

# Nordic Aviation Capital A/S

Stratusvej 12  
8190 Billund  
Denmark

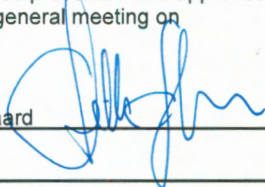
CVR no. 19 39 89 94

**Annual report for the period 1 July 2018 – 30 June 2019**

The annual report was presented and approved at the  
Company's annual general meeting on

24 October 2019

Jette Mariann Hulgaard  
chairman



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Nordic Aviation Capital A/S  
Annual report 2018/19  
CVR no. 19 39 89 94

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

The Board of Directors and the Executive Board have today discussed and approved the annual report of Nordic Aviation Capital A/S for the financial year 1 July 2018 – 30 June 2019.

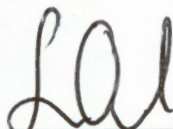
The annual report has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 30 June 2019 and of the results of the Company's operations for the financial year 1 July 2018 – 30 June 2019.

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

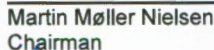
We recommend that the annual report be approved at the annual general meeting.

Billund, 24 October 2019  
Executive Board:



Søren Martin Overgaard  
Chief Executive Officer

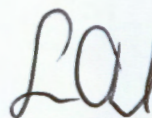
Board of Directors:



Martin Møller Nielsen  
Chairman



Hanne Møller Nielsen



Søren Martin Overgaard



Jette Mariann Hulgaard

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

The Board of Directors and the Executive Board have today discussed and approved the annual report of Nordic Aviation Capital A/S for the financial year 1 July 2018 – 30 June 2019.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 30 June 2019 and of the results of the Company's operations for the financial year 1 July 2018 – 30 June 2019.

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

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

Billund, 24 October 2019

Executive Board:

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Søren Martin Overgaard  
Chief Executive Officer

Board of Directors:



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Martin Møller Nielsen  
Chairman

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Hanne Møller Nielsen

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Søren Martin Overgaard

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Jette Mariann Hulgaard

## Independent auditor's report

### To the shareholders of Nordic Aviation Capital A/S

#### Opinion

We have audited the financial statements of Nordic Aviation Capital A/S for the financial year 1 July 2018 – 30 June 2019 comprising income statement, balance sheet, statement of changes in equity 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 Company's assets, liabilities and financial position at 30 June 2019 and of the results of the Company's operations for the financial year 1 July 2018 – 30 June 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 the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Management's responsibility 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 that 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 in Denmark will always detect a material misstatement when it exists. Misstatements may 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 made 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 company 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 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 Statements Act. We did not identify any material misstatement of the Management's review.

Kolding, 24 October 2019

**KPMG**

Statsautoriseret Revisionspartnerselskab

CVR no. 25 57 81 98



Nikolaj Møller Hansen  
State Authorised  
Public Accountant  
mne33220

**Nordic Aviation Capital A/S**  
Annual report 2018/19  
CVR no. 19 39 89 94

## Management's review

### Company details

Nordic Aviation Capital A/S  
Stratusvej 12  
8190 Billund  
Denmark

Telephone: +4576511200  
Fax: +4576511212  
Website: [www.nac.dk](http://www.nac.dk)

CVR no.: 19 39 89 94  
Established: 26 June 1996  
Registered office: Billund  
Financial year: 1 July – 30 June

### Board of Directors

Martin Møller Nielsen, Chairman  
Hanne Møller Nielsen  
Søren Martin Overgaard  
Jette Mariann Hulgaard

### Executive Board

Søren Martin Overgaard, Chief Executive Officer

### Auditor

KPMG  
Statsautoriseret Revisionspartnerselskab  
Jupitervej 4  
6000 Kolding  
Denmark



## Management's review

### Financial highlights

USDm	2018/19	2017/18	2016/17	2015/16	2014/15
<b>Key figures</b>					
Revenue	34	31	51	45	33
Operating profit/loss	0	-1	8	6	-17
Profit/loss from financial income and expenses	8	129	34	19	-13
Profit for the year	4	122	32	19	111
<b>Ratios</b>					
Total assets	420	1,185	1,055	943	1,079
Equity	398	394	272	239	526
Investment in property, plant and equipment	0	3	7	84	198
<b>Other key figures</b>					
Average number of full-time employees	92	85	74	64	60

Financial ratios are calculated in accordance with the guidelines "Recommendations & Ratios" issued by the Danish Society of Financial Analysts. The financial ratios have been calculated as follows:

Return on equity 
$$\frac{\text{Profit/loss from ordinary activities after tax} \times 100}{\text{Average equity}}$$

Solvency ratio 
$$\frac{\text{Equity ex. non-controlling interests at year end} \times 100}{\text{Total equity and liabilities at year end}}$$



## Management's review

### Operating review

#### Principal activities

The Company's activities consist of hiring out the Company's portfolio of aircraft under operating lease contracts. In addition, the Company operates as a shared service center for the group entities.

#### Development in activities and financial position

##### *Profit/loss for the year (including comparison with forecasts previously announced)*

The Company's income statement for 2019 shows a profit of USD 3,674 thousand as against USD 122,408 thousand for 2018. Equity in the Company's balance sheet at 30 June 2019 stood at USD 397,758 thousand as against USD 394,084 thousand at 30 June 2018.

#### Events after the balance sheet date

No events materially affecting the Company's financial position have occurred subsequent to the financial year end.

#### Outlook

The Company's revenue for 2019/20 is expected to be in the range of USD 25-30 million and net results in the range of USD 10-20 million for 2019/20. The forecast is based on the assumption that the exchange rates for the currencies to which the Company is exposed will remain unchanged.

#### Corporate social responsibility

Since our founding in 1990 by aviation entrepreneur Martin Møller, NAC has strived to make a difference for our customers, our partners and our people.

NAC has a set of core values which have guided our lasting success. These values represent the essence of our beliefs, culture and everyday actions. They are timeless guiding principles – the essential and enduring beliefs of our company, ingrained in our corporate culture. Through our core values, we have global guidance on how to act and behave. Our values unite us and create a sense of purpose and belonging.

Aligned to these values, NAC has a set of behaviours and policies in place which reflect its social and environmental concerns. All company policies are pragmatic and accessible to all team members via the company intranet site.

#### People and Work environment

We are committed to providing positive, productive and encouraging working environments where all employees are valued and supported in being the best they can be.

#### *Equality and dignity at work*

NAC is committed to creating an environment promoting equality and dignity at work. NAC wishes to create a workplace that provides equal opportunities for all employees and potential employees, where their integrity is always protected and respected.

## Management's review

### Operating review

NAC is committed to creating an environment promoting equality and dignity at work. NAC wishes to create a workplace that provides equal opportunities for all employees and potential employees, where their integrity is always protected and respected.

Training and development continue to be a focus area during the financial year 2018/19. The NAC online training platform is now well established, providing easy access to learning opportunities for all team members. In addition to this, NAC is running a Leadership training program with an emphasis on developing our leaders of the future and enabling cross-cultural knowledge-sharing. One of our priorities is to continue to provide people at every level within the business with ample development opportunities to enhance career progression and to ensure that as our company grows so too do our personnel.

### *Bullying and harassment*

NAC is committed to providing a safe working environment for its employees with an environment free from bullying and harassment. The company has in place both informal and formal procedures to deal with the issue of bullying or harassment at work. More information is available in the local handbook.

In the FY 2018/19, NAC conducted a work environment assessment (in Danish APV) focusing both on mental and physical wellbeing at work. The results were very positive and showed a social and friendly work environment. NAC has during the year taken additional steps to ensure a caring work environment. Include such activities as;

- after-work yoga
- motivational speaker giving a session on wellbeing – work-life balance
- monthly breakfast sessions
- providing all employees with a health insurance policy through Danica Pension

### Climate and Environment

NAC follows all mandatory requirements and guidelines regarding climate and environment. We comply with all relevant legislation and monitor the guidelines from EASA and ICAO. We have therefore decided not to have a separate policy regarding climate and environment.

Internally as a natural part of our value “caring”, we encourage our team members to think of ways to lessen our environmental impact.

### Anti-Corruption Policy

We are dedicated to act with integrity and to develop our business in a responsible manner. Our Anti-Corruption and Bribery policy is a no-tolerance policy and clearly outlines the acceptable actions about anti-corruption and bribery from our employees, suppliers and third parties.

Corporate compliance is important to NAC, and NAC ensures that its employees and contractors are trained in regulations affecting commercial businesses acting in an international environment. The corporate policies can at all times, be found on NACs Intranet.

As part of their onboarding program, new joiners will be required to take an e-learning course and tests to make sure they have the needed knowledge and understanding with respect to this policy.

For the FY 2018/19, no incidents of violation of the company's anti-corruption and bribery policy were recorded.

## Management's review

### Operating review

#### Human rights

NAC is committed to the protection and advancement of human rights in its worldwide operations. We believe that the employment relationship should be voluntary, and the terms of employment must comply with applicable laws and regulations.

We recognize and respect employee rights to join or not join any lawful organization of their choosing. We are committed to complying with laws pertaining to freedom of association, privacy and collective bargaining.

NAC is committed to the highest standards of ethical and business conduct as it relates to the procurement of goods and services. Our relationships with our third-party providers, including our consultants and contractors, are defined by contracts, which are based on lawful, ethical, fair, and efficient practices.

We follow all mandatory requirements and expectations for human rights, which are fundamental for our operations. Our actions are well-founded both in legal obligations and our values which guide us in how we behave. We consider Human rights a natural part of conducting ethical business. Taking all of this into consideration, it was decided by management not to develop a separate policy for human rights for 2018/19.

#### Risk assessment

We are aware of our responsibility as a professional Company and wish to understand and mitigate potential risks. We are therefore in the process of assessing risks and setting up relevant management systems. We expect to conclude this process by end of 2020.

### Gender composition in the Board of Directors and Management

#### *Board of Directors*

Under Danish legislation, NAC sets an objective to ensure the necessary development of the gender composition on the Board of Directors. Our ambition is that no gender should account for less than 25% of our members. We have successfully achieved our target as the Board of Directors of NAC consists of four members and includes an equal distribution of men and women.

#### *Managers*

NAC is dedicated to maintaining a work environment where diversity and equal opportunities are available to all employees. We continuously strive to enhance diversity and mitigate gender underrepresentation.

During 18/19, we continued our focus on having a work environment which would attract and retain female representatives at management positions. This has primarily included flexible working hours and offering internal leadership training for talents. Globally we are committed, until a balanced gender representation have been met, to have a positive bias toward female candidates when candidate competencies are at an equal level.

In April 2019, a woman was promoted as Chief Contracts Officer thereby ensuring a strong female presence at our executive management level.

The total number of female managers (4) has remained unchanged during FY18/19. Thus, we will continue to actively seek ways to enforce gender diversity in the management team to achieve a more balanced gender representation, current female share is 21%.

## Financial statements 1 July – 30 June

### Income statement

USD'000	Note	2018/19	2017/18
<b>Revenue</b>	2	33,992	30,549
Production costs	3	<u>-14,714</u>	<u>-16,211</u>
<b>Gross profit</b>		19,278	14,338
Administrative expenses	3	<u>-18,834</u>	<u>-15,238</u>
<b>Operating profit/loss</b>		444	-900
Income from equity investments in group entities		0	99,535
Financial income	4	18,968	64,578
Financial expenses	5	<u>-11,323</u>	<u>-35,328</u>
<b>Profit before tax</b>		8,089	127,885
Tax on profit for the year	6	<u>-4,415</u>	<u>-5,477</u>
<b>Profit for the year</b>	7	<u><u>3,674</u></u>	<u><u>122,408</u></u>

## Financial statements 1 July – 30 June

### Balance sheet

USD'000	Note	30/6 2019	30/6 2018
<b>ASSETS</b>			
<b>Fixed assets</b>			
<b>Property, plant and equipment</b>	8		
Fixtures and fittings, tools and equipment		1,301	2,022
Aircraft		3,249	5,842
Prepayments for property, plant and equipment		<u>32,055</u>	<u>33,728</u>
		<u>36,605</u>	<u>41,592</u>
<b>Investments</b>	9		
Equity investments in group entities		20,323	20,323
Receivables from group entities		7,252	10,097
Other securities and equity investments		4	9
Deposits		<u>8,582</u>	<u>8,582</u>
		<u>36,161</u>	<u>39,011</u>
<b>Total fixed assets</b>		<u>72,766</u>	<u>80,603</u>
<b>Current assets</b>			
<b>Inventories</b>			
Consumables		<u>4,349</u>	<u>4,428</u>
<b>Receivables</b>			
Trade receivables		213	923
Receivables from group entities		339,179	1,092,771
Other receivables		<u>445</u>	<u>2,660</u>
		<u>339,837</u>	<u>1,096,354</u>
<b>Cash</b>		<u>2,870</u>	<u>3,446</u>
<b>Total current assets</b>		<u>347,056</u>	<u>1,104,228</u>
<b>TOTAL ASSETS</b>		<u>419,822</u>	<u>1,184,831</u>

## Financial statements 1 July – 30 June

### Balance sheet

USD'000	Note	30/6 2019	30/6 2018
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Contributed capital	10	747	747
Retained earnings		397,011	393,337
<b>Total equity</b>		<b>397,758</b>	<b>394,084</b>
<b>Provisions</b>			
Provisions for deferred tax	11	698	1,182
<b>Total provisions</b>		<b>698</b>	<b>1,182</b>
<b>Liabilities other than provisions</b>			
<b>Non-current liabilities other than provisions</b>			
Aircraft financing	12	3,229	4,041
Lease obligations		111	145
Maintenance reserve		421	2,007
Deposits		80	80
		<b>3,841</b>	<b>6,273</b>
<b>Current liabilities other than provisions</b>			
Current portion of non-current liabilities		1,114	1,092
Trade payables		367	1,352
Payables to group entities		4,524	760,558
Corporation tax		7,024	16,124
Other payables		4,496	4,126
Deferred income		0	40
		<b>17,525</b>	<b>783,292</b>
<b>Total liabilities other than provisions</b>		<b>21,366</b>	<b>789,565</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>419,822</b>	<b>1,184,831</b>
<b>Staff costs and incentive schemes</b>			
	3		
<b>Contractual obligations, contingencies, etc.</b>	14		
<b>Mortgages and collateral</b>	15		
<b>Related party disclosures</b>	16		

## Financial statements 1 July – 30 June

### Statement of changes in equity

USD'000	Contributed capital	Retained earnings	Proposed dividends for the financial year	Total
Equity at 1 July 2018	747	393,337	0	394,084
Transferred over the profit appropriation	0	3,674	0	3,674
<b>Equity at 30 June 2019</b>	<b>747</b>	<b>397,011</b>	<b>0</b>	<b>397,758</b>



## Financial statements 1 July – 30 June

### Notes

#### 1 Accounting policies

The annual report of Nordic Aviation Capital A/S for 2018/19 has been prepared in accordance with the provisions applying to reporting class C large entities under the Danish Financial Statements Act with opt-in from higher reporting classes.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

#### Omission of consolidated financial statements

Pursuant to section 112(1) of the Danish Financial Statements Act, no consolidated financial statements have been prepared. The financial statements of Nordic Aviation Capital A/S and group entities are included in the consolidated financial statements of Nordic Aviation Capital DAC, Ireland, Registered number 567526.

#### Omission of cash flow statement

Pursuant to section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared. The Company's cash flows are included in the cash flow statement in the consolidated financial statement of Nordic Aviation Capital DAC, Ireland, Registered number 567526.

#### Reporting currency

The financial statements are presented in USD as the Company's most significant transactions are settled in USD. At the balance sheet date, the DKK/USD exchange rate was 6.56. For the year 2017/18, the DKK/USD exchange rate at the balance sheet date was 6.39.

#### Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates 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, payables and other monetary items denominated in foreign currencies are translated at the exchange rates 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 latest financial statements is recognised in the income statement as financial income or financial expenses.

#### Derivative financial instruments

On initial recognition, derivative financial instruments are recognised in the balance sheet at cost and subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are recognised as other receivables and other payables, respectively.

## Financial statements 1 July – 30 June

### Notes

#### 1 Accounting policies (continued)

### Income statement

#### Revenue

The Company leases aircraft principally under operating leases and records rental income on a straight-line basis over the life of the lease as it is earned. In some cases, lease agreements provide for rentals based on aircraft usage which may be calculated based on hours or on cycles operated. The Company accounts for lease rentals under such agreements on a basis that represents the time pattern in which revenue is earned.

Most of the Company's lease contracts require lease payments to be paid in advance. Additional payments are paid in arrears. Rentals received but unearned at the reporting date are recorded as deferred income.

Generally, lease contracts require a lessee to redeliver aircraft in specified maintenance condition (normal wear and tear excepted), with reference to major life-limited components of the aircraft. To the extent that such components are redelivered in a different condition than specified, there is generally an end-of-lease compensation adjustment for the monetary difference. Amounts received or paid as part of these redelivery adjustments are recorded as lease rental income on lease termination. The Company recognises amounts recorded as maintenance payments that are not expected to be reimbursed to lessees as revenue.

Other revenue comprises group fee from group entities.

#### Production costs

Production costs comprise costs, including depreciation, amortisation, wages and salaries, incurred to generate revenue for the year. Such costs include direct costs of acquisition/value adjustments (regarding aircraft recognised as current assets) and maintenance of aircraft.

#### Administrative expenses

Administrative expenses comprise expenses incurred during the year for management and administration of the Group, including expenses for administrative staff, Management, office premises, office expenses and amortisation/depreciation of assets used for administrative purposes.

#### Income from equity investments in group entities and associates

Dividends from equity investments in group entities and associates measured at cost are recognised as income in the Parent Company's income statement in the financial year when the dividends are declared.

In case of indication of impairment, an impairment test is conducted. Indication of impairment exists if distributed dividend exceeds profit for the year or if the carrying amount of equity investments exceeds the consolidated carrying amounts of the net assets in the subsidiary.

## Financial statements 1 July – 30 June

### Notes

#### 1 Accounting policies (continued)

##### 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, e.g. from group entities and associates, declared dividends from other securities and investments, financial expenses relating to finance leases, realised and unrealised capital gains and losses relating to other securities and investments, exchange gains and losses and amortisation of financial assets and liabilities.

##### Tax on profit/loss for the year

The Parent Company is subject to the Danish rules on compulsory joint taxation of the Group's Danish subsidiaries. The subsidiaries are included in the joint taxation from the date on which they are included in the consolidated financial statements and up to the date on which they are excluded from the consolidation.

The Parent Company is the administrative company for the joint taxation and accordingly settles all payments of corporation tax to the tax authorities.

On payment of joint taxation contributions, current Danish corporation tax is allocated between the jointly taxed entities in proportion to their taxable income. Entities with tax losses receive joint taxation contributions from entities that have used the losses to reduce their own taxable profit.

Tax for the year comprises current corporation tax for the year and changes in deferred tax, including changes in tax rates. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity.

### Balance sheet

##### Property, plant and equipment

Aircraft and fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date on which the asset is available for use.

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

The basis of depreciation is cost less any projected residual value after the end of the useful life. Depreciation is provided on a straight-line basis over the estimated useful life. The estimated useful lives are as follows:

Aircraft	25-30 years
Fixtures and fittings, tools and equipment	5 years

The useful life and residual value are reassessed annually. Changes are accounted for as accounting estimates, and the effect on depreciation is recognised prospectively.

## Financial statements 1 July – 30 June

### Notes

#### 1 Accounting policies (continued)

Depreciation is recognised in the income statement as production costs and administrative expenses, respectively.

Gains and losses on the disposal of property, plant and equipment are stated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses are recognised in the income statement as other operating income or other operating costs, respectively.

Pre-delivery payments comprise payments regarding future acquisitions of aircraft.

#### Equity investments in group entities

Equity investments in group entities are measured at cost. Dividends received that exceed accumulated earnings in the subsidiary during the period of ownership are accounted for as a reduction in the cost of acquisition.

#### Securities and equity investments

Securities which the Company intends to hold to maturity are measured at amortised cost, using the effective interest rate method at the date of acquisition. Value adjustments are recognised in the income statement under "Financial income" or "Financial expenses".

Securities and investments consisting of listed shares and bonds are measured at fair value (market price) at the balance sheet date. Investments not admitted to trading on an active market are measured at cost.

#### Impairment of fixed assets

The carrying amount of property, plant and equipment as well as equity investments in group entities is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

The recoverable amount is the higher of an asset's net selling price and its value in use. The value in use is determined as the present value of the forecast net cash flows from the use of the asset or the group of assets, including forecast 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 recognition is no longer motivated.

#### Leases

On initial recognition, leases for fixed assets that transfer substantially all risks and rewards incident to ownership to the Company (finance leases) are recognised in the balance sheet at the lower of fair value and the net present value of future lease payments. When calculating the net present value, the interest rate implicit in the lease or the incremental borrowing rate is used as the discount factor. Assets held under finance leases are subsequently accounted for as the Company's other fixed assets.

The capitalised lease obligation is recognised in the balance sheet as a liability at amortised cost, allowing the interest element of the lease payment to be recognised in the income statement over the term of the lease.

## Financial statements 1 July – 30 June

### Notes

#### 1 Accounting policies (continued)

All other leases are operating leases. Payments relating to operating leases and other leases are recognised in the income statement over the term of the lease. The Company's total obligation relating to operating leases and other leases is disclosed as contractual obligations and contingencies, etc.

#### 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 costs necessary to make the sale and is determined taking into account marketability, obsolescence and development in expected selling price.

#### 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 is impaired, an impairment loss is recognised on an individual basis.

Receivables with no objective indication of individual impairment are assessed for objective indication of impairment on a portfolio basis. The portfolios are primarily based on the debtors' registered offices and credit rating in accordance with the Company's credit risk management policy. The objective indicators used in relation to portfolios are determined on the basis of historical loss experience.

Impairment losses are calculated as the difference between the carrying amount of receivables and the present value of forecast cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

#### Cash at bank and in hand

Cash comprises bank deposits.

#### Equity

##### *Dividends*

The expected dividend payment for the year is disclosed as a separate item under equity.

## Financial statements 1 July – 30 June

### Notes

#### 1 Accounting policies (continued)

##### Corporation tax and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities based on the planned use of the asset or settlement of the liability. However, deferred tax is not recognised on temporary differences relating to goodwill non-deductible for tax purposes and on office premises and other items where the temporary differences arise at the date of acquisition without affecting either profit/loss or taxable income.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised at the expected value of their utilisation within the foreseeable future; 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. Any deferred net assets are measured at net realisable value.

Deferred tax is measured in accordance with 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. Changes in deferred tax as a result of changes in tax rates are recognised in the income statement or equity, respectively.

##### Liabilities other than provisions

Financial liabilities are recognised at cost at the date of borrowing, corresponding to the proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost using the effective interest method. Accordingly, the difference between cost and the nominal value is recognised in the income statement over the term of the loan together with interest expenses.

Other liabilities are measured at net realisable value.

##### Deferred income

Deferred income comprises payments received regarding income in subsequent years.

##### Segment information

The allocation of revenue to activities and geographical markets is disclosed where these activities and markets differ significantly with regard to the organisation of the sale of goods and services.

## Financial statements 1 July – 30 June

### Notes

USD'000

#### 2 Segment information

	2018/19	2017/18
Lease income	378	823
Sale of aircraft, net	0	15
Engine reserve	25	1,729
Workshop sales	107	721
Other income & Group Fee	33,482	27,261
	<u>33,992</u>	<u>30,549</u>

#### Breakdown of revenue by geographical segment

Asia and the Pacific	0	6
Europe	33,868	28,126
South and Central America	403	1,831
North America	-279	586
	<u>33,992</u>	<u>30,549</u>

#### 3 Staff costs and incentive schemes

Wages and salaries	14,789	13,549
Pensions	318	335
Other social security costs	97	104
Other staff costs	0	10
	<u>15,204</u>	<u>13,998</u>

Average number of full-time employees	92	85
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Staff costs are recognised in the financial statements as follows:

Production	2,856	2,478
Administration	12,348	11,520
	<u>15,204</u>	<u>13,998</u>

Staff costs include remuneration of the Company's Executive Board of USD 1,962 thousand (2017/18: USD 1,808 thousand) and pension totalling USD 341 thousand (2017/18: USD 227 thousand).

#### 4 Financial income

Interest income from group entities	18,911	63,729
Other financial income	57	849
	<u>18,968</u>	<u>64,578</u>



## Financial statements 1 July – 30 June

### Notes

USD'000	2018/19	2017/18		
<b>5 Financial expenses</b>				
Interest expense to group entities	10,465	34,099		
Other financial costs	793	766		
Exchange losses	65	463		
	<u>11,323</u>	<u>35,328</u>		
<b>6 Tax on profit for the year</b>				
Current tax for the year	2,796	6,734		
Deferred tax for the year	-484	-464		
Adjustment of tax concerning previous years	2,561	-793		
Adjustment of deferred tax concerning previous year	-458	0		
	<u>4,415</u>	<u>5,477</u>		
<b>7 Proposed profit appropriation</b>				
Retained earnings	<u>3,674</u>	<u>122,408</u>		
	<u>3,674</u>	<u>122,408</u>		
<b>8 Property, plant and equipment</b>				
	Fixtures and fittings, tools and equipment	Aircraft	Prepayments for property, plant and equipment	Total
USD'000				
Cost at 1 July 2018	2,574	10,474	33,728	46,776
Additions for the year	0	0	19,083	19,083
Disposals for the year	-95	-1,975	-20,756	-22,826
Cost at 30 June 2019	<u>2,479</u>	<u>8,499</u>	<u>32,055</u>	<u>43,033</u>
Depreciation and impairment losses at 1 July 2018	-552	-4,632	0	-5,184
Depreciation for the year	-721	-618	0	-1,339
Reversed impairment losses	95	0	0	95
Depreciation and impairment losses at 30 June 2019	<u>-1,178</u>	<u>-5,250</u>	<u>0</u>	<u>-6,428</u>
<b>Carrying amount at 30 June 2019</b>	<u>1,301</u>	<u>3,249</u>	<u>32,055</u>	<u>36,605</u>

## Financial statements 1 July – 30 June

### Notes

#### 9 Investments

USD'000		Equity investments in group entities
Cost at 1 July 2018		20,323
Cost at 30 June 2019		20,323
<b>Carrying amount at 30 June 2019</b>		<b>20,323</b>
	Other securities and equity investments	Deposits
USD'000		
Cost at 1 July 2018	11	8,582
Disposals for the year	-3	0
Cost at 30 June 2019	8	8,582
Revaluations for the year, net	-4	0
Revaluations 30 June 2019	-4	0
<b>Carrying amount at 30 June 2019</b>	<b>4</b>	<b>8,582</b>

## Financial statements 1 July – 30 June

### Notes

#### Investments (continued)

Name	Legal form	Domicile	Equity	Profit/loss for the year
			USD'000	USD'000
Subsidiaries:				
Nordic Aviation Financing	ApS	Billund	5,239	325
NAC Aviation 2	A/S	Billund	5,473	-1,382
NAC Aviation 3	A/S	Billund	7,808	-516
NAC Aviation 3	Ltd	Ireland	4,594	148
NAC Aviation 4	Ltd	Ireland	58,591	15,321
NAC Aviation 6	Ltd	Ireland	2,538	-8
NAC Aviation 8	Ltd	Ireland	-5,601	9,260
NAC Aviation 9	Ltd	Ireland	23,012	13,014
NAC Aviation 10	Ltd	Ireland	3,565	3,833
NAC Aviation 11	Ltd	Ireland	3,404	509
NAC Aviation 14	Ltd	Ireland	-7,402	-1,756
NAC Aviation 16	Ltd	Ireland	-24	-1,198
NAC Aviation 17	Ltd	Ireland	7,279	4,345
NAC Aviation 18	Ltd	Ireland	307	273
NAC Aviation 19	Ltd	Ireland	18,271	16,305
NAC Aviation 20	Ltd	Ireland	3,640	2,775
NAC Aviation 21	Ltd	Ireland	-10,486	1,356
NAC Aviation 22	Ltd	Ireland	4,249	2,861
NAC Aviation 23	Ltd	Ireland	-6,185	649
NAC Aviation 25	Ltd	Ireland	40,403	21,160
NAC Aviation 26	Ltd	Ireland	469	677
NAC Aviation 27	Ltd	Ireland	2,722	-1,014
Nordic Aviation Contractor	Ltd	Ireland	59,196	2,933
NK Leasing	Ltd	Ireland	17,800	5,459
Nordic Aviation Leasing Pte	Ltd	Singapore	988	405
Nordic Aviation Leasing Two Pte	Ltd	Singapore	2,774	2,186
Nordic Aviation Leasing Six Pte	Ltd	Singapore	7,103	2,615
Nordic Aviation Leasing Seven Pte	Ltd	Singapore	82,603	28,257
Nordic Aviation Leasing Eight Pte	Ltd	Singapore	3,758	300
Nordic Aviation Leasing Nine Pte	Ltd	Singapore	14,751	4,868
Nordic Aviation Leasing Eleven Pte	Ltd	Singapore	16,433	3,946
Nordic Aviation Leasing Fourteen Pte	Ltd	Singapore	1,980	911
Nordic Aviation Leasing Fifteen Pte	Ltd	Singapore	-2	6
Nordic Aviation Leasing Sixteen Pte	Ltd	Singapore	7,085	3,078

## Financial statements 1 July – 30 June

### Notes

#### Investments (continued)

Name	Legal form	Domicile	Equity	Profit/loss for the year
			USD'000	USD'000
Subsidiaries:				
Nordic Aviation Leasing Seventeen Pte	Ltd	Singapore	1,118	897
Nordic Aviation Leasing Eighteen Pte	Ltd	Singapore	1,223	729
Nordic Aviation Leasing Nineteen Pte	Ltd	Singapore	250	553
Nordic Aviation Leasing Twenty Pte	Ltd	Singapore	1,116	627
Nordic Aviation Leasing Twentyone Pte	Ltd	Singapore	1,005	595
Nordic Aviation Leasing Twentytwo Pte	Ltd	Singapore	456	664
Nordic Aviation Leasing Twentythree Pte	Ltd	Singapore	-198	-195
Nordic Aviation Leasing Twentyfour Pte	Ltd	Singapore	-129	-125
Nordic Aviation Leasing Twentyfive Pte	Ltd	Singapore	453	453
Nordic Aviation Capital Pte	Ltd	Singapore	820	234
Nordic Aviation Financing One Pte	Ltd	Singapore	3,295	581
NAC Aviation France 1	SAS	France	165	-64
NAC Aviation France 2	SAS	France	110	-114
NAC Aviation France 4	SAS	France	96	-67
NAC Aviation France 5	SAS	France	20	-13
NAC Aviation France 6	SAS	France	167	-26
NAC Aviation Cyprus 1	Ltd	Cyprus	2,318	-1,133
NAC Aviation Cyprus 3	Ltd	Cyprus	-28	1
Merlano	Ltd	Cyprus	-268	-981
NAC Aviation UK 2	Ltd	United Kingdom	72	7
NAC Aviation Canada	Inc	Canada	993	147

The following subsidiaries are owned at 50%:

KN Operating	Ltd	Ireland	9,136	7,243
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The above figures are based on 2017/18 annual reports, except for the danish entities. Annual reports for 2018/19 are not yet available.

## 10 Equity

The contributed capital consists of 4,500 shares of a nominal value of DKK 1000 each.

All shares rank equally.

## Financial statements 1 July – 30 June

### Notes

#### 11 Provisions

USD'000	30/6 2019	30/6 2018
Deferred tax at 1 July	1,182	1,567
Adjustment of deferred tax, prior years	0	79
Adjustment of deferred tax	-484	-464
Deferred tax at 30 June	698	1,182
<b>Deferred tax relates to:</b>		
Property, plant and equipment	715	1,586
Maintenance reserves	-93	-442
Other non-taxable temporary differences	76	38
	698	1,182

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

USD'000	30/6 2019	30/6 2018	Repayment, first year	Outstanding debt after five years
Aircraft financing	3,229	5,100	1,083	0
Lease obligations	111	177	31	0
Maintenance reserves	421	2,007	0	0
Deposits	80	80	0	0
	3,841	7,364	1,114	0

#### 13 Deferred income

Deferred income consists of lease income after closing date.

## Financial statements 1 July – 30 June

### Notes

#### 14 Contractual obligations, contingencies, etc.

##### Contingent liabilities

As management company, the Company is jointly taxed with other Danish group entities. The companies have indefinite, joint and several liability for Danish corporation taxes and withholding taxes on profit, interest and royalties within the jointly taxed entity. Any subsequent corrections of the taxable joint taxation income or withholding taxes may entail an increase in the entities' liability.

The Group has received a notification from the Danish tax authorities concerning the tax treatment used by the Group in the years 2012 to 2015, which are in the early stages of assessment by the Group. The ultimate outcome of the matter cannot presently be determined, and no provision for any liability that may arise has been made in the financial statements.

##### Operating lease obligations

Remaining operating lease obligations at the balance sheet date fall due at USD 37 million within 10 years (2017/18: USD 43 million).

#### 15 Mortgages and collateral

As collateral for the Company's debt to mortgage credit institutions and other credit institutions totalling USD 4.5 million, the Company has provided collateral or other security secured on its assets. The total carrying amount of these assets is USD 6.1 million.

Aircraft with a carrying amount of USD 3,249 thousand at 30 June 2019 has been provided as collateral for aircraft financing of USD 1,487 thousand.

A bank account in Jutlander bank, of an amount of USD 1 thousand, has been provided as collateral for all accounts in Jutlander bank.

Other shares in Salling Bank, of an amount of USD 4 thousand, have been provided as collateral for all accounts in Salling Bank.

#### 16 Related party disclosures

Nordic Aviation Capital A/S' related parties comprise the following:

##### Control

Nordic Aviation Capital Designated Activity Company, Bedford Place, Henry Street, Limerick City, Ireland.

Nordic Aviation Capital Designated Activity Company holds the majority of the contributed capital in the Company.

Nordic Aviation Capital A/S is part of the consolidated financial statements of Nordic Aviation Capital Designated Activity Company, Ireland, which is both the smallest and largest group, in which the Company is included as a subsidiary.

The consolidated financial statements of Nordic Aviation Capital Designated Activity Company can be obtained at the above address.

##### Related party transactions

In accordance with section 98 c(7) of the Danish Financial Statements Act, the Company has not disclosed any related party transactions as they were conducted on an arm's length basis.