 December

	Note	2019	2018
		TDKK	TDKK
Revenue	2	1,149,352	1,245,784
Cost of sales	3	(954,749)	(1,091,115)
Gross profit		**194,603**	**154,669**
Distribution expenses	3	(86,066)	(120,144)
Administrative expenses	3	(151,698)	(163,659)
Operating profit/(loss)		**(43,161)**	**(129,134)**
Income from investments in subsidiaries	4	(22,326)	(24,782)
Finance income	5	41,003	53,326
Finance costs	6	(103,930)	(130,249)
Profit/(loss) before tax		**(128,413)**	**(230,839)**
Income tax	7	(36,874)	38,689
Net profit/(loss) for the year		**(165,287)**	**(192,150)**

Balance Sheet at 31 December

	Note	2019 TDKK	2018 TDKK
Assets			
Software		11,654	13,898
Goodwill, customer files and IP rights		245,888	303,537
Intangible assets	8	**257,542**	**317,435**
Right of use assets		47,656	-
Plant and machinery		23,539	30,083
Other fixtures and fittings, tools and equipment		1,005	1,299
Leasehold improvements		1,605	2,266
Property, plant and equipment in progress		1,698	2,076
Property, plant and equipment	9	**75,503**	**35,724**
Investments in subsidiaries	10	107,318	129,653
Fixed asset investments		**107,318**	**129,653**
Non-current assets		**440,363**	**482,812**
Inventories	11	**150,286**	**208,061**
Trade receivables		156,973	153,396
Contract work in progress	12	889	1,542
Receivables from group enterprises		34,916	29,799
Other receivables		9,536	10,783
Deferred tax asset	13	29,141	100,698
Corporation tax		-	9,624
Prepayments	14	16,692	9,065
Receivables		**248,147**	**314,907**
Cash at bank and in hand		**98,016**	**125,605**
Current assets		**496,449**	**648,573**
Total assets		**936,812**	**1,131,385**

Balance Sheet at 31 December

	Note	2019	2018
		TDKK	TDKK
Equity and liabilities			
Share capital	15	118,893	118,889
Share premium		275,992	130,996
Retained earnings		(280,110)	(106,501)
Equity		114,775	143,384
Provision for deferred tax	12	-	45,726
Lease liabilities	17	15,092	-
Other provisions	16	41,132	41,450
Provisions		56,224	87,176
Lease liabilities	17	43,240	-
Prepayments received from customers		7,735	21,863
Trade payables		97,151	183,958
Payables to group enterprises		484,717	508,221
Credit institutions		61,296	85,243
Other payables		68,435	101,000
Corporation tax		2,880	-
Deferred income		359	540
Current liabilities		765,813	900,825
Total liabilities other than provisions		765,813	900,825
Total equity and liabilities		936,812	1,131,385

Special items	1
Distribution of profit / (loss) for the year	18
Fee to auditors appointed at the general meeting	19
Unrecognised rental and lease commitments	20
Contingent liabilities	21
Derived financial instruments	22
Related parties with controlling interest	23
Group relations	24
Accounting policies	25

Statement of Changes in Equity 1 January – 31 December

	Share capital	Share premium	Retained earnings	Total
	TDKK	TDKK	TDKK	TDKK
Equity at 1 January 2019	118,889	130,996	(106,501)	143,384
Increase by debt conversion	4	144,996	-	145,000
IFRS 16 Implementation	-	-	(8,704)	(8,704)
Fair value adjustments for hedging instruments	-	-	382	382
Net profit/(loss) for the year	-	-	(165,287)	(165,287)
Equity at 31 December 2019	**118,893**	**275,992**	**(280,110)**	**114,775**

Notes to the Financial Statements

1 Special items

Special items include significant income and expenses that have a special character in relation to the company's earnings-generating activity such as the costs of comprehensive structuring of processes and basic structural adjustments, as well as any disposal gains and losses associated with them, and which are of considerable importance over time. Special items also include other significant amounts of a nonrecurring nature, which, according to management's assessment, are not part of the company's primary operations.

As reported in the management commentary, the profit for the period is affected by circumstances that differ from what management considers as part of the primary operations.

Special items for the period are specified below, and it is shown, where in the income statement these items are recognized.

	2019 TDKK	2018 TDKK
Cost		
Administrative expenses, depreciation of IP rights	13,800	-
Income tax, depreciation of deferred tax asset	29,623	-
Net loss from special items	**43,423**	-

2 Revenue

	2019	2018
Geographical segments		
Europe	707,353	737,297
Asia	214,290	236,937
North America	187,604	227,775
Australia	17,595	21,343
South America	4,551	14,226
Africa	5,520	7,240
Other	12,439	966
	1,149,352	**1,245,784**
Business segments		
Maritime	895,657	1,033,723
Land Mobile	81,002	106,444
Ground Infrastructure	98,850	50,057
Aeronautical	62,517	44,678
Other	11,326	10,882
	1,149,352	**1,245,784**

	2019	2018
	TDKK	TDKK
3 Staff costs		
Wages and salaries	307,455	373,535
Pensions	15,692	15,551
Other social security expenses	5,586	6,391
Other staff expenses	12,395	15,956
	341,128	**411,433**
In the Income Statement staff costs are recognised as follows:		
Cost of sales	222,742	248,388
Distributions expenses	58,160	84,652
Administrative expenses	60,226	78,393
	341,128	**411,433**
Staff costs include management remuneration as follows:		
Executive Board	6,944	6,492
Supervisory Board	50	50
	6,954	**6,542**

Remuneration to the executive board in 2018 and 2019 includes severance pay to former members of the executive board.

	2019	2018
Average number of employees	**502**	**576**

	2019 TDKK	2018 TDKK
4 Income from investments in subsidiaries		
Share of profit/(loss) in subsidiaries	(1,737)	(4,054)
Amortisation of goodwill	(23,506)	(23,506)
Change in intercompany profit on inventories within the Group	2,917	2,778
	(22,326)	**(24,782)**

	2019 TDKK	2018 TDKK
5 Finance income		
Other finance income	3,579	3,170
Foreign exchange rate gains	37,424	50,156
	41,003	**53,326**

	2019 TDKK	2018 TDKK
6 Finance costs		
Interest costs to Group entities	18,848	28,642
Other finance costs	5,428	9,201
Foreign exchange rate losses	79,654	92,406
	103,930	**130,249**

	2019 TDKK	2018 TDKK
7 Income tax		
Tax credit	-	(5,500)
Change in deferred tax for the year	29,623	(35,992)
Previous year adjustment	7,251	2,803
Income tax expense/(income)	**36,874**	**(38,689)**

8 Intangible assets

	Software	Goodwill, customer files and IP rights
	TDKK	TDKK
Cost at 1 January 2019	58,590	543,021
Additions in the year	3,324	-
Disposals in the year	-	-
Cost at 31 December 2019	**61,914**	**543,021**
Accumulated amortisation and impairment at 1 January 2019	44,692	239,484
Amortisation charge for the year	5,568	57,649
Reversed amortisation on disposals	-	-
Accumulated amortisation and impairment at 31 December 2019	**50,260**	**297,133**
Carrying amount at 31 December 2019	**11,654**	**245,888**

9 **Property, plant and equipment**

	Right of use assets TDKK	Plant and machinery TDKK	Other fixture, fittings, tools and equipment TDKK	Leasehold improvements TDKK	Plant, property and equipment in progress TDKK
Cost at 1 January 2019	-	142,182	25,691	15,723	2,076
Additions in the year	60,035	5,639	470	1,547	-
Transfers in the year	-	378	-	-	(378)
Disposals in the year	-	(152)	-	-	(12)
Cost at 31 December 2019	**60,035**	**148,046**	**26,161**	**17,270**	**1,698**
Accumulated depreciation and impairment at 1 January 2019	-	112,099	24,392	13,458	-
Depreciation charge for the year	12,379	12,560	765	2,207	-
Transfers in the year	-	-	-	-	-
Reversed depreciation on disposals	-	(152)	-	-	-
Accumulated depreciation and impairment at 31 December 2019	**12,379**	**124,507**	**25,156**	**15,665**	**-**
Carrying amount at 31 December 2019	**47,656**	**23,539**	**1,299**	**1,605**	**1,698**

	2019 TDKK	2018 TDKK
10 Investments in subsidiaries		
Cost at 1 January	661,427	661,427
Disposal	-	-
Cost at 31 December	**661,427**	**661,427**
Accumulated value adjustments at 1 January	(531,774)	(496,585)
Exchange rate adjustment	(9)	431
Net profit/(loss) etc.	(22,326)	(24,643)
Dividend	-	(10,977)
Disposal	-	-
Accumulated value adjustments at 31 December	**(554,109)**	**(531,774)**
Carrying amount at 31 December	**107,318**	**129,653**
Hereof remaining positive difference at 31 December	**135,158**	**158,663**

Details of investments in subsidiaries are as follows:

Name	Registered office	Share capital	Vote and ownership	Equity	Net profit
Thrane & Thrane Norge AS	Billingstad, Norway	TNOK 2,360	100%	TNOK (4,645)	TNOK (7)

	2019 TDKK	2018 TDKK
11 Inventories		
Raw materials and consumables	38,019	63,376
Work in progress	49,493	64,410
Finished goods and goods for resale	62,774	80,275
	150,286	**208,061**
12 Contract work in progress		
Selling price of work in progress	664	94,848
Payments received on account	(1,554)	(93,306)
Contract work in progress	**(889)**	**1,542**
13 Deferred tax		
Balance at 1 January	(54,972)	(21,638)
Change in deferred tax for the year	29,623	(36,137)
Previous year adjustment	-	2,803
IFRS 16 Implementation	(3,899)	-
Fair value adjustments for hedging instruments	107	-
Balance at 31 December	**(29,141)**	**(54,972)**
Deferred tax relates to following:		
Intangibles assets	13,383	36,955
Plant, property and equipment	(8,167)	(1,251)
Current assets	(1,390)	(3,542)
Other provisions	(415)	(415)
Equity movements	(18)	90
Tax losses carry forward	(32,534)	(86,809)
Total	**(29,141)**	**(54,972)**
In the Balance Sheet deferred tax is recognised as follows:		
Deferred tax (asset)	(29,141)	(100,698)
Provision for deferred tax	-	45,726
Net	**(29,141)**	**(54,972)**

14 Prepayments

Prepayments comprise prepaid rent expenses, insurance premiums, subscriptions, etc.

15 Share capital

	2019	2018	2017	2016	2015
	TDKK	TDKK	TDKK	TDKK	TDKK
At 1 January	118,889	118,885	118,885	118,885	118,885
Increase	4	4	-	-	-
Decrease	-	-	-	-	-
At 31 December	**118,893**	**118,889**	**118,885**	**118,885**	**118,885**

16 Other provisions

The Company provides warranties of 1 to 5 years on some of its products and is therefore obliged to repair or replace products that are not satisfactory. Based on previous experience in respect of the level of repairs and returns, other provisions of TDKK 12,390 (2018: TDKK 16,790) have been recognised for warranty claims and expected warranty repairs. Provision for customer financing agreement of TDKK 11,552 (2018: 11,228) and other provisions of TDKK 17,191 (2018: TDKK 13,433).

17 Lease liabilities

In measuring the lease liabilities, the company has used a weighted average incremental borrowing rate to discount remaining lease payments of 2%.

For 2019, the company has paid TDKK 16,078 regarding leases, of which interest payments related to recognized leasing commitments amount to TDKK 1,600 and repayments on recognized leasing debt TDKK14,478

	2019	2018
Maturity	TDKK	TDKK
0-1 Year	15,092	-
1-5 Years	43,240	-
>5 years	-	
Total lease liabilities	**58,352**	**-**

18 Distribution of profit/(loss)

Retained earnings	(165,287)	(192,150)
	(165,287)	**(192,150)**

	2019 TDKK	2018 TDKK
19 Fee to the auditors appointed at Annual General Meeting		
Audit fee	885	727
Other assurance engagements	25	18
Tax advisory services	-	-
Other services	300	-
	1,210	**745**

	2019	2018
20 Unrecognised rental and lease commitments		
Rental and lease commitments mature as follows:		
Within 1 year	-	20,285
Between 1 and 5 years	-	81,894
	-	**102,179**

21 Contingent liabilities

The Company has purchase commitments with suppliers as a part of normal operations.

The Danish group of companies are jointly and severally liable for tax on the Group's jointly tax income.

22 Derived financial instruments

The company hedges expected currency risks relating to sales of goods and purchases within the next two years with forward exchange contracts

	TDKK	Contractual value		Gains and losses recognized in the income statement that are expected to be realized after the balance sheet date	
	Period	2019	2018	2019	2018
Forward exchange contracts	0 – 24 months	910,783	447,137	17,512	40,244

23 Related parties with controlling interest

Controlling interest	Basis
Lockman Electronic Holdings Ltd Brook Road, Wimborne Dorset, UK	Majority shareholder

Transactions

Related party transaction comprise transactions with the Executive Board and the Supervisory Board, as well as with other companies within the Thrane & Thrane Group and Cobham Group.

Transactions with related parties comprise ordinary business transactions and miscellaneous administration services.

	2019
	TDKK
Transactions of operating nature	
Service charges to Parent company	47,961
Service charges to Cobham Group companies	17,947
Royalty from Cobham Group companies	32,862
Sales to Cobham Group companies	152,682
Purchase from Cobham Group companies	101,884
Receivables from Parent company	162
Receivables from Cobham Group companies	34,754
Payables to Cobham Group companies	20,884
Loans and dividends	
Interest paid to Parent company	18,848
Outstanding loans to Parent company	463,833

Ownership

The following shareholders are recorded in the Company's shareholder register as holding at least 5% of the voting rights and/or holding at least 5% of the share capital:

Lockman Electronic Holdings Ltd
Brook Road, Wimborne Dorset,
UK

24 Group relations

The Company's financial statements are included in the consolidated financial statements of Cobham plc, Brook Road, Wimborne Dorset, UK. The Group Annual Report for Cobham plc can be obtained from the following website: www.cobham.com

Notes to the Financial Statements

25 Accounting policies

Basis of preparation

The Annual Report of Thrane & Thrane A/S for 2019 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

Changes in accounting policies

Effective from 1 January 2019, the Company has applied recognition and measurement provisions from IFRS 15 Revenue from Contract with Customers and IFRS 16 Leases. The nature and effect of the changes as result of the adoption are as follows:

The Company applied the recognition and measurement provisions from IFRS 15 Revenue from Contract with Customers and 16 Leases by using the modified retrospective method, consequently comparative figures are not restated.

The implementation of IFRS 15 has not resulted in any difference in the income statement. Furthermore, the implementation is expected to have limited impact on the comparability with previous years.

The Company has operational lease agreements and office premises that are affected by the implementation of IFRS 16 and by using the retrospective method, the accumulated effect hereof at 1 January on equity is TDKK 8,704, total assets TDKK 23,960 and total liabilities TDKK 33,023.

Following the implementation, the company has, in profit for the year recognised the interest expense in the lease liability and the depreciation on the right of use lease agreements. Thus, the impact of the implementation on the net value in profit for the year is minor.

Except of the adoption of recognition and measurements provisions from IFRS 15 Revenue from Contract with Customers and IFRS 16 Leases, the accounting policies are unchanged from the annual report 2018.

Financial Statements for 2019 are presented in TDKK.

Consolidated financial statements

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements of Cobham plc, the Company has not prepared consolidated financial statements.

Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of Cobham plc, the Company has not prepared a cash flow statement.

Recognition and measurement

Revenue is 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 generate earnings for the year are recognised in the income statement.

25 Accounting policies (continued)

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the assets will flow to the Company and the value of the assets 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.

DKK is used as the measurement currency. All other currencies are regarded as foreign currencies.

Translation policies

DKK is used as the presentation currency. All other currencies are regarded as foreign currencies.

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Foreign exchange gains and/or losses arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in finance income and/or costs in the income statement. Where foreign exchange transactions are considered as hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that are unsettled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any foreign exchange gains and/or losses arising on the translation of the receivables, payables and other monetary items at the exchange rates at the balance sheet date are recognised in finance income and/or cost in the income statement.

Fixed assets and other non-monetary items acquired in foreign currencies are measured at the transaction date rates.

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and subsequently re-measured at their fair values. Positive and negative fair values of derivative financial instruments are classified as 'Other receivables' and 'Other payables' respectively.

Changes in the fair values of derivative financial instruments are recognised in the income statement as finance income or costs unless the derivative financial instrument is designated and qualify for hedge accounting. Financial instruments that are qualified for hedge accounting are recognised under equity.

Segment reporting

Segment information is presented in respect of 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. In compliance with the Danish Executive Order on exemptions from the Danish Financial Statements Act reporting on geographical segments comprises revenue only.

25 Accounting policies (continued)

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.

Contract work in progress (construction contracts) is recognised at the rate of completion, which means that revenue equals the selling price of the work completed for the year (percentage-of-completion method). This method is applied when total revenues and expenses in respect of the contract and the stage of completion at the balance sheet date can be measured reliably and it is probable that the economic benefits, including payments, will flow to the Company.

The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the contract.

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 costs incurred to achieve revenue for the year. Cost comprises raw materials, consumables. direct labour costs and indirect production costs such as maintenance and depreciation, as well as operation and administration.

Cost of sales also includes research and development costs that do not qualify for capitalisation as well as amortisation of capitalised development costs. Finally, provisions for losses on contract work are recognised.

Distribution expenses

Distribution expenses comprise costs of salaries to sales and distribution staff, advertising and marketing expenses as well as operation of motor vehicles, depreciation, etc.

Administrative expenses

Administrative expenses comprise expenses for management, administrative staff, office expenses, depreciation, amortisation, etc.

Income from investments in subsidiaries and associates

Items 'Income from investments in subsidiaries' and 'Income from investments in associates' in the income statement include the proportionate share of the profit for the year.

Finance income and costs

Finance income and costs are recognised in the income statements at the amounts relating to the financial year.

25 Accounting policies (continued)

Income tax

Income tax 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 wholly owned Danish subsidiaries and a Danish related company controlled by the same ultimate Parent Company. The tax effect of the joint taxation is allocated to Danish enterprises in proportion to their taxable incomes.

Balance Sheet

Intangible assets

Goodwill and customer files acquired is measured at cost less accumulated amortisation. The assets are amortised on a straight-line basis over their useful lives determined at 20 years for goodwill and 10-20 years for customer files.

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

Borrowing costs from both specific and general borrowing directly or indirectly related to projects with a long-term manufacturing period are attributed to the cost of development projects over the development period.

Contributions received to cover product development costs are offset against development costs incurred on the individual project. Contributions in excess of project development costs incurred are recognised in prepayments.

Software is measured at cost less accumulated amortisation. Software is amortised on a straight-line basis over the expected useful life determined at 3-5 years.

Property, plant and equipment

Property, plant and equipment is measured at cost less accumulated depreciation and any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition until the time when the asset is ready for use. In the case of assets of own construction, the cost comprises direct and indirect expenses for labour, materials, components and sub-suppliers.

25 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:

Land and buildings	20 – 30 years
Plant and machinery	3 – 7 years
Other fixtures and fittings. tools and equipment	3 – 7 years
Leasehold improvements	3 – 13 years

Depreciation period and residual values are reassessed annually. Assets costing less than DKK 12,900 are expensed in the income statement.

Leasing contracts

IFRS 16 is chosen as the interpretative method for leasing contracts. The lease liability is measured as the present value of the remaining lease liabilities and the lease assets are measured at an amount equal to the lease liabilities. Leased assets are then treated as the company's other assets.

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on annual basis to determine whether there is any indication of impairment other than charged amortisation and depreciation. If so, the asset is written down to its lower of its carrying amount or recoverable amount.

Investments in subsidiaries and associates

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

The items 'Investments in subsidiaries' and 'Investments in associates' in the balance sheet include the proportionate ownership share of the net asset value of the enterprises, based on the fair values of identifiable net assets at the time of acquisition with deduction and/or addition of any unrealised intercompany profits or losses, and with addition of any remaining value of positive differences (goodwill) and deduction of any remaining value of negative differences (negative goodwill).

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

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

25 Accounting policies (continued)

Inventories

Inventories are measured at the lower of cost under the FIFO method and net realisable value.

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

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

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour with addition of indirect production costs. Indirect production costs comprise the cost of indirect materials and labour as well as maintenance and depreciation of the machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management.

Receivables

Receivables are recognised in the balance sheet at amortised cost, which substantially corresponds to nominal value. Provisions for estimated bad debts are made.

Contract work in progress

Contract work in progress is measured at selling price of the work performed calculated on the basis of the stage of completion. The stage of completion is measured by the proportion that the contract expenses incurred to date bear to the estimated total contract expenses. Where it is probable that total contract expenses will exceed total revenues from a contract, the expected loss is recognised as an expense in the income statement.

Where the selling price cannot be measured reliably, the selling price is measured at the lower of expenses incurred and net realisable value.

Payments received on account are set off against the selling price. The individual contracts are classified as receivables when the net selling price is positive and as liabilities when the net selling price is negative.

Expenses relating to sales work and the winning of contracts are recognised in the income statement as incurred.

25 Accounting policies (continued)

Equity

Dividend

Dividend distribution proposed by the Management for the year is disclosed as a separate equity item.

Treasury shares

Purchase and sales prices for treasury shares are recognised directly in equity. A reduction of capital by cancellation of treasury shares reduces the share capital by an amount equal to the nominal value of the shares and increases retained earnings. Dividend on treasury shares is recognised directly in equity under retained earnings.

Derivative financial instruments and hedge accounting

The majority of foreign exchange contracts entered into by the Company are used to mitigate foreign exchange impacts of trading in non-functional currencies. These are not accounted for using hedge accounting principles.

A limited number of specific foreign exchange contracts are designated as hedging instruments in cash flow and net investment hedges and hedge accounting is applied.

The effective portion of changes in fair value is recognised through the equity and the gain or loss relating to the ineffective portion is recognised immediately in the Income Statement.

The fair value of derivative financial instruments is classified as a current or non-current asset or liability dependent upon the maturity date of the financial instrument or hedged item as appropriate.

Provisions

Provisions are recognised when - in consequence of an event occurred before or on the balance sheet date - the Company has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

Other provisions include warranty obligations in respect of repair work within the warranty period of 1-5 years. Provisions are measured and recognised based on experience with guarantee work. Provisions with an expected maturity exceeding 1 year from the balance sheet date are discounted at the average bond yield.

25 Accounting policies (continued)

Deferred tax assets and liabilities

Deferred tax is measured using the balance sheet 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, 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 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.

Current tax receivable and liability

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 liabilities

Financial liabilities are measured at amortised cost, substantially corresponding to nominal value.

Financial highlights

Financial ratios are based on following formulae:

Gross margin:	$\frac{\text{Gross profit x 100}}{\text{Revenue}}$	Return on assets:	$\frac{\text{Operating profit x 100}}{\text{Total assets}}$
Profit margin:	$\frac{\text{Operating profit x 100}}{\text{Revenue}}$	Return on equity:	$\frac{\text{Net profit for the year x 100}}{\text{Average equity}}$