

Nordic Aviation Capital A/S

Stratusvej 12
8190 Billund
Denmark

CVR no. 19 39 89 94

Annual report for the period 1 July 2017 – 30 June 2018

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

28 November 2018



Chairman of the meeting

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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 2017 – 30 June 2018.

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

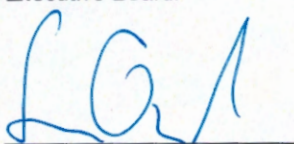
In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 30 June 2018 and of the results of the Company's operations for the financial year 1 July 2017 – 30 June 2018.

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.

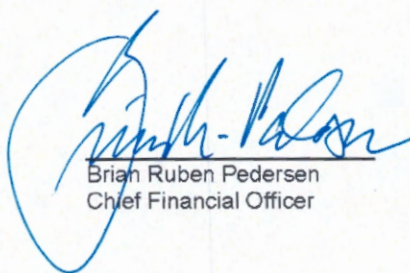
We recommend that the annual report be approved at the annual general meeting.

Billund, 28 November 2018

Executive Board:

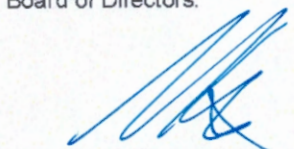


Søren Martin Overgaard
Chief Executive Officer



Brian Ruben Pedersen
Chief Financial Officer

Board of Directors:



Martin Møller Nielsen
Chairman



Hanne Møller Nielsen



Søren Martin Overgaard



Jette Mariann Hulgård

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 2017 – 30 June 2018 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 2018 and of the results of the Company's operations for the financial year 1 July 2017 – 30 June 2018 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.

Independent auditor's report

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and contents of the financial statements, including the 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, 28 November 2018

KPMG

Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98



Nikolaj Møller Hansen
State Authorised
Public Accountant
mne33220

Nordic Aviation Capital A/S
Annual report 2017/18
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

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
Brian Ruben Pedersen, Chief Financial Officer

Auditor

KPMG
Statsautoriseret Revisionspartnerselskab
Jupitervej 4
6000 Kolding
Denmark

Management's review

Financial highlights

USDm	2017/18	2016/17	2015/16	2014/15	2013/14
Key figures					
Revenue	31	51	45	33	36
Operating profit/loss	-1	8	6	-17	-5
Profit/loss from financial income and expenses	129	34	19	-13	2
Profit for the year	122	32	19	111	81
Other key figures					
Total assets	1,185	1,055	943	1,079	872
Equity	394	272	239	526	415
Investment in property, plant and equipment	3	7	84	198	467
Ratios					
Return on equity	36.8%	12.5%	5.0%	23.6%	21.7%
Solvency ratio	33.2%	25.8%	25.3%	48.7%	47.6%
Other key figures					
Average number of full-time employees	85	83	74	64	60

Financial ratios are calculated in accordance with the guidelines "Recommendations and 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

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

In 2017/18, the Company's revenue came in at USD 30,549 thousand as against USD 51,098 thousand last year. The income statement for 2017/18 shows a profit of USD 122,408 thousand as against USD 31,890 thousand last year, and equity in the balance sheet at 30 June 2018 stood at USD 394,084 thousand. In the annual report for 2016/17, Management expected to report revenue in the range of USD 40-50 million and a profit in the range of USD 20-30 million. Revenue was down on forecast due to lower leasing activity than expected. Profit was up on forecast due to the sale of equity investments. Management considers the Company's financial performance in the year satisfactory.

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 2018/19 is expected to be in the range of USD 25-30 million and net results in the range USD 10-20 million for 2018/19. 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

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 formalise these considerations.

Gender composition in the Board of Directors and Management

Board of Directors

Under Danish legislation, NAC sets an objective for the proportion of the underrepresented gender on the Board of Directors. Our ambition is that no gender should account for less than 25% of our members. We have met our targets as the Board of Directors of NAC consists of four members and has an equal distribution of men and women.

Managers

NAC is dedicated to having a work environment where diversity and equal opportunities are given to all our employees at all levels of our business. We continuously strive to enhance diversity and mitigate gender underrepresentation.

Management's review

Operating review

Action

During 2017/18, we have created initiatives with the purpose of attracting and retaining more female representatives at management positions. This includes a positive bias towards female candidates if candidate competencies are at an equal level and flexible working hours.

Result

Despite two female managers having been employed within the year, the total number of female managers have not increased. Thus, we we will actively seek ways to enforce gender diversity in the management team to achieve a more balanced gender representation.

Financial statements 1 July – 30 June

Income statement

USD'000	Note	2017/18	2016/17
Revenue	2	30,549	51,098
Production costs	3, 4	-16,211	-22,109
Gross profit		14,338	28,989
Administrative expenses	3, 4	-15,238	-21,305
Operating profit/loss		-900	7,684
Income from equity investments in group entities		99,535	0
Financial income	5	64,578	86,114
Financial expenses	6	-35,328	-52,462
Profit before tax		127,885	41,336
Tax on profit for the year	7	-5,477	-9,446
Profit for the year	8	122,408	31,890

Financial statements 1 July – 30 June

Balance sheet

USD'000	Note	2017/18	2016/17
ASSETS			
Fixed assets			
Property, plant and equipment	9		
Fixtures and fittings, tools and equipment		2,022	892
Aircraft		5,842	7,327
Prepayments for property, plant and equipment		33,728	38,012
		<u>41,592</u>	<u>46,231</u>
Investments	10		
Equity investments in group entities		20,323	64,915
Receivables from group entities		10,097	315,271
Other securities and equity investments		9	27
Deposits		8,582	8,582
		<u>39,011</u>	<u>388,795</u>
Total fixed assets		<u>80,603</u>	<u>435,026</u>
Current assets			
Inventories			
Consumables		4,428	5,265
Receivables			
Trade receivables		923	81
Receivables from group entities		1,092,771	594,436
Other receivables		2,660	5,700
		<u>1,096,354</u>	<u>600,217</u>
Cash		<u>3,446</u>	<u>14,599</u>
Total current assets		<u>1,104,228</u>	<u>620,081</u>
TOTAL ASSETS		<u><u>1,184,831</u></u>	<u><u>1,055,107</u></u>

Financial statements 1 July – 30 June

Balance sheet

USD'000	Note	2017/18	2016/17
EQUITY AND LIABILITIES			
Equity			
Contributed capital	11	747	747
Retained earnings		393,337	270,940
Total equity		394,084	271,687
Provisions			
Provisions for deferred tax	12	1,182	1,567
Liabilities other than provisions			
Non-current liabilities other than provisions			
Aircraft financing	13	4,041	4,882
Lease obligations		145	0
Maintenance reserves		2,007	803
Deposits		80	635
		6,273	6,320
Current liabilities other than provisions			
Current portion of non-current liabilities	13	1,092	1,486
Trade payables		1,352	1,714
Payables to group entities		760,558	750,938
Joint taxation contribution payables		16,124	14,885
Other payables		4,126	6,468
Deferred income	14	40	42
		783,292	775,533
Total liabilities other than provisions		789,565	781,853
TOTAL EQUITY AND LIABILITIES		1,184,831	1,055,107

Financial statements 1 July – 30 June

Statement of changes in equity

USD'000	Contributed capital	Retained earnings	Total
Equity at 1 July 2017	747	270,940	271,687
Net effect from merger and acquisition	0	-11	-11
Transferred over the profit appropriation	0	122,408	122,408
Equity at 30 June 2018	747	393,337	394,084

Financial statements 1 July – 30 June

Notes

1 Accounting policies

The annual report of Nordic Aviation Capital A/S for 2017/18 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 6.43. For the year 2016/17, the DKK/USD exchange rate at the balance sheet date was 6.70.

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 for 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.

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.

Financial statements 1 July – 30 June

Notes

1 Accounting policies (continued)

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 when they are included in the consolidated financial statements and up to the date when 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.

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.

Financial statements 1 July – 30 June

Notes

1 Accounting policies (continued)

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.

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.

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.

Financial statements 1 July – 30 June

Notes

1 Accounting policies (continued)

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.

Prepayments

Prepayments comprise the prepayment of costs incurred relating to subsequent financial years.

Cash

Cash comprise cash and short-term marketable securities with a term of three months or less which are easily convertible into cash and which are subject to only an insignificant risk of changes in value.

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 sale of goods and services.

Income from equity investments in group entities and associates

The proportionate share of the individual subsidiaries' profit/loss after tax is recognised in the Parent Company's income statement after full elimination of intra-group gains/losses and amortisation of goodwill.

The proportionate share of the individual associates' profit/loss after tax is recognised in the Group's and the Parent Company's income statements after elimination of a proportionate share of intra-group gains/losses and amortisation of goodwill.

2 Segment information

USD'000	2017/18	2016/17
Lease income	823	4,301
Sale of aircraft, net	15	-2,586
Engine reserve	1,729	10,134
Workshop sales	721	313
Other income & Group Fee	27,261	38,936
	<u>30,549</u>	<u>51,098</u>

Breakdown of revenue by geographical segment

Asia and the Pacific	6	4,068
Europe	28,126	47,030
South and Central America	1,831	0
North America	586	0
	<u>30,549</u>	<u>51,098</u>

3 Depreciation of property, plant and equipment

Depreciation of property, plant and equipment	<u>1,149</u>	<u>2,291</u>
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Depreciation of property, plant and equipment is recognised in the income statement under the following items

Production costs	<u>1,149</u>	<u>2,291</u>
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4 Staff costs and incentive schemes

Wages and salaries	13,549	14,042
Pensions	335	306
Other social security costs	104	115
Other staff costs	<u>10</u>	<u>0</u>
	<u>13,998</u>	<u>14,463</u>
Average number of full-time employees	<u>85</u>	<u>83</u>
Staff costs are recognised in the financial statements as:		
Production	2,478	2,367
Administration	<u>11,520</u>	<u>12,096</u>
	<u>13,998</u>	<u>14,463</u>

Staff costs include remuneration of the Company's Executive Board of USD 1,808 thousand (2016/17: USD 1,480 thousand) and pension totalling USD 227 thousand (2016/17: USD 244 thousand).

Financial statements 1 July – 30 June

Notes

USD'000	2017/18	2016/17		
5 Financial income				
Interest income from group entities	63,729	84,958		
Other financial income	849	515		
Exchange gains	0	641		
	<u>64,578</u>	<u>86,114</u>		
6 Financial expenses				
Interest expense to group entities	34,099	50,041		
Capital loss on securities	0	796		
Other financial costs	766	1,625		
Exchange losses	463	0		
	<u>35,328</u>	<u>52,462</u>		
7 Tax on profit for the year				
Current tax for the year	6,734	10,190		
Deferred tax for the year	-464	-907		
Adjustment of tax concerning previous years	-793	163		
	<u>5,477</u>	<u>9,446</u>		
8 Proposed profit appropriation				
Retained earnings	<u>122,408</u>	<u>31,890</u>		
9 Property, plant and equipment				
	Fixtures and fittings, tools and equipment	Aircraft	Prepayment for property, plant and equipment	Total
USD'000				
Cost at 1 July 2017	1,670	21,823	38,012	61,505
Additions for the year	1,399	1,975	25,408	28,782
Disposals for the year	-495	-10,745	-29,692	-40,932
Cost at 30 June 2018	<u>2,574</u>	<u>13,053</u>	<u>33,728</u>	<u>49,355</u>
Depreciation and impairment losses at 1 July 2017	-778	-14,496	0	-15,274
Depreciation for the year	-269	-880	0	-1,149
Reversed depreciation and impairment losses on assets sold	495	8,165	0	8,660
Depreciation and impairment losses at 30 June 2018	<u>-552</u>	<u>-7,211</u>	<u>0</u>	<u>-7,763</u>
Carrying amount at 30 June 2018	<u>2,022</u>	<u>5,842</u>	<u>33,728</u>	<u>41,592</u>

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10 Investments

USD'000	Equity investments in group entities	
Cost at 1 July 2017	64,915	
Additions for the year	2,955	
Disposals for the year	<u>-47,547</u>	
Cost at 30 June 2018	<u>20,323</u>	
Carrying amount at 30 June 2018	<u>20,323</u>	
	Other securities and equity investments	Deposits
USD'000		
Cost at 1 July 2017	<u>889</u>	<u>8,582</u>
Cost at 30 June 2018	<u>889</u>	<u>8,582</u>
Revaluations at 1 July 2017	-862	0
Revaluations for the year, net	<u>-18</u>	<u>0</u>
Revaluations 30 June 2018	<u>-880</u>	<u>0</u>
Carrying amount at 30 June 2018	<u>9</u>	<u>8,582</u>

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Investments (continued)

Name	Legal form	Domicile	Equity	Profit/loss for the year
			USD'000	USD'000
Subsidiaries:				
Nordic Aviation Financing	ApS	Billund	4,914	244
NAC Aviation 2	A/S	Billund	6,856	-1,899
NAC Aviation 3	A/S	Billund	8,324	-1,079
NAC Aviation 3	Ltd	Ireland	4,594	148
NAC Aviation 4	Ltd	Ireland	43,270	9,806
NAC Aviation 6	Ltd	Ireland	2,538	312
NAC Aviation 8	Ltd	Ireland	-14,861	3,143
NAC Aviation 9	Ltd	Ireland	9,998	4,863
NAC Aviation 10	Ltd	Ireland	3,565	3,833
NAC Aviation 11	Ltd	Ireland	3,404	509
NAC Aviation 14	Ltd	Ireland	-5,646	-4,523
NAC Aviation 16	Ltd	Ireland	1,174	2,405
NAC Aviation 17	Ltd	Ireland	2,934	2,642
NAC Aviation 18	Ltd	Ireland	307	273
NAC Aviation 19	Ltd	Ireland	1,966	15,268
NAC Aviation 20	Ltd	Ireland	865	1,138
NAC Aviation 21	Ltd	Ireland	-11,842	408
NAC Aviation 22	Ltd	Ireland	1,388	1,409
NAC Aviation 23	Ltd	Ireland	-6,834	10,806
NAC Aviation 25	Ltd	Ireland	19,243	19,243
NAC Aviation 26	Ltd	Ireland	469	677
NAC Aviation 27	Ltd	Ireland	3,736	3,736
Nordic Aviation Contractor	Ltd	Ireland	56,263	3,218
NK Leasing	Ltd	Ireland	12,341	-3,703
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

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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	-1,799	-37
NAC Aviation France 2	SAS	France	-4	-33
NAC Aviation France 4	SAS	France	23	44
NAC Aviation France 5	SAS	France	29	3
NAC Aviation France 6	SAS	France	10	-18
NAC Aviation Cyprus 1	Ltd	Cyprus	1,133	2,318
NAC Aviation Cyprus 3	Ltd	Cyprus	-28	1
Merlano	Ltd	Cyprus	-268	-981
NAC Aviation UK 2	Ltd	United Kingdom	65	-8
NAC Aviation Canada	Inc	Canada	841	191

The following subsidiaries are owned at 50%:

KN Operating	Ltd	Ireland	3,736	1,099
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The above relies on the 2016/17 and 2017/18 annual reports.

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11 Equity

The contributed capital consists of 4,500 shares of a nominal value of DKK 166 each.

All shares rank equally.

12 Provisions

USD'000	2017/18	2016/17
Deferred tax at 1 July	1,567	2,639
Adjustment of deferred tax, prior years	79	-165
Adjustment of deferred tax	-464	-907
Deferred tax at 30 June	1,182	1,567
Deferred tax relates to:		
Property, plant and equipment	1,586	1,668
Maintenance reserves	-442	-177
Other non-taxable temporary differences	38	76
	1,182	1,567

13 Non-current liabilities other than provisions

USD'000	2017/18	2016/17	Repayment, first year	Outstanding debt after five years
Aircraft financing	5,100	6,368	1,060	0
Lease obligations	177	0	32	15
Maintenance reserves	2,007	803	0	0
Deposits	80	635	0	0
	7,364	7,806	1,092	15

14 Deferred income

Deferred income consists of lease income after closing date.

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15 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 from profit, interest and royalties within the jointly taxed entity. Any subsequent corrections of the taxable joint taxation income or withholding taxes can entail that the companies are liable for a large amount.

The Group has received a notification from the Danish tax authority concerning the tax treatment used by the Group in the years 2012 to 2015 which is 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 result has been made in the financial information.

Operating lease obligations

Remaining operating lease obligations at the balance sheet date fall due at USD 43 million within 10 years (2016/17: USD 51 million).

16 Mortgages and collateral

As collateral for the Company's debt to mortgage credit institutions and other credit institutions totalling USD 2.3 million, the Company has provided collateral or other security in its assets. The total carrying amount of these assets is USD 4.2 million.

Aircraft with a carrying amount of USD 5,842 thousand at 30 June 2018 has been provided as collateral for aircraft financing of USD 5,100 thousand.

A bank account in Jutlander bank, of an amount of USD 8 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.

Accounts in Jyske Bank, of an amount of USD 950 thousand, have been pledged as security for Nordic Aviation Contractor Ltd.

17 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.

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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.