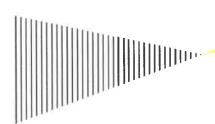
# Nordic Aviation Capital A/S

Stratusvej 12, 8190 Billund CVR no. 19 39 89 94



# Annual report 2016/17

Approved at the annual general meeting of shareholders on

Chairman:





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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 Nordic Aviation Capital A/S for the financial year 1 July 2016 - 30 June 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 30 June 2017 and of the results of the Company's operations and cash flows for the financial year 1 July 2016 - 30 June 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.

Billund, 30 November 2017 Executive Board:

Søren M. Overgaard Chief Executive Officer Brian Ruben Pedersen Chief Financial Officer

Board of Directors:

Martin Møller Nielsen Chairman

lette M. Hulqazd

Hanne Møller Nielsen

Søren M. Overgaard



### 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 2016 - 30 June 2017, which comprise an 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 financial position of the Company at 30 June 2017 and of the results of the Company's operations for the financial year 1 July 2016 - 30 June 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 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 responsibilities for the financial statements

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

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

## Auditor's responsibilities for the audit of the financial statements

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.



### Independent auditor's report

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusion is 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 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 our procedures, 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.

Aarhus, 30 November 2017

ERNST & YOUNG

Godkendt Revisionspartnerselskab

CVR no. 30 70 02 28

Jes Lauritzen

State Authorised Public Accountant

Claus Dalager

State Authorised Public Accountant



## Company details

Name Nordic Aviation Capital A/S Address, Postal code, City Stratusvej 12, 8190 Billund

 CVR no.
 19 39 89 94

 Established
 26 June 1996

Registered office Billund

Financial year 1 July 2016 - 30 June 2017

Website www.nac.dk

Telephone +45 76 51 12 00 Telefax +45 76 51 12 12

Board of Directors Martin Møller Nielsen, Chairman

Hanne Møller Nielsen Søren M. Overgaard Jette M. Hulgaard

Executive Board Søren M. Overgaard, Chief Executive Officer

Brian Ruben Pedersen, Chief Financial Officer

Auditors Ernst & Young Godkendt Revisionspartnerselskab

Værkmestergade 25, P.O. Box 330, 8100 Aarhus C, Denmark



## Financial highlights

USDm	2016/17	2015/16	2014/15	2013/14	2012/13
Key figures					
Revenue	51	45	33	36	41
Profit before interest, tax and					
amortisation of goodwill (EBITA)	8	6	-17	-5	6
Net financials	34	19	-13	2	-19
Profit/loss for the year	32	19	111	81	66
•					
Total assets	1,055	943	1,079	872	767
Investment in property, plant and					
equipment	721	84	198	467	255
Equity	272	239	526	415	333
Financial ratios					
Solvency ratio	25.8%	25.3%	48.7%	47.6%	43.4%
Return on equity	12.5%	5.0%	23.6%	21.7%	22.0%
Average number of employees	83	74	64	60	53

Financial ratios are calculated in accordance with the Danish Finance Society's recommendations on the calculation of financial ratios "Recommendations and Financial Ratios 2015". For terms and definitions, please see the accounting policies.

The company has changed accounting policies. The key figures and ratios from 2012/13 to 2014/15 has not been changed.

Comparitive figures regarding the change in accounting policy of aircraft have not been changed in line with the transitional rule in the amendment act. We refer to the accounting policies.



#### Management commentary

#### **Business review**

The Company's activities consist of hiring out the Company's portfolio of aircraft on operational leasing contracts. In addition, the Company operates as a shared service center for the Group companies.

#### Financial review

In 2016/17, the Company's revenue came in at USD 51,098 thousand against USD 45,477 thousand last year. The income statement for 2016/17 shows a profit of USD 31,890 thousand against USD 19,360 thousand last year, and the balance sheet at 30 June 2017 shows equity of USD 271,687 thousand. In the annual report for 2015/16, Management expected a revenue in the range of USD 700-800m and a profit in the range of USD 150-200m for the consolidated statements. This years revenue and profit only contains the parent company Nordic Aviation Capital A/S. With this in mind, the management considers the Company's financial performance in the year satisfactory.

#### Statutory CSR report

NAC does not have a specific policy for Corporate Social Responsibility, including human rights, climate impact and the environment, but our business principles and our corporate culture ensure that we take social aspects into account and show consideration for our stakeholders in order to promote long-term sustainability and transparency.

We intend to gradually formalize these considerations.

### Account of the gender composition of Management

According to our diversity policy, we strive to ensure equal opportunities for managers and employees, regardless of gender, ethnicity, age, political and religious convictions, etc.

#### **Board of Directors**

Pursuant to Danish legislation, NAC sets objectives for the proportion of the underrepresented gender on the Board of Directors. Our ambition, on the basis of the current number of Board members, is that no gender should account for less than 25 % of our members. We met our targets as the Board of Directors of NAC consists of four members and includes an equal distribution of men and women.

	2016/17	2015/16	2014/15
Male (%)	2 (50%)	2 (50%)	6 (86%)
Female (%)	2 (50%)	2 (50%)	1 (14%)
Total	4	4	7

#### NAC managers

At the manager level, the number of women has been stable in recent years. However as a result of a reduction in the total number of managers, the proportion of women has decreased slightly. At the end of the fiscal year, male managers represent 76 % and female managers represent 24 %

	2016/17	2015/16	2014/15
Male (%)	13 (76%)	14 (74%)	13 (68%)
Female (%)	4 (24%)	5 (26 %)	6 (32 %)
Total	17	19	19



#### Management commentary

It remains our objective to maintain and promote further growth in the proportion of women at manager level while at the same time continuing to recruit the most suitable candidates for each position.

To stimulate a sufficient number of female candidates for any future available position, management proactively, whenever possible engages in appropriate coaching, mentoring and sponsoring enrollment in external educational opportunities.

We consequently endeavor and actively seek to encourage, where possible, that the possible candidates for any available position always include both genders.

#### 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 2017/18 is expected to be in the range of USD 40-50m and the net result in the range USD 20-30m for 2017/18. The expectations are based on the assumption that the exchange rates for the currencies to which the Company is exposed will remain unchanged.



## Income statement

Note	USD'000	2016/17	2015/16
2 13,3	Revenue Production costs	51,098 -22,109	45,477 -16,236
13,3	Gross margin Administrative expenses	28,989 -21,305	29,241 -19,111
	Operating profit Fair value adjustment of other investment assets	7,684 0	10,130 -3,869
4 5	Profit before net financials Financial income Financial expenses	7,684 86,114 -52,462	6,261 65,045 -46,476
6	Profit before tax Tax for the year	41,336 -9,446	24,830 -5,470
	Profit for the year	31,890	19,360



## Balance sheet

Note	USD'000	2016/17	2015/16
7	ASSETS Fixed assets Property, plant and equipment		
	Aircraft	7,327	12,204
	Other fixtures and fittings, tools and equipment	892	170
	Prepayments for property, plant and equipment	38,012	76,028
		46,231	88,402
8	Investments		
	Investments in group entities	64,915	64,842
	Other securities and investments	27	897
		64,942	65,739
	Total fixed assets	111,173	154,141
	Non-fixed assets Inventories		
	Consumables	5,265	7,032
		5,265	7,032
	Receivables		
	Trade receivables	81	3,151
	Receivables from group entities	909,707	617,437
	Other receivables	5,674	2,797
	Deposits	8,608	11,440
		924,070	634,825
	Cash	14,599	146,823
	Total non-fixed assets	943,934	788,680
	TOTAL ASSETS	1,055,107	942,821
		-	



## Balance sheet

Note	USD'000	2016/17	2015/16
	EQUITY AND LIABILITIES Equity		
9	Share capital	747	747
	Net revaluation reserve according to the equity method	0	0
	Reserves for market value of interest swaps	0	-380
	Retained earnings	270,940	239,050
	Total equity	271,687	239,417
	Provisions		
11	Deferred tax	1,567	2,639
	Total provisions	1,567	2,639
	Liabilities		
10	Non-current liabilities other than provisions	4 002	2.066
	Aircraft financing Maintenance reserves	4,882 803	2,866 1,772
	Payables to group entities	003	345,000
	Deposits	635	1,802
		6,320	351,440
	Current liabilities		
10	Current portion of long-term liabilities	1,486	16,294
	Trade payables	1,714	6,181
	Payables to group entities	750,938	304,525
	Income taxes payable	14,885	19,180
12	Other payables Deferred income	6,468 42	3,103 42
12	Deferred income		
		775,533	349,325
	Total liabilities other than provisions	781,853	700,765
	TOTAL EQUITY AND LIABILITIES	1,055,107	942,821

<sup>1</sup> Accounting policies

<sup>14</sup> Contractual obligations and contingencies, etc.

<sup>15</sup> Collateral

<sup>16</sup> Related parties

<sup>17</sup> Fee to the auditors appointed by the Company in general meeting



## Statement of changes in equity

	USD'000	Share capital	Net revaluation reserve according to the equity method	Reserves for market value of interest swaps	Retained earnings	Total
	Equity at 1 July 2015 Changes in accounting	597	417,591	-976	108,520	525,732
	policies	0	-417,591	0	11,320	-406,271
18	Capital increase Transfer, see	150	0	0	99,850	100,000
	"Appropriation of profit" Market value adjustment for	0	0	0	19,360	19,360
	interest swaps after tax	0	0	596	0	596
18	Equity at 1 July 2016 Transfer, see "Appropriation of	747	0	-380	239,050	239,417
	profit"  Market value adjustment for	0	0	0	31,890	31,890
	interest swaps after tax	0	0	380	0	380
	Equity at 30 June 2017	747	0	0	270,940	271,687



#### Notes to the financial statements

#### 1 Accounting policies

The annual report of Nordic Aviation Capital A/S for 2016/17 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to large reporting class C entities.

In accordance with section 112(1) of the Danish Financial Statements Act, the Company has not prepared consolidated financial statements.

#### Changes in accounting policies

Effective 1 July 2016 the Company has implemented act no. 738 of 1 June 2015 with amendments to the Danish Financial Statements Act. The implementation of the amendment act means that the Company can no longer regard aircraft as investment assets measured at fair value with value adjustments recognised in the income statement. Aircraft is now recorded at cost with depreciation over their estimated useful lives. For aircraft the fair value at 30 June 2016 is used as new cost in line with the transitional rule in the amendment act. Comparative figures have not been changed. Reference is made to further description of accounting principles regarding aircraft below.

It has not been possible to assess the impact of the new accounting principle regarding aircraft for the year 2016/17. Besides above change in accounting principle the implementation has no impact in terms of value on the income statement or the balance sheet in the financial year, nor on the comparative figures. The amendment act has solely implied new or changed presentation and disclosure requirements, which have been incorporated in the financial statements.

In order to provide more reliable information the Company has changed accounting principles in 2016/17 regarding maintenance reserves. Until now the Company has recorded supplemental amounts as well maintenance claims in the income statement. From 2016/17 maintenance reserves received in cash from lessees are recognized as maintenance liabilities in the balance sheet in recognition of the contractual commitment to either refund such receipts or to hold them for future scheduled maintenance work to be performed thereafter. Supplemental amounts that are not expected to be reimbursed during the lease are recorded as lease revenue when the Company has reliable information that it will not be required to make reimbursements of the amounts collected based on utilization and a maintenance forecasting model that estimates the maintenance inflows and outflows through the lease expiration date.

Due to the application of the new accounting principle the opening balance of each affected account have been adjusted as if the new accounting policy had always been applied.

For the year 2015/16 the change in accounting principle means that revenue has been increased by 1,255 tUSD, equity is reduced by 3,900 tUSD, maintenance reserves is increased by 9,316 tUSD and deferred tax is reduced by 1,881 tUSD.

For the year 2016/17 the change in accounting principle means that revenue has been increased by 8,513 tUSD, equity has been increased by 4,437 tUSD, maintenance reserves is increased by 803 tUSD and deferred tax is reduced by 177 tUSD.

Periods prior to 2015/16 have been adjusted through retained earnings and maintenance reserves liabilities.



#### Notes to the financial statements

#### 1 Accounting policies (continued)

Last year investment in subsidiaries and associates were measured according to the equity method. This year investment in subsidiaries are stated at cost less any provision for impairment. The change in accounting principle have been adjusted through non-current assets and equity. For the year 2015/16 the change in accounting principle means that the investment in subsidiaries and associated companies have been reduced by 517,839 tUSD, equity has been reduced by 517,839 tUSD and share of profit has been reduced by 123,446 tUSD.

For the year 2016/17 the change in accounting principle means that the investment in subsidiaries and associated companies have been reduced by 517,598 tUSD, equity has been reduced by 517,598 tUSD and share of profit has been reduced by 134,225 tUSD.

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.

#### Omission of a cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act, no cash flow statement is prepared for the parent company, as its cash flows are reflected in the consolidated cash flow statement.

#### 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 6.70. For the year 2015/16 the DKK/USD exchange rate at the balance sheet date was 6.52.

### 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.

#### Derivative financial instruments

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

#### Income statement

#### Revenue

The Company leases aircraft principally under operating leases and records rental income on a straightline 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 the revenue is earned.



#### Notes to the financial statements

#### 1 Accounting policies (continued)

Most of the Company's lease contracts require lease rental payments to be paid in advance. Supplemental 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 an 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 at lease termination. The Company includes amounts recorded as maintenance payments that are not expected to be reimbursed to lessees as revenue.

Other revenue comprises of group fee to group companies.

#### Production costs

Production costs comprise costs, including depreciation and amortization and salaries, incurred in generating the revenue for the year. Such costs include direct costs for acquisition/value adjustments (regarding aircraft recognized as current assets) and maintenance of aircraft.

#### 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.

#### Depreciation

The item comprises depreciation of property, plant and equipment.

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

Aircraft 25-30 years Other fixtures and fittings, tools and equipment 5 years

The residual value is determined at the time of acquisition and are reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised. In case of changes in the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

#### 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.



#### Notes to the financial statements

#### 1 Accounting policies (continued)

#### Tax

The parent company is covered by the Danish rules on mandatory joint taxation of the Group's Danish subsidiaries. Subsidiaries are included in the joint taxation arrangement from the date at which they are included in the consolidated financial statements and up to the date when they are no longer consolidated.

The parent company acts as management company for the joint taxation arrangement and consequently settles all corporate income tax payments with the tax authorities.

On payment of joint taxation contributions, the Danish corporate income tax charge 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 been able to use the tax losses to reduce their own taxable income.

Tax for the year, which comprises the current income tax charge, joint taxation contributions and deferred tax adjustments, including adjustments arising from changes in tax rates, is recognised in the income statement as regards the portion that relates to the profit/loss for the year and directly in equity as regards the portion that relates to entries directly in equity.

#### Balance sheet

#### 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.

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

Pre delivery payments comprise payments regarding future acquisitions of aircraft.

#### Investments in subsidiaries

Investments in subsidiaries and associates are measured at cost. Dividends received that exceed the accumulated earnings in the subsidiary or the associate during the period of ownership are treated as a reduction in the cost of acquisition.

### Other securities and 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 "Net financials".

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.



#### Notes to the financial statements

#### 1 Accounting policies (continued)

#### Impairment of fixed assets

The carrying amount of intangible assets, property, plant and equipment and investments in subsidiaries and associates 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. Impairment losses on goodwill are not reversed.

#### **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.

#### 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.

Receivables in respect of which there is no objective evidence of individual impairment are tested for objective evidence of impairment on a portfolio basis. The portfolios are primarily based on the debtors' domicile and credit ratings in line with the Company's risk management policy. The objective evidence applied to portfolios is determined based on historical loss experience.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the present value of the expected 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.

#### Prepayments

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

#### Cash

Cash comprise cash and short term securities which are readily convertible into cash and subject only to minor risks of changes in value.

#### 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.



#### 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.

As management company for all the entities in the joint taxation arrangement, the parent company is liable for payment of the subsidiaries' income taxes vis à vis the tax authorities as the subsidiaries pay their joint taxation contributions. Joint taxation contributions payable or receivable are recognised in the balance sheet as income tax receivables or payables.

#### 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.

#### Segment information

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

#### Financial ratios

Financial ratios are calculated in accordance with the Danish Finance Society's guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2015".

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

Solvency ratio

Equity at year end x 100

Total equity and liabilities at year end

Return on equity

Profit/loss for the year after tax x 100

Average equity



## Notes to the financial statements

	USD'000	2016/17	2015/16
2	Segment information		
	Lease income	4,301 -2,586	8,077
	Sale of aircraft, net Engine reserve	-2,586 10,134	32 4,852
	Workshop sales	313	505
	Other income & Group Fee	38,936	32,011
		51,098	45,477
	Breakdown of revenue by geographical segment:		
	Asia and the Pacific	4,068	442
	Europe	47,030	43,266
	South and Central America	0	1,769
		51,098	45,477
3	Depreciation of property, plant and equipment		
	Depreciation of property, plant and equipment	2,291	186
		2,291	186
	Depreciation of property, plant and equipment is recognised in the incitems:	ome statement und	der the following
	Production costs	2,291	14
	Administrative expenses	0	172
		2,291	186
4	Financial income		
	Interest, receivables	108	76
	Interest receivable, group entities Interest, banks etc.	84,958 103	64,032 268
	Interest regarding finance leases	300	668
	Exchange adjustments	641	0
	Capital gains on securities	4	1
		86,114	65,045
		·	<del></del>



## Notes to the financial statements

USD'000			2016/17	2015/16
5 Financial expenses Capital loss on securities Value adjustment of finance lease Borrowing costs etc. Exchange adjustments Interest, credit institutions and ba Interest payable, group entities Other financial expenses			796 0 0 0 1,263 50,041 362 52,462	1,831 4,500 3,216 115 36,814 0 0
6 Tax for the year Estimated tax charge for the year Deferred tax adjustments in the y Tax adjustments, prior years			10,190 -907 163	4,881 589 0
			9,446	5,470
7 Property, plant and equipment		Other fixtures and fittings, tools and	Prepayments for property, plant	
USD'000	Aircraft	equipment	and equipment	Total
Cost at 1 July 2016 Additions in the year Disposals in the year	52,583 0 -30,760	949 721 0	76,028 12,134 -50,150	129,560 12,855 -80,910
Cost at 30 June 2017	21,823	1,670	38,012	61,505
Impairment losses and depreciation at 1 July 2016 Adjustments to assets at 1 July	40,379	779	0	41,158
2016 Amortisation/depreciation in the	0	-88	0	-88
year Reversal of	2,290	87	0	2,377
amortisation/depreciation and impairment of disposals	-28,173	0	0	-28,173
Impairment losses and depreciation at 30 June 2017	14,496	778	0	15,274
Carrying amount at 30 June 2017	7,327	892	38,012	46,231
Amortised over		5 years		



## Notes to the financial statements

## 8 Investments

USD'000	Investments in group entities	Other securities and investments	Total
Cost at 1 July 2016 Additions in the year Disposals in the year	64,842 73 0	897 0 -8	65,739 73 -8
Cost at 30 June 2017	64,915	889	65,804
Revaluations for the year	0	-862	-862
Value adjustments at 30 June 2017	0	-862	-862
Carrying amount at 30 June 2017	64,915	27	64,942

USD'000 Name	Below subs Legal form	idiaries are ov Domicile	vned 100 % Equity	Profit/loss
Nordic Aviation Financing	ApS	Billund	4,670	8
NAC Aviation 2	A/S	Billund	8,755	4,662
NAC Aviation 3	A/S	Billund	9,403	2,858
NAC Aviation 4	A/S	Billund	66	-9
Nordic Aviation Contractor	Ltd	Ireland	3,621	56,667
NAC Aviation Services	Ltd	Ireland	1,183	-803
NAC Aviation 2	Ltd	Ireland	20,097	7,492
NAC Aviation 3	Ltd	Ireland	4,046	-3,182
NAC Aviation 4	Ltd	Ireland	44,670	11,205
NAC Aviation 6	Ltd	Ireland	2,500	274
NAC Aviation 7	Ltd	Ireland	39,504	8,934
NAC Aviation 8	Ltd	Ireland	-14,339	3,668
NAC Aviation 9	Ltd	Ireland	10,497	4,004
NAC Aviation 10	Ltd	Ireland	-47	1,764
NAC Aviation 11	Ltd	Ireland	2,835	-483
NAC Aviation 12	Ltd	Ireland	-3,826	1,391
NAC Aviation 14	Ltd	Ireland	-6,292	-5,171
NAC Aviation 15	Ltd	Ireland	-2,752	959
NAC Aviation 16	Ltd	Ireland	1,518	2,749
NAC Aviation 17	Ltd	Ireland	3,312	3,021
NAC Aviation 18	Ltd	Ireland	108	591
NAC Aviation 19	Ltd	Ireland	2,986	7,255
NAC Aviation 20	Ltd	Ireland	1,028	1,301
NAC Aviation 21	Ltd	Ireland	-11,763	487
NAC Aviation 22	Ltd	Ireland	1,590	1,611
NAC Aviation 23	Ltd	Ireland	-5,224	12,416
NAC Aviation 24	Ltd	Ireland	-11,111	-6,677
NAC Aviation 25	Ltd	Ireland	21,821	21,306
NAC Aviation 26	Ltd	Ireland	-237	-237
NAC Aviation 27	Ltd	Ireland	4,269	4,269
NAC Aviation 28	Ltd	Ireland	0	0
NAC Aviation 29	DAC	Ireland	611	611



## Notes to the financial statements

## 8 Investments (continued)

USD'000	Below subsidiaries are owned 100 %			
Name	Legal form	Domicile	Equity	Profit/loss
Nk Leasing	Ltd	Ireland	11,767	-4,274
NAC Aviation Cyprus 1	Ltd	Cyprus	1,511	885
NAC Aviation Cyprus 2	Ltd	Cyprus	24,570	2,828
NAC Aviation Cyprus 3	Ltd	Cyprus	-19	-20
Merlano	Ltd	Cyprus	802	1,122
Nordic Aviation Capital Pte	Ltd	Singapore	588	-9
Nordic Aviation Leasing Pte	Ltd	Singapore	583	237
Nordic Aviation Leasing Two Pte	Ltd	Singapore	499	566
Nordic Aviation Leasing Six Pte	Ltd	Singapore	4,501	-3
Nordic Aviation Leasing Seven Pte	Ltd	Singapore	59,379	18,147
Nordic Aviation Leasing Eight Pte	Ltd	Singapore	3,458	336
Nordic Aviation Leasing Nine Pte	Ltd	Singapore	10,914	3,589
Nordic Aviation Leasing Eleven Pte	Ltd	Singapore	12,630	5,776
Nordic Aviation Leasing Tweve Pte	Ltd	Singapore	5,065	-147
Nordic Aviation Leasing Fourteen Pte	Ltd	Singapore	1,252	755
Nordic Aviation Leasing Fifteen Pte	Ltd	Singapore	-7	5
Nordic Aviation Leasing Sixteen Pte	Ltd	Singapore	4,008	2,592
Nordic Aviation Leasing Seventeen Pte	Ltd	Singapore	270	579
Nordic Aviation Leasing Eighteen Pte	Ltd	Singapore	492	699
Nordic Aviation Leasing Nineteen Pte	Ltd	Singapore	-318	-316
Nordic Aviation Leasing Twenty Pte	Ltd	Singapore	453	467
	e Ltd	Singapore	378	381
Nordic Aviation Leasing Twentytwo Pte	Ltd	Singapore	-222	-220
Nordic Aviation Leasing Twentythree Pte		Singapore	-3	-3
Nordic Aviation Leasing Twentyfour Pte	Ltd	Singapore	-3	-3
Nordic Aviation Financing One Pte	Ltd	Singapore	2,817	742
NAC Services UK	Ltd	United Kingdom	-124	-159
NAC Aviation UK 1	Ltd	United Kingdom	35,611	8,147
NAC Aviation UK 2	Ltd	United Kingdom	-10	-20
NAC Aviation UK 3	Ltd	United Kingdom	-8	-8
NAC Aviation France 1	SAS	France	-2,214	-186
NAC Aviation France 2	SAS	France	77	20
NAC Aviation France 4	SAS	France	147	103
NAC Aviation France 5	SAS	France	73	36
NAC Aviation France 6	SAS	France	17	-20
NAC Aviation France 7	SAS	France	56	1
NK Aviation France	SAS	France	-87	-216
NAC Aviation Canada	Inc.	Canada	841	191
The following subsidiaries are owned 50	%			
KN Operating	Ltd	Ireland	4,777	1,375
NK Aviation	Ltd	Ireland	7,304	-2,165



## Notes to the financial statements

	USD'000					2016/17		2015/16
9	Share capital							
	Analysis of the share capital:							
	4,500 shares of DKK 166.00 nomi	nal value each				747		747
						747		747
	Analysis of changes in the share capita	l over the past 4 yea	ars:					
	USD'000	, ,	2016/17	20	15/16	2014/	15	2013/14
	Opening balance		747		597	5	97	597
	Capital increase		0		150		0	0
			747		747	5	97	597
10	Long-term liabilities							
	USD'000	Total debt at 30/6 2017		yment, kt year		Long-term portion		tanding debt after 5 years
	Aircraft financing	6,368		1,486		4,882		0
	Maintenance reserves Deposits	803 635		0		803 635		0
		7,806		1,486		6,320		0
	•	.,000		1,.00		0,020		
	USD'000					2016/17		2015/16
11	Deferred tax							
	Deferred tax at 1 July Adjustment of deferred tax, prior y Adjustment due to change of accor Adjustment of deferred tax					2,639 -165 0 -907		4,039 168 -2,157 589
	Deferred tax at 30 June					1,567		2,639
	Deferred tax at 50 Julie					1,507		2,037
	Deferred tax relates to:							
	Property, plant and equipment Other non-taxable temporary diffe	rences				1,567 0		3,045 -406
						1,567		2,639

#### 12 Deferred income

Deferred income consists of lease income after closing date.



#### Notes to the financial statements

	USD'000	2016/17	2015/16
13	Staff costs Wages/salaries Pensions Other social security costs	14,042 306 115	10,897 280 139
		14,463	11,316
	Staff costs are recognised as follows in the financial statements:		
	Production Administration	2,367 12,096	2,378 8,938
		14,463	11,316
	Average number of full-time employees	83	74

Staff costs include remuneration to the Executive Board, totalling USD 1.480 thousand, and pension totalling USD 244 thousand. For 2015/16 staff costs included remuneration to the Executive board and members of the Board of Directors, totalling USD 2.706 thousand.

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

#### Other contingent liabilities

Other liabilities include a pending legal action following the loss of the court case against a Danish bankruptcy estate, regarding the right of disposal of aircraft engines. The Company has negotiated a settlement agreement in the amount of 5.7 mDKK with the estate. This settlement was subject to the approval by the relevant interest holder in the engines. Further the parent company had filed a claim against Gorrissen Federspiel due to the fact that the lawfirm as counsel to NAC filed the application to High Court too late.

Gorrissen Federspiel and their insurer Tryg acknowledged their responsibility but the amount of the filing has been disputed.

As management company, the Company is jointly taxed with other Danish group entities. The companies are indefinitely, jointly and severally liable for Danish corporation taxes and withholding taxes from profit, interest and royalties within the joint taxation circle. Any subsequent corrections of the taxable joint taxation income or withholding taxes can entail that the companies are liable for a large amount.

#### Other financial obligations

The Company had entered into operating leases of three aircraft. The toal lease commitments amount was 51 mUSD per 30 June 2017. The lease agreements terminate in 2019, 2021 and 2027, respectively.

#### 15 Collateral

As security for the Company's debt to mortgage credit institutions and other credit institutions totalling 3m USD, the Company has provided security or other collateral in its assets. The total carrying amount of these assets is 4m USD.

Pledge in securities have been issued totalling 2t USD.

The Company has provided security in an aircraft with a carrying amount of 3m USD for a loan of a subsidiary.



## Notes to the financial statements

## 16 Related parties

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

## Parties exercising control

Related party	Domicile	Basis for control		
Nordic Aviation Capial Designated Activity Company	Bedford Place, Henry Street, Limerick City, Ireland	Hold the majority of the share capital		

#### Information about consolidated financial statements

Domicile	Requisitioning of the parent company's consolidated financial statements		
Bedford Place, Henry Street,	Available at the Comapny's		

## Group enterprise transactions not carried through on normal market terms

There are no group enterprise transactions that have not been carried through on normal market terms.

	USD'000	2016/17	2015/16
17	Fee to the auditors appointed by the Company in general meeting Total fees to EY	507	339
	Statutory audit Tax assistance Other assistance	30 4 473	56 32 251
		507	339
18	Appropriation of profit/loss Recommended appropriation of profit		
	Retained earnings	31,890	19,360
		31,890	19,360