

# DAO Aviation A/S

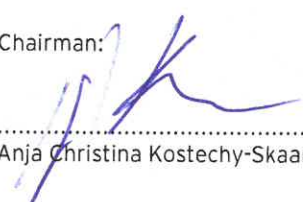
Hangarvej H1, 4000 Roskilde

CVR no. 13 23 94 44

## Annual report 2017

Approved at the Company's annual general meeting on 3 July 2018

Chairman:

  
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Anja Christina Kostechy-Skaaning





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### Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of DAO Aviation A/S for the financial year 1 January - 31 December 2017.


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 of the Company at 31 December 2017 and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2017.


Further, in our opinion, the Management's review gives a fair review of the development in the Company's operations and financial matters and the results of the Company's operations and financial position.

We recommend that the annual report be approved at the annual general meeting.

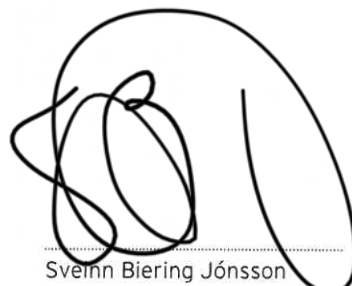
Roskilde, 3 July 2018  
Executive Board:



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Anja Christina Kostechy-  
Skaaning



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Gudleiv Mæhlum Bjørklund  
Chairman



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Sveinn Biering Jónsson



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Anja Christina Kostechy-  
Skaaning

## Independent auditor's report

To the shareholders of DAO Aviation A/S

### Opinion

We have audited the financial statements of DAO Aviation A/S for the financial year 1 January - 31 December 2017, 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 2017 and of the results of the Company's operations as well as the cash flows for the financial year 1 January - 31 December 2017 in accordance with the Danish Financial Statements Act.

### 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 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 the 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 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 the 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.



### Independent auditor's report

- ▶ 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.

Copenhagen, 3 July 2018

ERNST & YOUNG

Godkendt Revisionspartnerselskab

CVR no. 30 70 02 28



Robert Christensen

State Authorised Public Accountant

MNE no.: mne16653



## Management's review

### Company details

Name	DAO Aviation A/S
Address, Postal code, City	Hangarvej H1, 4000 Roskilde
CVR no.	13 23 94 44
Established	1 June 1989
Registered office	Roskilde
Financial year	1 January - 31 December
Website	<a href="http://www.dao.dk">www.dao.dk</a>
Telephone	+45 46 19 12 19
Board of Directors	Gudleiv Mæhlum Bjørklund, Chairman Sveinn Biering Jónsson Anja Christina Kostechy-Skaaning
Executive Board	Anja Christina Kostechy-Skaaning
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Osvald Helmuths Vej 4, P.O. Box 250, 2000 Frederiksberg, Denmark



## Management's review

### Financial highlights

DKK'000	2017	2016	2015	2014	2013
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#### Key figures

Revenue	93,180	91,859	92,138	91,553	90,955
Gross margin	26,415	27,302	19,026	20,599	21,814
Operating profit/loss	4,408	5,942	3,876	2,142	1,238
Net financials	-394	-1,188	-1,222	-1,895	-931
<b>Profit/loss for the year</b>	<b>3,168</b>	<b>3,882</b>	<b>1,992</b>	<b>296</b>	<b>234</b>

Total assets	70,422	61,166	45,266	51,786	42,966
<b>Equity</b>	<b>22,224</b>	<b>19,056</b>	<b>15,173</b>	<b>13,181</b>	<b>12,886</b>

Cash flows from operating activities	-1,822	837	1,928	100	-4
Net cash flows from investing activities	-6,516	-8,699	-238	-1,691	-633
Investment in property, plant and equipment	-6,409	-8,582	0	1,691	-459
Cash flows from financing activities	7,686	8,333	-1,669	1,698	-67
<b>Total cash flows</b>	<b>-652</b>	<b>471</b>	<b>21</b>	<b>107</b>	<b>-704</b>

#### Financial ratios

Operating margin	4.7%	6.5%	4.2%	2.3%	1.4%
Solvency ratio	31.6%	31.2%	33.5%	25.5%	30.0%
Return on equity	15.3%	22.7%	14.1%	2.3%	1.8%

<b>Average number of employees</b>	<b>52</b>	<b>51</b>	<b>52</b>	<b>52</b>	<b>53</b>
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## Management's review

### Business review

The Company's activities include servicing, refurbishment and sale of small and medium-sized aircrafts, turboprop aircraft engines and aircraft and engine components to primarily foreign customers. The activities are carried out at the home base in Roskilde airport and at customer premises.

### Financial review

In 2017, the Company's revenue came in at DKK 93,180 thousand against DKK 91,859 thousand the year before. The income statement for 2017 shows a profit before tax of DKK 4,057 thousand against DKK 5,080 thousand the year before. The balance sheet at 31 December 2017 shows equity of DKK 22,225 thousand.

In the year of review, the Company has spent many internal and financial resources on building an engine test cell. The project has taken longer than anticipated, but will be fully operational in the summer of 2018. Also new equipment for fire bottles has been installed, to further grow the business.

### Special risks

#### *Financial risks*

As the majority of purchases are made in USD, the Company is subject to fluctuations of the currency as well as on prepayments from customers in USD.

#### *Market risk*

The Company operates in a competitive market, with its main competitors located in the US. The Company has a strong position in the market due to its value-adding services. It is of strategic importance to maintain the market position which is the foundation of the Company's operation.

#### *Liquidity risk*

The Company is working with Letter of Credits which is a risk to the cash flow, when they are in installments. The Company is looking into a new process for future Letter of Credits.

### Research and development activities

The Company has no research and development activities.

### Knowledge resources

The Company has a majority of knowledge resources, which is of utmost importance for the future development.

### Effect on the external environment

#### *The external environment*

The Company's operations have no significant impact on the external environment.

#### *Working environment and staff*

During the year, no industrial accidents or injuries have been reported. Absence due to sickness was low.

The Company has the right staff and the necessary skills in all areas.

The working environment is good, and improvements are made on an ongoing basis.

The Company regularly assesses training opportunities to maintain and develop skills.





## Management's review

### Events after the balance sheet date

After the balance sheet date, the Company has raised additional loan facilities of DKK 6 million. In this connection, reference is made to note 2 to the financial statements, in which Management gives a detailed account of the Company's cash position.

No other significant events have occurred subsequent to the balance sheet date.

### Outlook

The Company has an optimistic outlook for the future. The effect of the engine test cell will result in better profit margin on engine projects.

## Financial statements 1 January - 31 December

### Income statement

Note	DKK'000	2017	2016
	Revenue	93,180	91,859
	Production costs	-66,765	-64,557
	<b>Gross margin</b>	<b>26,415</b>	<b>27,302</b>
	Distribution costs	-5,862	-6,045
	Administrative expenses	-16,145	-15,315
	<b>Operating profit</b>	<b>4,408</b>	<b>5,942</b>
	Other operating income	42	326
	<b>Profit before net financials</b>	<b>4,450</b>	<b>6,268</b>
	Financial income	580	42
	Financial expenses	-974	-1,230
	<b>Profit before tax</b>	<b>4,056</b>	<b>5,080</b>
3	Tax for the year	-888	-1,198
	<b>Profit for the year</b>	<b>3,168</b>	<b>3,882</b>

## Financial statements 1 January - 31 December

### Balance sheet

Note	DKK'000	2017	2016
	<b>ASSETS</b>		
	<b>Fixed assets</b>		
4	<b>Intangible assets</b>		
	Completed development projects	207	275
		<u>207</u>	<u>275</u>
5	<b>Property, plant and equipment</b>		
	Buildings	12,604	12,204
	Plant and machinery	8,147	4,390
	Other fixtures and fittings, tools and equipment	148	183
	Property, plant and equipment in progress	1,364	0
		<u>22,263</u>	<u>16,777</u>
	<b>Total fixed assets</b>	<u>22,470</u>	<u>17,052</u>
	<b>Non-fixed assets</b>		
	<b>Inventories</b>		
	Raw materials and consumables	18,687	17,153
	Work in progress	8,143	4,567
		<u>26,830</u>	<u>21,720</u>
	<b>Receivables</b>		
	Trade receivables	6,459	8,654
	Work in progress for third parties	13,083	10,919
	Other receivables	524	636
6	Prepayments	952	1,429
		<u>21,018</u>	<u>21,638</u>
	<b>Cash</b>	<u>104</u>	<u>756</u>
	<b>Total non-fixed assets</b>	<u>47,952</u>	<u>44,114</u>
	<b>TOTAL ASSETS</b>	<u>70,422</u>	<u>61,166</u>

## Financial statements 1 January - 31 December

### Balance sheet

Note	DKK'000	2017	2016
	<b>EQUITY AND LIABILITIES</b>		
	<b>Equity</b>		
7	Share capital	3,540	3,540
	Revaluation reserve	5,086	5,477
	Retained earnings	13,598	10,039
	<b>Total equity</b>	<b>22,224</b>	<b>19,056</b>
	<b>Provisions</b>		
9	Deferred tax	2,247	1,705
	Other provisions	0	576
	<b>Total provisions</b>	<b>2,247</b>	<b>2,281</b>
	<b>Liabilities other than provisions</b>		
8	<b>Non-current liabilities other than provisions</b>		
	Bank debt	15,076	9,696
		<b>15,076</b>	<b>9,696</b>
	<b>Current liabilities other than provisions</b>		
8	Current portion of long-term liabilities	734	1,656
	Other credit institutions	17,502	14,274
	Prepayments received from customers	2,415	2,651
	Trade payables	6,028	7,243
	Income taxes payable	542	666
	Other payables	3,654	3,643
		<b>30,875</b>	<b>30,133</b>
	<b>Total liabilities other than provisions</b>	<b>45,951</b>	<b>39,829</b>
	<b>TOTAL EQUITY AND LIABILITIES</b>	<b>70,422</b>	<b>61,166</b>

- 1 Accounting policies
- 2 Events after the balance sheet date
- 10 Staff costs
- 11 Contractual obligations and contingencies, etc.
- 12 Collateral
- 13 Related parties



## Financial statements 1 January - 31 December

### Statement of changes in equity

Note	DKK'000	Share capital	Revaluation reserve	Retained earnings	Total
		3,540	5,477	10,039	19,056
14		0	0	3,168	3,168
		0	-391	391	0
		<u>3,540</u>	<u>5,086</u>	<u>13,598</u>	<u>22,224</u>



## Financial statements 1 January - 31 December

### Cash flow statement

Note	DKK'000	2017	2016
	Profit for the year	3,168	3,882
15	Adjustments	1,804	3,633
	Cash generated from operations (operating activities)	4,972	7,515
16	Changes in working capital	-5,417	-5,420
	Cash generated from operations (operating activities)	-445	2,095
	Interest received, etc.	69	42
	Interest paid, etc.	-974	-1,230
	Income taxes paid	-472	-70
	<b>Cash flows from operating activities</b>	<b>-1,822</b>	<b>837</b>
	Additions of intangible assets	-107	-117
	Additions of property, plant and equipment	-6,409	-8,582
	<b>Cash flows to investing activities</b>	<b>-6,516</b>	<b>-8,699</b>
	Contracting of other long-term liabilities	7,686	8,333
	<b>Cash flows from financing activities</b>	<b>7,686</b>	<b>8,333</b>
	<b>Net cash flow</b>	<b>-652</b>	<b>471</b>
	Cash and cash equivalents at 1 January	756	285
17	<b>Cash and cash equivalents at 31 December</b>	<b>104</b>	<b>756</b>

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies

The annual report of DAO Aviation A/S for 2017 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to medium-sized reporting class C entities.

#### Changes in accounting policies

Work in progress recognized under inventories have previously been presented in Work in progress for third parties. In 2017, these are classified as in a separate line. Comparative figures for 2016 are adapted.

The above changes do not affect the profit or loss, equity or balance sheet total for the year.

The accounting policies used in the preparation of the financial statements are otherwise consistent with those of last year. Comparative figures have been restated to reflect the policy changes.

#### Reporting currency

The financial statements are presented in Danish kroner (DKK'000).

#### Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rate at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the most recent financial statements is recognised in the income statement as financial income or financial expenses.

#### Leases

Leases that do not transfer substantially all the risks and rewards incident to the ownership to the Company are classified as operating leases. Payments relating to operating leases and any other rent agreements are recognised in the income statement over the term of the lease. The Company's aggregate liabilities relating to operating leases and other rent agreements are disclosed under "Contingent liabilities".

### Income statement

#### Revenue

Income from the sale of goods for resale and finished goods, comprising sale of small and medium sized aircrafts, turboprop aircraft engines and aircraft and engine components, is recognised in revenue when transfer of the most significant rewards and risks to the buyer has taken place and provided that the income can be reliably measured and payment is expected to be received.

Income from contract work is recognised as revenue as the production is carried out. Thus revenue corresponds to the selling price of work performed according to the annual report (the percentage-of-completion-method).

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts and rebates granted are recognised in revenue.

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### Production costs

Production costs comprise costs incurred in generating the revenue for the year. Such costs include direct and indirect costs of raw materials, consumables and production staff, rent and leases, as well as depreciation on production plant.

##### Distribution costs

Distribution costs comprise costs related to the distribution of goods sold in the year and to sales campaigns, etc. carried out in the year, including costs related to sales staff, advertising, exhibitions and amortisation/depreciation.

##### Administrative expenses

Administrative expenses include expenses incurred in the year for company management and administration, including expenses relating to administrative staff, Management, office premises and expenses as well as amortisation/depreciation of assets used for administrative purposes.

##### Other operating income

Other operating income comprise items of a secondary nature relative to the Company's core activities, including gains or losses on the sale of fixed assets.

##### Staff costs

Staff costs include wages and salaries, including compensated absence and pension to the Company's employees, as well as other social security contributions, etc. The item is net of refunds from public authorities.

##### Amortisation/depreciation

The item comprises depreciation/amortisation of completed development projects and property, plant and equipment.

The basis of amortisation/depreciation, which is calculated as cost less any residual value, is amortised/depreciated on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Completed development projects	5 years
Buildings	20 years
Plant and machinery	3-20 years
Other fixtures and fittings, tools and equipment	3-5 years

##### Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts that relate to the financial reporting period. The items comprise interest income and expenses, exchange gains and losses and amortisation of financial assets and liabilities.

##### Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.



## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### Balance sheet

###### Intangible assets

Intangible assets include development projects and other acquired intangible rights, including software licences, distribution rights and development projects.

Intangible assets are measured at cost less accumulated amortisation and impairment losses.

###### Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

###### Impairment of fixed assets

The carrying amount of intangible assets and property, plant and equipment is assessed for impairment on an annual basis.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised impairment losses are reversed when the reason for recognition no longer exists.

###### Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value. The net realisable value of inventories is calculated as the sales amount less costs of completion and expenses required to effect the sale and is determined taking into account marketability, obsolescence and development in the expected selling price.

The cost of raw materials and consumables comprises the cost of acquisition plus delivery costs.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables, direct labour and direct production overheads. Indirect production overheads and borrowing costs are not included in the cost.

Goods for resale are measured at cost, which comprises the cost of acquisition plus delivery costs as well as other expenses directly attributable to the acquisition.

###### Receivables

Receivables are measured at amortised cost.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### **Work in progress for third parties**

Service supplies and contract work in progress for third parties are measured at the market value of the work performed less progress billings. The market value is calculated based on the stage of completion at the balance sheet date and the total expected income from the relevant contract. The stage of completion is calculated based on the expenses incurred relative to the expected total expenses relating to the relevant contract.

Where the outcome of contract work in progress cannot be estimated reliably, the market value is measured at the expenses incurred in so far as they are expected to be paid by the purchaser.

Where the total expenses relating to the work in progress are expected to exceed the total market value, the expected loss is recognised as a loss-making agreement under "Provisions" and is expensed in the income statement.

The value of work in progress less progress billings is classified as assets when the selling price exceeds progress billings and as liabilities when progress billings exceed the market value.

##### **Prepayments**

Prepayments recognised under "Assets" comprise prepaid expenses regarding subsequent financial reporting years.

##### **Equity**

###### ***Revaluation reserve***

The reserve comprises revaluations of property relative to cost net of deferred tax.

The revaluation reserve is reduced by the depreciation charges relating to the revaluation.

###### ***Proposed dividends***

Dividend proposed for the year is recognised as a liability once adopted at the annual general meeting (declaration date). Dividends expected to be distributed for the financial year are presented as a separate item under "Equity".

##### **Provisions**

Provisions comprise anticipated expenses relating to warranty commitments etc. Provisions are recognised when the Company has a legal or constructive obligation at the balance sheet date as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Provisions are measured at net realisable value or at fair value if the obligation is expected to be settled far into the future.

##### **Income taxes**

Current tax payables and receivables are recognised in the balance sheet as the estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account.



## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

Deferred tax is measured according to the liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax assets are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

#### Liabilities

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. On subsequent recognition, financial liabilities are measured at amortised cost, corresponding to the capitalised value, using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan. Financial liabilities also include the capitalised residual lease liability in respect of finance leases.

Other liabilities are measured at net realisable value.

#### Deferred income

Deferred income recognised as a liability comprises payments received concerning income in subsequent financial reporting years.

#### Cash flow statement

The cash flow statement shows the Company's net cash flows broken down according to operating, investing and financing activities, the year's changes in cash and cash equivalents as well as the cash and cash equivalents at the beginning and the end of the year.

Cash flows from operating activities are calculated as the profit/loss for the year adjusted for non cash operating items, changes in working capital and paid corporate income tax.

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of entities and activities and of intangible assets, property, plant and equipment and investments.

Cash flows from financing activities comprise changes in the size or composition of the Company's share capital and related expenses as well as raising of loans, repayment of interest bearing debt and payment of dividends to shareholders.

Cash and cash equivalents comprise cash, short term bank loans and short term securities which are readily convertible into cash and which are subject only to insignificant risks of changes in value.

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### Financial ratios

Financial ratios are calculated in accordance with the Danish Finance Society's guidelines on the calculation of financial ratios.

The financial ratios stated under "Financial highlights" have been calculated as follows:

Operating margin	$\frac{\text{Operating profit} \times 100}{\text{Revenue}}$
Equity ratio	$\frac{\text{Equity, year-end} \times 100}{\text{Total equity and liabilities, year-end}}$
Return on equity	$\frac{\text{Profit/loss for the year after tax} \times 100}{\text{Average equity}}$

#### 2 Events after the balance sheet date

After the balance sheet date, the Company has raised a loan of DKK 4 million at Vækstfonden and a loan of DKK 2 million from the owners. Based on this, it is Management's expectations that the Company's liquidity will be sufficient to continue its operating activities until the date when the annual report for 2018 is to be approved.

No other significant events have occurred subsequent to the balance sheet date.

DKK'000	2017	2016
<b>3 Tax for the year</b>		
Estimated tax charge for the year	343	736
Deferred tax adjustments in the year	542	462
Tax adjustments, prior years	3	0
	888	1,198

#### 4 Intangible assets

DKK'000	Completed development projects
Cost at 1 January 2017	694
Additions in the year	107
Cost at 31 December 2017	801
to be carried forward	801

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 4 Intangible assets (continued)

DKK'000	Completed development projects
brought forward	801
Impairment losses and amortisation at 1 January 2017	419
Amortisation in the year	175
Impairment losses and amortisation at 31 December 2017	594
<b>Carrying amount at 31 December 2017</b>	<b>207</b>

#### 5 Property, plant and equipment

DKK'000	Buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Property, plant and equipment in progress	Total
Cost at 1 January 2017	18,867	11,073	3,622	0	33,562
Additions in the year	938	4,064	43	1,364	6,409
Disposals in the year	0	-73	-17	0	-90
Cost at 31 December 2017	19,805	15,064	3,648	1,364	39,881
Revaluations at 1 January 2017	7,823	0	0	0	7,823
Revaluations at 31 December 2017	7,823	0	0	0	7,823
Impairment losses and depreciation at 1 January 2017	14,486	6,683	3,439	0	24,608
Depreciation in the year	538	307	78	0	923
Depreciation and impairment of disposals in the year	0	-73	-17	0	-90
Impairment losses and depreciation at 31 December 2017	15,024	6,917	3,500	0	25,441
<b>Carrying amount at 31 December 2017</b>	<b>12,604</b>	<b>8,147</b>	<b>148</b>	<b>1,364</b>	<b>22,263</b>

#### 6 Prepayments

Prepayments include accrual of expenses relating to subsequent financial years.

DKK'000	2017	2016
<b>7 Share capital</b>		
Analysis of the share capital:		
3,540,000 shares of DKK 1.00 nominal value each	3,540	3,540
	<b>3,540</b>	<b>3,540</b>

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 8 Non-current liabilities other than provisions

DKK'000	Total debt at 31/12 2017	Repayment, next year	Long-term portion	Outstanding debt after 5 years
Bank debt	15,810	734	15,076	12,138
	15,810	734	15,076	12,138

DKK'000	2017	2016
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#### 9 Deferred tax

Deferred tax at 1 January	1,706	1,243
Deferred tax adjustments in the year	541	463
Deferred tax adjustments regarding prior years	0	-1
<b>Deferred tax at 31 December</b>	<b>2,247</b>	<b>1,705</b>

#### 10 Staff costs

Wages/salaries	26,150	25,008
Pensions	1,980	1,430
Other social security costs	310	380
	28,440	26,818
Average number of full-time employees	52	51

By reference to section 98b(3)(ii) of the Danish Financial Statements Act, remuneration to Management is not disclosed.

#### 11 Contractual obligations and contingencies, etc.

##### Other financial obligations

Other rent and lease liabilities:

DKK'000	2017	2016
Rent and lease liabilities	4,741	6,031

Rent and lease liabilities include a rent obligation totalling DKK 4,351 thousand (2016: DKK 5,153 thousand) in interminable rent agreements with remaining contract terms of 2-12 years. Furthermore, the Company has liabilities under operating leases for cars and IT equipment, totalling DKK 391 thousand (2016: DKK 878 thousand), with remaining contract terms of 3-18 months.

#### 12 Collateral

The Company has placed fixed assets, inventories and trade receivables, worth a total of DKK 47,616 thousand, as security for the Company's debt to credit institutions.



## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 13 Related parties

##### Related party transactions

DAO Aviation A/S was engaged in the below related party transactions:

DKK'000	2017	2016
Payables to Brook Cyprus Limited (subordinate loan capital)	0	1,000

##### Information on the remuneration to management

Information on the remuneration to Management appears from note 10, "Staff costs".

DKK'000	2017	2016
<b>14 Appropriation of profit</b>		
Recommended appropriation of profit		
Retained earnings	3,168	3,882
	<u>3,168</u>	<u>3,882</u>
<b>15 Adjustments</b>		
Amortisation/depreciation and impairment losses	1,098	1,518
Gain on the sale of fixed assets	0	-100
Provisions	-576	-171
Financial income	-580	-42
Financial expenses	974	1,230
Tax for the year	888	1,198
	<u>1,804</u>	<u>3,633</u>
<b>16 Changes in working capital</b>		
Change in inventories	-1,534	-4,020
Change in receivables	2,195	-3,247
Change in trade and other payables	-970	2,744
Other changes in working capital	-5,108	-897
	<u>-5,417</u>	<u>-5,420</u>
<b>17 Cash and cash equivalents at year-end</b>		
Cash according to the balance sheet	104	756
	<u>104</u>	<u>756</u>