Jet Time A/S

Annual Report 2016/17

The Annual Report was presented and adopted at the Annual General Meeting of the Company on

3 November 2017

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Chairman Peter Schäfer

Jet Time A/S
Amager Strandvej 390-392
DK-2770 Kastrup
CVR No 29 42 42 25
Annual Report 2016/17

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Statement by the Board of Directors and the Executive Board and Independent Auditor’s Report

Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today considered and approved the Annual Report of Jet Time A/S for the financial year 1 September 2016 to 31 August 2017.

The Annual Report has been prepared in accordance with the Danish Financial statements Act.

In our opinion, the Consolidated Financial statements and the Parent Company Financial statements give a true and fair view of the Group's and the Parent Company's financial position at 31 August 2017 and of the results of the Group's and the Parent Company's operations and consolidated cash flows for the financial year 1 September 2016 – 31 August 2017.

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

We recommend that the Annual Report be approved at the Annual General Meeting.

Kastrup, 3 November 2017

Executive Board:

Jørgen Holme
CEO

Niels J. Kindberg
CFO

Board of Directors:

Peter Schäfer Chairman	Lars Thuesen	Tage Reinert

Statement by the Board of Directors and the Executive Board and Independent Auditor's Report

Independent Auditor's Report

To the Shareholders of Jet Time A/S

Opinion

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position of the Group and the Parent Company at 31 August 2017, and of the results of the Group's and the Parent Company's operations as well as the consolidated cash flows for the financial year 1 September - 31 August 2017 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of Jet Time A/S for the financial year 1 September - 31 August 2017, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Group and the Parent Company, as well as consolidated statement of cash flows ("financial statements").

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 Group 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 requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the financial statements does not cover 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 Management's Review and, in doing so, consider whether 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 Management's Review provides the information required under the Danish Financials Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement in Management's Review.

Statement by the Board of Directors and the Executive Board and Independent Auditor's Report

Independent Auditor's Report (continued)

Management's Responsibilities for the Financial Statements

Management is responsible for the preparation of Consolidated Financial Statements and Parent Company 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 Group's and the Parent 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 Group or the Parent 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 these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment 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 Group's and the Parent 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 Group's and the Parent 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.

Statement by the Board of Directors and the Executive Board and Independent Auditor's Report

Independent Auditor's Report (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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 Group and the Parent 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

Hellerup, 3 November 2017

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Jacob F Christiansen	Thomas Wraae Holm
State Authorised Public Accountant	State Authorised Public Accountant

Management's Review

Company Details

Jet Time A/S
Amager Strandvej 390-392
DK-2770 Kastrup

Telephone:	+45 32 46 73 00
Fax:	+45 32 46 73 01
Website:	www.jet-time.dk

CVR no.:	29 42 42 25
Incorporated:	23 March 2006
Registered office:	Tårnby
Financial year:	1 September – 31 August

Board of Directors

Peter Schäfer (Chairman)
Lars Thuesen
Tage Reinert

Executive Board

Jørgen Holme
Niels J. Kindberg

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
DK-2900 Hellerup

Annual General Meeting

The Annual General Meeting will be held at the Company's address on 3 November 2017.

Management's Review

Financial Highlights

DKKm	2016/17	2015/16	2014/15	2013/14	2012/13
Key figures					
Revenue	1,458.7	1,751.7	1,727.8	1,430.5	1,378.0
Gross profit	374.1	184.2	262.3	189.3	252.7
Profit/loss on ordinary operating activities	-3.6	-285.2	-139.1	-77.5	41.8
Profit/loss from financial income and expenses	3.68	-12.8	5.4	-0.9	-3.0
Profit/loss before tax	**12.5**	**-298.0**	**-133.8**	**-78.4**	**38.8**
Profit/loss for the year	**12.4**	**-298.7**	**-142.0**	**-62.6**	**29.0**
Balance sheet total	241.7	402.8	400.6	338.4	339.4
Equity	**-450.3**	**-467.7**	**-165.2**	**-16.7**	**53.8**
Cash flows from operating activities	-132.7	-165.3	10.3	-10.2	52.3
Cash flows from investing activities	38.9	-11.9	-30.5	-41.1	-53.9
- Portion relating to investment in intangible assets and property, plant and equipment	-7.5	-15.1	-27.8	-22.4	-37.7
Cash flows from financing activities	115.9	178.4	-0.2	-21.0	-10.7
Total cash flows	**22.1**	**1.2**	**-20.4**	**-72.3**	**-12.3**
Financial ratios					
Operating margin	0%	-16%	-8%	-5%	3%
Gross margin	26%	11%	15%	13%	18%
Current ratio	72%	31%	35%	61%	99%
Solvency ratio / equity ratio	Neg.	Neg.	Neg.	Neg.	16%
Return on equity	Neg.	Neg.	Neg.	Neg.	53%
Average number of full-time employees	**583**	**711**	**645**	**474**	**411**
Average number of Boeing 737 aircraft	**12.0**	**16.4**	**16.8**	**15.8**	**13.1**
Average number of ATR aircraft	**7.2**	**12.3**	**10.9**	**3.7**	**-**
Number of Boeing 737 aircraft, year end	**8**	**16**	**18**	**16**	**14**
Number of ATR aircraft, year end	**3**	**10**	**13**	**8**	**-**

Financial ratios are calculated in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2010". For terms and definitions, please see the accounting policies.

Management's Review

Principal activities

The Group is solely engaged in the Business to Business market offering air transport solutions primarily for:

- Nordic tour operators who are offered full charter aircraft.
- Other Northern European airlines who are offered long-term and medium-term capacity solutions as well as ad-hoc flights.
- Other medium-term and short-term air transport solutions.

Development in activities and financial matters

The financial year 2016/17 - the Company's eleventh operating year, was a transition year impacted by a significant downsizing of the Company.

Consolidated revenue in 2016/17 was DKK 1,459 million compared to DKK 1,752 million in 2015/16, and total flight hours produced amounted to 49,763 block hours compared to 67,666 block hours in 2015/16. The average number of employees went down from 711 employees in 2015/16 to 583 in 2016/17. At the end of 2016/17, the Company had 458 employees compared to 740 at the end of 2015/16.

The year was impacted by the discontinuation of two out of four business areas, namely Boeing Cargo and ATR ACMI. The Boeing Cargo operation was gradually phased out in the period January to May 2017, and the exit from Boeing Cargo was fully completed before year end. The ATR ACMI operation was gradually phased out in the period December 2016 to September 2017, and the exit from ATR ACMI was fully completed in September 2017, however all ATR ACMI exit costs are included in the financial year 2016/17. Overall, the exit from the Boeing Cargo and ATR ACMI operation has been in line with the exit plan, with respect to timeline and cost estimate.

The Company showed a profit before tax of DKK 13 million, which was impacted by reversal of provisions for onerous contracts of positive DKK 105 million covering the costs of discontinued business areas. This compares to a loss of DKK 298 million last year. At year end, the Company showed negative equity of DKK 450 million compared to negative equity of DKK 468 million last year.

Despite of the successful exit from Boeing Cargo and ATR ACMI business areas and the result of the financial year being in line with expectations, Management does not consider the result satisfactory.

Turnaround coming to an end – Jet Time Core Business Plan 2020 has focus on optimization of core business and long term sustainable profitability

The recovery plan established beginning 2016 aimed at simplifying the Company and restoring profitability. The plan included e.g. a smaller and unified fleet, closure of the Company's AOC in Finland and an evaluation of profitability of the Company's four business areas. By November 2016 the Finish AOC was closed and Jet Time OY is now only a Crew Management Company. Furthermore, the handling of heavy maintenance checks was outsourced to external MRO's.

Management's Review

Turnaround coming to an end (continued)

The result of the evaluation of the four business areas; Boeing Cargo, Boeing Charter, Boeing ACMI and ATR ACMI showed that the Boeing passenger segments were profitable. However, the Boeing Cargo and ATR ACMI were loss making and had to be strongly improved alternatively discontinued. Despite considerable efforts in close dialogue with partners and the owners of the Company it was not possible to establish long term sustainable profitability for the Boeing Cargo and ATR ACMI operation.

Consequently, in November 2016 the Company decided to discontinue two of its four business areas, and to focus on its core business - Boeing Charter and Boeing ACMI – going forward. As a result, the operation will by end 2017 be based on a unified Boeing 737 NG aircraft fleet.

The phase out of the above two business areas was implemented gradually during 2017. The exit from Boeing Cargo operation was fully completed in May 2017 and the exit from the ATR ACMI operation was fully completed in September 2017.

These changes have successfully completed the implementation of the Company's extensive recovery plan, resulting in an improved financial situation and a significant reduction of complexity and risk, as well as implementation of a simplified business model with focus on optimization of Jet Time's traditional core business and competences.

As a direct result of this, Jet Time has been reduced by more than 280 full time positions as per 31 August 2017, corresponding to a reduction of approximately 40%. Concurrently, Jet Time's aircraft fleet has been reduced by 15 aircraft as per 31 August 2017, corresponding to a reduction of approximately 60%.

With the turnaround of Jet Time coming to an end, Management has introduced Jet Time Core Business Plan 2020 with key focus on Boeing Charter passenger flights in Europe and Boeing ACMI assignments for larger airlines in Northern Europe.

It is our belief, that the focused Jet Time Core Business Plan 2020 is providing the foundation for a sustainable and profitable Jet Time going forward.

Capital resources and liquidity

Because of the realized cumulative losses in the financial years 2013/14 to 2015/16 and the profit in 2016/17, equity at 31 August 2017 was negative with DKK 450 million compared to negative DKK 468 million at 31 August 2016.

The Company has obtained extension to September 2019 of all existing loans from shareholder, lenders and suppliers - except one short term loan of DKK 23 million expiring in November 2017. In addition to this, the Company has obtained commitment for new shareholder loans of DKK 45 million with expiry in September 2019, ensuring the Company the liquidity resources required to restore a sound business and positive earnings.

Management's Review

Capital resources and liquidity (continued)

The concluded framework of agreements on financing comprises the following:

- Continued extension of loan from shareholders, DKK 80 million;
- New undrawn line of credit facilities from shareholders, DKK 45 million;
- Continued extension of other loan agreements (Long term), DKK 257 million, off which DKK 190 million rank subordinate to other creditors.

The above loans are totaling DKK 382 million, of which subordinated loans amount to DKK 190 million. All of the above loans are expiring in September 2019 and no interest is payable on these loans.

In Management's assessment, the liquidity contributed by the financing agreements is sufficient to finance the Company's operation and it is Management's expectation that all loan terms will be complied with, in the financial year 2017/18.

Further, in Management's assessment, the above will provide the basis required to implement the Jet Time Core Business Plan 2020 with positive earnings in 2017/18 and ensure the Company's continued operation beyond 2017/18.

In its nature, the budgets prepared are subject to uncertainty, and variations in operations etc. may result in additional liquidity being required. In Management's assessment, such additional financing may be obtained if the Jet Time Core Business Plan 2020 is otherwise followed. The current lenders have also expressed their continued support of the Company if the plans are followed.

On this basis, we believe that the budget for 2017/18 and the business plan for 2017/18 and onwards provide a realistic basis for a profitable Jet Time.

The Company's capital resources and liquidity is further described in note 0.

Investments

The Group's investments for the year were DKK 8 million in total, comprising maintenance of own aircraft, DKK 5 million and modification of operationally leased aircraft, DKK 2 million as well as investments in systems DKK 1 million.

The Group disposed 3 Boeing 737 classic aircraft at DKK 14 million as part of the turnaround plan.

Management's Review

Risks

Price risks

The Company's use of jet fuel implies a particular risk due to the significant fluctuations to which the market for jet fuel is subject. The Company aims at hedging the fuel prices by entering into hedging contracts corresponding to more than 90% of its consumption.

As a main rule, the Company enters into long-term flight agreements with charter companies. Hedging of fuel prices is made either by Jet Time at the time of contracting with the charter companies or by the charter companies as a few customers carry the full price risk on fuel.

Foreign currency risks

Purchase of jet fuel as well as lease- and aircraft-related expenses are mainly settled in USD. This means that profit/loss for the year, cash flows and equity are influenced by the USD exchange rate development.

It is company policy to hedge commercial currency risks. Hedging is primarily performed by natural hedge (balancing the Group's USD costs with USD income and/or assets), and by means of forward exchange contracts and options to hedge expected costs in USD within the coming 12 months. Speculative forward exchange contracts are not made.

Credit risks

The Company's credit risks relate primarily to financial assets recognized in the balance sheet.

The Company does not have significant credit risks relating to one single customer or liaison as trading conditions request prepayment from the customer before operating flights.

Subsequent events

On 2 September 2017, the ATR ACMI operation was fully phased out and the last 3 ATR aircraft in the Company's ATR fleet was redelivered to the Lessor in the course of September. Consequently, the exit from ATR ACMI business area was fully completed in September 2017, however all ATR ACMI exit costs were included in the financial year 2016/17 as provisions. Other than that, no events have occurred after the balance sheet date, which affect the Annual Report or the Company's financial position.

Outlook

As a result of the successful implementation of the recovery plan and a new focused business model, the Company expects a small profit for 2017/18, and a sustainable profit for 2018/19 and onwards.

Management's review

Corporate social responsibility

To Jet Time, corporate social responsibility (CSR) is overall an obvious necessity for running a healthy business, and the Company strives in all respects to operate under social responsibility - not only in relation to flight activities, but also in relation to administration and day-to-day operations.

Jet Time has over the years implemented a number of policies and guidelines relating to its corporate social responsibility, e.g. in relation to the environment and safety.

As from 2014, Jet Time has committed to the ten principles for responsible business under the UN's Global Compact. Each year, Jet Time submits an annual progress report on the principles involving labor rights, human rights, climate, environment and anti-corruption, which also form the basis of the Company's position on corporate social responsibility from a business perspective. Jet Time submitted its last annual report to UN Global Compact in June 2017.

Jet Time's reporting on the Company's policies, actions and results in relation to its social responsibility is made on the basis of the ten principles of the Global Compact as well as applicable statutory requirements for corporate social responsibility reporting in connection with annual financial reporting.

Working environment

Jet Time aims at creating the best possible working environment for the Company's employees within their respective areas of employment.

Jet Time has various policies relating to working environment and working conditions. The Company's Employee Handbook contains a general corporate policy applying to all employees. Moreover, four different groups of employees are in Jet Time covered by collective agreements, and employees engaged in the same activities are generally guaranteed the same working conditions.

Being an airline, the safety of the Company's employees and customers is a top priority for Jet Time. Jet Time is certified to fly under the international safety standard IOSA, whose auditors regularly inspect safety in the various functions of the Company.

Moreover, Jet Time has adopted a 'Just Culture' policy that applies to the entire Company. This implies that all employees have access to a reporting tool by means of which all potential safety issues may be reported anonymously and without consequence, which promotes openness about errors and incidents. In that way, a safer working environment with focus on communication and openness is ensured.

Jet Time has a 'Health and Safety and Environment Policy' as well as a 'Health and Safety and Environment Committee'. The Committee ensures compliance with policies on health, safety and environmental aspects.

Jet Time is in close dialogue with union representatives to prevent labor right violations. Should a potential labor violation occur in relation to an employee's employment, we will cooperate with the relevant union representative to reach a fair conclusion of the matter.

Management's review

Corporate social responsibility (continued)

Working environment (continued)

Actions:
Jet Time has in the financial year 2016/17 had a number of challenges with the Company's working environment. In an effort to reduce complexity in business and organization, two large business areas have in the financial year 2016/17 been phased out. This change in business and organization resulted in December 2016 in a layoff round where more than one third of the Company's employees were given their leave of notice. To mitigate these layoffs and the strain this puts on the working environment and the general well-being of the Company's employees, special focus has therefore in 2016/17 been on ensuring open dialogue and communication about the situation to alleviate stress and tension caused by the layoffs.

Likewise, affected employees have been offered outplacement courses to help them move on to a new career, and been given extra time off to attend job interviews.

Results:
Despite the special situation with layoffs among all employee groups, Jet Time did not experience more absence among the Company's employees. In the most critical period following the layoff round, there was among Pilots and Cabin Crew a decrease in absences compared to the year before:

Table 1: Absence among Cabin Crew and Pilots

Group	**Period**	**Absence (%)**
Cabin Crew	December 2015 - February 2016	9.0
	December 2016 - February 2017	6.7
Pilots	December 2015 - February 2016	6.5
	December 2016 - February 2017	5.4

The Environment

Jet Time is part of the airline industry that is known to put strain on the environment. The airline industry is said to be responsible for up to 3% of the world's annual C02 emission. As a responsible company, Jet Time is fervent to mitigate this impact on the environment. The key performance indicator for Jet Time's operations and activities is defined as a more efficient fuel operation, lowering the overall CO_2 emissions of the Company's production.

Jet Time has an Environmental Policy that is communicated to all employees, contractors and suppliers. Moreover, Jet Time has an Environmental Management System (EMS) developed to manage significant environmental aspects to limit the impact on the environment. Since 2014, Jet Time has worked with environmental management under the ISO 14001:2015 certification and the EMS is established in accordance with ISO 14001:2015.

Management's Review

Corporate social responsibility (continued)

The Environment (continued)

The ISO 14001:2015 contributes with process demands and tools that among other things ensure a systematic effort to reduce fuel consumption and the emission of greenhouse gasses. Moreover, the ISO 14001 provides the company with tools for environmental management in general throughout the entire production and organization.

Reducing carbon dioxide is a pivotal aspect of Jet Times environmental focus, as this by far is the single most relevant environmental denominator for Jet Time and the airline industry in general. In relation to our C02 emission, Jet Time is registered and reported by the regulations in EU Decree 2003/87EC where airlines can choose to register and report their C02 emission. In this connection, Jet Time has a goal of reducing the annual carbon dioxide emission from our fleet by 0.25 % annually.

Actions:
To reduce fuel consumption, winglets have been installed on all of our Boeing 737s, which improves up-thrust and optimizes fuel economy. The winglets cut off three to four percent of the fuel consumption. Moreover, the airline works with economical altitudes on flights of more than one hour between 31,000 and 37,000 feet.

Jet Time's Security Manager is in charge of monitoring our ISO 14001:2015 certification as well as our C02 reduction targets. In cooperation with the Environmental Committee, the Security Manager carries out the commitments of CO2 reduction and compliance with environmental related legislation and measures the outcome of the different projects and initiatives.

An annual internal and external audit makes sure that Jet Time lives up to the Company's ISO 14001:2015 certification.

In the financial year 2016/17, Jet Time has performed large changes in the airline's fleet and additional changes are planned for the financial year 2017/18. The changes are expected to have a positive impact on the C02 emission from Jet Time's aircraft. By end of December 2017, six aircraft of the type B737-300, five B737-400s and ten ATR72s will have been phased out, consolidating Jet Time's fleet as a unified fleet consisting of only B737NG's. Consequently, Jet Time has as of 2017 decided to reset the Company's calculation of C02 reduction in order for the airline's future savings to take its point of departure in the actual aircraft type in use, which is more fuel efficient than the -300 and -400 aircraft type. In the same context, it has henceforth been decided to measure Jet Time's C02 reduction pr. used seat pr. flight rather than pr. airborne hours.

Results:
Jet Time has in the financial year 2016/17 fulfilled the requirement of ISO 14001:2015 and ISO 50001 Chap. 4.4.3

Moreover, Jet Time has in the financial year 2016/17 managed to reach an annual C02 reduction of 1.55% per used seat pr. flight compared to the financial year 2015/16.

Management's Review

Corporate social responsibility (continued)

The Environment (continued)

Table 2: Annual CO_2 Reduction pr. used seat pr. flight

Financial year	Total CO2 emission [Tons]	Total Airborne Hours	CO2 per Ab Hour [tons / Hour]	Annual reduction Target	Annual target CO2 per Ab Hour	Actual Develop-ment CO2 per used pax	Year on year target
2015/16	179,006,089	23,617	7,580			100.00%	100.00%
2016/17	186,666,018	24,436	7,639	0.25%	7,561	98.45%	99.75%

Human rights

Jet Time has no specific policies on human rights.

Anti-Corruption

Jet Time has no specific policies on anti-corruption.

Target Ratios for Management

Jet Time believes that an equal representation of gender among employees and Management is important to the overall sustainability of the Company.

Board of Directors

At the end of the financial year 2016/17, the Company's Board of Directors comprised of two male non-owners members as well as one male owner.

Jet Time has a target of by 2020 to have at least one person of each gender represented on Jet Time's Board of Directors.

Jet Time has not in the financial year 2016/2017 reached the target of gender representation on the Board, as there has been no additions or recruitments for Jet Time's Board in this period.

Jet Time's Senior Management

Jet Time's Senior Management is defined by the Company's Executive Team – consisting of the CEO, CFO, VP Commercial, VP Flight Operation, VP Technical and VP Management Support. At the end of the financial year 2016/2017, the Executive Team consisted of five male and one female member.

Jet Time has in the financial year 2016/17 decided on an ambition to by 2020 increase female representation in Jet Time's Senior Management by at least one more female member of the Executive Team.

Jet Time has in the financial year 2016/2017 initiated internal leadership training among the Company's mid-level managers with the ambition of qualifying more female employees to enter the Senior Management. The current ratio in Jet Time's mid-level management is 60% male and 40% female.

Management's Review

Corporate social responsibility (continued)

Jet Time's Senior Management (continued)

Jet Time has not in the financial year 2016/2017 reached the target of increased female representation among the Company's Executive Team, as there has been no additions or recruitments for the Executive Team in this period.

Table 3: Ratios for Senior Management

Financial year	Number (Men)	% (Men)	Number (Women)	% (Women)	Total
2006/07	5	83	1	17	6
2007/08	6	86	1	14	7
2008/09	6	86	1	14	7
2009/10	6	86	1	14	7
2010/11	6	86	1	14	7
2011/12	7	78	2	22	9
2012/13	9	75	3	25	12
2013/14	9	75	3	25	12
2014/15	5	83	1	17	6
2015/16	5	83	1	17	6
2016/17	5	83	1	17	6

The current ratio in the Executive Team is 83.5%/16.5%.

Financial Statements 1 September - 31 August

Income Statement

DKK '000	Note	Consolidated 2016/17	Consolidated 2015/16	Parent Company 2016/17	Parent Company 2015/16
Revenue	1	1.458.723	1.751.734	1.454.715	1.690.410
Production costs		-864.152	-1.029.962	-862.194	-1.000.686
Lease costs		-196.726	-278.339	-196.726	-278.339
Other external costs	2	-23.759	-259.204	-55.428	-264.698
Gross profit		374.086	184.229	340.367	146.687
Staff costs	3	-338.710	-419.107	-305.777	-384.803
Amortisation, depreciation and impairment losses	8, 9	-39.025	-50.316	-39.025	-50.316
Profit/loss on ordinary operating activities		-3.649	-285.194	-4.435	-288.432
Other income	4	12.591	0	12.591	0
Profit/loss before interests and tax		8.942	-285.194	8.156	-288.432
Income from investments in group entities		0	0	555	2.572
Other financial income	5	9.713	272	9.713	272
Other financial expenses	6	-6.144	-13.084	-6.057	-13.064
Profit/loss on ordinary activities before tax		12.511	-298.006	12.367	-298.652
Tax on profit/loss for the year	7	-144	-646	0	0
Profit/loss for the year		12.367	-298.652	12.367	-298.652
Proposed profit appropriation/distribution of loss	17				

Financial Statements 1 September - 31 August

Balance Sheet

		Consolidated		Parent Company	
DKK '000	Note	31AUG17	31AUG16	31AUG17	31AUG16
ASSETS					
Non-current assets					
Intangible assets	8				
Software		5.922	6.788	5.922	6.788
		5.922	6.788	5.922	6.788
Property, plant and equipment	9				
Aircraft		12.472	33.334	12.472	33.334
Modifications of leased aircraft		2.435	11.731	2.435	11.731
Buildings		7.957	8.923	7.957	8.923
Leasehold improvements		873	1.123	873	1.123
Fixtures and fittings, tools and equipment		1.961	4.139	1.961	4.139
Property, plant and equipment under construction		0	700	0	700
		25.698	59.950	25.698	59.950
Investments					
Investments in group entities	10	0	0	7.291	6.740
Receivable future maintenance	11	11.570	101.311	11.570	101.311
Deposits	12	41.553	75.844	41.455	75.718
		53.123	177.155	60.316	183.769
Total non-current assets		84.743	243.893	91.936	250.507
Current assets					
Inventories					
Inventories		10.291	14.856	10.291	14.856
		10.291	14.856	10.291	14.856
Receivables					
Trade receivables		5.787	7.398	5.787	6.094
Deferred tax asset	13	1.138	0	0	0
Receivable future maintenance	11	38.973	38.475	38.973	38.475
Other receivables	14	6.256	16.700	6.206	16.669
Prepayments	15	16.140	25.275	16.132	24.978
		68.294	87.848	67.098	86.216
Cash at bank and in hand	16	78.326	56.221	78.123	51.898
Total current assets		156.911	158.925	155.512	152.970
Total assets		241.654	402.818	247.448	403.477

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Balance Sheet

		Consolidated		Parent Company	
DKK '000	Note	31AUG17	31AUG16	31AUG17	31AUG16
EQUITY AND LIABILITIES					
Equity	17				
Share capital		17.085	17.085	17.085	17.085
Reserve for net revaluation under the equity method		0	0	6.546	5.995
Retained earnings		-467.375	-484.808	-473.921	-490.803
Total equity		-450.290	-467.723	-450.290	-467.723
Provisions					
Onerous contracts	2	0	105.000	0	105.000
Provision, aircraft maintenance	18	117.681	227.591	117.681	227.591
Other provisions	19	14.875	12.154	14.875	12.154
Total provisions		132.556	344.745	132.556	344.745
Non-current liabilities other than provisions					
Loan from shareholders	21	80.000	0	80.000	0
Credit institutions	20	3.530	4.655	3.530	4.655
Other loan agreements	20	256.993	0	256.993	0
Lease obligations	20	0	1.111	0	1.111
		340.523	5.766	340.523	5.766
Current liabilities other than provisions					
Credit institutions	20	1.089	10.961	1.089	10.961
Lease obligations	20	0	14.348	0	14.348
Loan from shareholders	21	0	217.394	0	217.394
Other loan agreements	20	23.237	0	23.237	0
Trade payables		78.385	97.787	77.758	95.660
Prepayments received from customers		55.547	73.422	55.547	71.861
Payables to group entities		0	0	15.757	11.713
Corporate tax	22	690	259	0	0
Other payables	23	59.917	105.859	51.271	98.752
		218.865	520.030	224.659	520.689
Total liabilities other than provisions		559.388	525.796	565.182	526.455
Total equity and liabilities		241.654	402.818	247.448	403.477

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Statement of Changes in Equity

	Consolidated		
DKK '000	Share capital	Retained earnings	Total
Equity at 1 September 2015	17.085	-182.281	-165.196
Value adjustment, hedging of future purchase and sale of fuel and foreign currency	0	-3.864	-3.864
Currency adjustment Jet Time OY	0	-11	-11
Transferred, see profit appropriation/distribution of loss	0	-298.652	-298.652
Equity at 1 September 2016	17.085	-484.808	-467.723
Value adjustment, hedging of future purchase and sale of fuel and foreign currency	0	5.070	5.070
Currency adjustment Jet Time OY	0	-4	-4
Transferred, see profit appropriation/distribution of loss	0	12.367	12.367
Equity at 31 august 2017	17.085	-467.375	-450.290

	Parent Company			
DKK '000	Share capital	Reserve for net revaluation under the equity method	Retained earnings	Total
Equity at 1 September 2015	17.085	3.434	-185.715	-165.196
Value adjustment, hedging of future purchase and sale of fuel and foreign currency	0	0	-3.864	-3.864
Currency adjustment Jet Time OY	0	-11	0	-11
Transferred, see profit appropriation/distribution of loss	0	2.572	-301.224	-298.652
Equity at 1 September 2016	17.085	5.995	-490.803	-467.723
Value adjustment, hedging of future purchase and sale of fuel and foreign currency	0	0	5.070	5.070
Currency adjustment Jet Time OY	0	-4	0	-4
Transferred, see profit appropriation/distribution of loss	0	555	11.812	12.367
Equity at 31 august 2017	17.085	6.546	-473.921	-450.290

The share capital has remained unchanged for the last five years.

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Cash Flow Statement

DKK '000	Note	Consolidated 31AUG17	Consolidated 31AUG16
Profit/loss for the year		12.367	-298.652
Adjustments	30	36.193	47.112
Changes in working capital	31	-180.410	86.234
Cash generated from operations (operating activities) before net financials		-131.850	-165.306
Company tax paid		-851	-594
Cash flows from operating activities		-132.701	-165.900
Investments in intangible assets and property, plant and equipment		-8.248	-15.135
Changes in property, plant and equipment under construction		700	82
Disposal of tangible assets		14.466	0
Fixed asset investments		-2.891	-6.877
Disposal of fixed asset investments		34.868	10.015
Cash flows from investing activities		38.895	-11.915
Credit institutions		-10.997	-5.605
Lease obligation		-15.929	-19.768
Loan from shareholders		-137.394	203.744
Other loan agreements		280.230	0
Cash flows from financing activities		115.910	178.371
Cash flows for the year		22.105	1.150
Cash and cash equivalents at 1 September		56.221	55.071
Cash and cash equivalents at 31 August		78.326	56.221

The cash flow statement cannot be directly derived from the other components of the Annual Report.

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Notes

0 Capital resources and liquidity

The realized profit after tax in 2016/17 amounts to DKK 12 million and equity 31 August 2017 was negative with DKK 450 million. This is after reversal of provision for onerous contracts of DKK 105 million covering costs of discontinued operations.

The Company has successfully completed the recovery plan, including a successful closedown of Boeing Cargo and ATR ACMI segments, hence the provision for onerous contracts of DKK 105 million has been fully reversed.

With the turnaround coming to an end, the Company has introduced Jet Time Core Business Plan 2020, including a simplified business model with focus on optimization of the Company's traditional core business and competencies.

The Company has obtained extension to September 2019 of all existing loans from shareholder, lenders and suppliers - except one short term loan of DKK 23 million expiring in November 2017. In addition to this, the Company has obtained commitment for new shareholder loans of DKK 45 million with expiry in September 2019, ensuring the Company the liquidity resources required to restore a sound business and positive earnings.

The concluded framework of agreements on financing, comprises the following:

- Continued extension of payments to trade creditors regarding aircraft totaling DKK 111 million, which rank subordinate to other creditors;
- Continued extension of previously established seasonal overdraft facility which was converted to a fixed loan of DKK 91 million, of which DKK 50 million ranks subordinate to other creditors;
- Continued extension of an overdraft facility of DKK 55 million secured by the Company's hangar;
- Continued extension of a loan of DKK 25 million secured on Company's hangar, inventory and one of the company's aircraft;
- Continued extension of a loan of DKK 26 million relating to overdue but unpaid lease payments;
- Continued extension on reduced lease payments and payments to lessor reserves, including loan financing of certain lease payments, totaling DKK 29 million which ranks subordinate to other creditors;
- Raising of a new fixed loan of DKK 20 million;
- Raising of a new revolving overdraft facility of DKK 25 million.

The above loans are totaling DKK 382 million, of which DKK 190 million is ranking as subordinated loans. As per 31 August 2017 DKK 337 million of the DKK 382 million was drawn. All of the above loans are expiring in September 2019 and no interest is payable on these loans.

In Management's assessment, the liquidity contributed by the above loans is sufficient to finance the Company's operation and it is Management's expectation that all loan terms will be complied with, in the financial year 2017/18.

Further, in Management's assessment, the above will provide the basis required to implement the Jet Time Core Business Plan 2020 with positive earnings in 2017/18 and ensure the Company's continued operation beyond 2017/18.

In its nature, the budgets prepared are subject to uncertainty, and variations in operations etc. may result in additional liquidity being required. In Management's assessment, such additional financing may be obtained if the Jet Time Core Business Plan 2020 is otherwise followed. Further, the Company's lenders have given a Letter of Intent expressing the continued support by extension of the repayments of the loans under certain conditions.

For the order of good sake, the above-mentioned matters indicates that the Company has significantly reduced its uncertainties and risks. On this basis, we believe that the budget for 2017/18 and the business plan for 2017/18 and onwards provide a realistic basis for a profitable Jet Time.

Therefore, the financial statements are prepared under the assumption of going concern.

Capital loss

As stated above, more than 50% of the share capital has been lost. Thus, the Company is comprised by the rules on capital loss in the Danish Companies Act. In Management's assessment, the Company will be able to restore equity through own operations in the long run based on the above.

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		Consolidated		Parent Company	
	DKK '000	2016/17	2015/16	2016/17	2015/16
1	**Revenue**				
	Business areas:				
	Charter and ad hoc	1.029.977	1.091.309	1.025.969	1.032.610
	ACMI	344.796	510.072	344.796	507.446
	Cargo	83.950	150.354	83.950	150.354
		1.458.723	1.751.734	1.454.715	1.690.410

2 Other external costs (special items)

Other external costs include reversal of provision for onerous contracts of DKK 105 million provided in 2015/16 to cover the loss of the business areas ATR ACMI and Boeing Cargo, which has been terminated in 2016/17.

3	**Staff Costs**				
	Wages and salaries	304.984	386.431	277.411	357.901
	Pension	29.616	34.720	24.973	30.050
	Other social security costs	4.258	5.515	3.540	4.412
		338.857	426.667	305.924	392.363
	Capitalised concerning major maintenance work performed in-house	-147	-7.560	-147	-7.560
		338.710	419.107	305.777	384.803
	Average number of full-time employees	583	711	521	643
	Number of full-time employees at 31 August	458	740	406	665
	Remuneration of the Board of Directors	440	625	440	625
	Remuneration of the Executive Board	8.701	8.906	8.701	8.906
	Remuneration of the Executive Board and Board of Directors	9.141	9.531	9.141	9.531

4	**Other income**				
	Gain from sale of fixed assets	10.825	0	10.825	0
	Discharged lease debt	1.766	0	1.766	0
		12.591	0	12.591	0

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		Consolidated		Parent Company	
	DKK '000	2016/17	2015/16	2016/17	2015/16
5	**Other financial income**				
	Interest income, credit institutions	18	15	18	15
	Foreign exchange adjustments	9.638	0	9.638	0
	Other interest income	57	257	57	257
		9.713	272	9.713	272
6	**Other financial expenses**				
	Interest expenses, credit institutions	920	1.931	920	1.931
	Foreign exchange adjustments	0	503	0	504
	Other interest expenses	5.224	10.650	5.137	10.629
		6.144	13.084	6.057	13.064
7	**Tax on profit/loss for the year**				
	Current tax	-1.283	-646	0	0
	Adjustment re previous years	1	0	0	0
	Adjustment of deferred tax	1.138	0	0	0
		-144	-646	0	0

	DKK '000	Consolidated/Parent Company
8	**Intangible assets**	Software
	Cost at 1. September 2016	9.058
	Additions	1.020
	Disposals	-447
	Cost at 31. August 2017	9.631
	Impairment losses and amortisation at 1. September 2016	2.270
	Impairment losses and amortisation	1.886
	Amortisation, disposed assets	-447
	Impairment losses and amortisation at 31. August 2017	3.709
	Carrying amount at 31. August 2017	5.922

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DKK '000	Consolidated/Parent Company		
9 Property, plant and equipment	Own aircraft	Modification of leased aircraft	Total aircraft
Cost at 1. September 2016	114.972	32.324	147.296
Additions	5.494	1.734	7.228
Disposals	-57.004	-17.770	-74.774
Cost at 31. August 2017	63.462	16.288	79.750
Impairment losses and amortisation at 1. September 2016	81.638	20.593	102.231
Depreciation and impairment losses	22.715	11.030	33.745
Depreciation, disposed assets	-53.363	-17.770	-71.133
Impairment losses and amortisation at 31. August 2017	50.990	13.853	64.843
Carrying amount at 31. August 2017	12.472	2.435	14.907

Gain from sale of aircraft owned by the Company is included in Other income with DKK 10,8 million.

	Buildings	Leasehold improvements	Fixtures, fittings, tools and equipm.	Assets under construction
Cost at 1. September 2016	12.430	1.247	10.170	700
Additions	0	0	0	0
Disposals	0	0	-3.738	-700
Cost at 31. August 2017	12.430	1.247	6.432	0
Impairment losses and amortisation at 1. September 2016	3.507	124	6.031	0
Depreciation and impairment losses	966	250	2.178	0
Depreciation, disposed assets	0	0	-3.738	0
Impairment losses and amortisation at 31. August 2017	4.473	374	4.471	0
Carrying amount at 31. August 2017	7.957	873	1.961	0

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DKK '000	Parent Company 2016/17	Parent Company 2015/16
10 Investments in group entities		
Cost at 1. September	745	745
Additions	0	0
Cost at 31. August	745	745
Value adjustment at 1. September	5.995	3.434
Profit for the year	555	2.572
Foreign exchange adjustment	-4	-11
Value adjustment at 31. August	6.546	5.995
Carrying amount at 31. August	7.291	6.740

Name and registered office	Voting rights and ownership
Jet Time Oy, Rahtitie 3, FI-01530 Vantaa, Finland	100%

All subsidiaries are independent entities.

DKK '000	Consolidated 2016/17	Consolidated 2015/16	Parent Company 2016/17	Parent Company 2015/16
11 Receivable future maintenance				
Between 1 and 5 years	11.353	96.437	11.353	96.437
After 5 years	217	4.874	217	4.874
Long-term part of receivable future maintenance	11.570	101.311	11.570	101.311
Within 1 year	38.973	38.475	38.973	38.475
	50.543	139.786	50.543	139.786
12 Deposits				
Cost at 1. September	75.844	78.646	75.718	78.531
Additions	2.891	6.877	2.891	6.866
Disposals	-34.868	-10.014	-34.840	-10.014
Value adjustment for the year	-2.314	335	-2.314	335
	41.553	75.844	41.455	75.718

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		Consolidated		Parent Company	
	DKK '000	2016/17	2015/16	2016/17	2015/16
13	**Deferred tax asset**				
	Deferred tax 1. september	0	0	0	0
	Adjustment regarding profit for the year	1.138	0	0	0
	Deferred tax 31. august	1.138	0	0	0
	Deferred tax asset is regarding				
	Other payables	1.138	0	0	0
	Deferred tax 31. august	1.138	0	0	0

The Group has an unrecognised deferred tax asset of DKK 111 million at 31 August 2017.

14	**Other receivables**				
	Positive value of hedging of future purchase and sale of fuel, CO2 quotas and foreign currency	297	460	297	460
	Deposited as security for future fuel hedging	3.539	6.767	3.539	6.767
	VAT	432	1.660	405	1.637
	Other receivables	1.988	7.813	1.965	7.805
		6.256	16.700	6.206	16.669
15	**Prepayments**				
	Prepaid leases	3.318	8.478	3.318	8.478
	Prepaid fuel	3.931	1.832	3.931	1.690
	Other production costs prepaid	5.407	9.733	5.407	9.612
	Other prepayments	3.484	5.232	3.476	5.198
		16.140	25.275	16.132	24.978
16	**Cash at bank and in hand**				
	Free cash	76.726	45.721	76.523	41.398
	Deposited as security for forward exchange transactions etc	1.600	10.500	1.600	10.500
		78.326	56.221	78.123	51.898

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17 Equity

The share capital comprises 17,084,918 shares of nominally DKK 1 each comprising 5,886,303 A-shares and 11,198,615 B-shares. B-shares carry a preferential dividend right.

	Consolidated		Parent Company	
DKK '000	2016/17	2015/16	2016/17	2015/16
Proposed profit appropriation/distribution of loss:				
Reserve for net revaluation under the equity method	0	0	555	2.572
Retained earnings	12.367	-298.652	11.812	-301.224
	12.367	-298.652	12.367	-298.652

18 Provision, aircraft maintenance

Comprises:

Provision for future aircraft maintenance	84.427	204.987	84.427	204.987
Provision for obligation to return	33.253	22.604	33.253	22.604
	117.681	227.591	117.681	227.591
Provision at 1 September	227.591	154.553	227.591	154.553
Utilised during the year/disposals	-89.326	-31.876	-89.326	-31.876
Provision for the year	-20.584	104.914	-20.584	104.914
	117.681	227.591	117.681	227.591
Within 1 year	75.557	63.722	75.557	63.722
Between 1 and 5 years	41.342	148.850	41.342	148.850
After 5 years	782	15.019	782	15.019
	117.681	227.591	117.681	227.591

19 Other provisions

Other provisions include provision for delay costs and for retention bonus to customers, as well as the costs of a few pending lawsuits, without material affect on the Annual Report or the Company's financial position.

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DKK '000	Consolidated 2016/17	Consolidated 2015/16	Parent Company 2016/17	Parent Company 2015/16

20 Long-term liabilities other than provisions

	Consolidated 2016/17	Consolidated 2015/16	Parent Company 2016/17	Parent Company 2015/16
Credit institutions:				
Between 1 and 5 years	2.798	3.154	2.798	3.154
After 5 years	732	1.501	732	1.501
Long-term part of credit institutions	3.530	4.655	3.530	4.655
Within 1 year	1.089	10.961	1.089	10.961
	4.619	15.616	4.619	15.616

	Consolidated 2016/17	Consolidated 2015/16	Parent Company 2016/17	Parent Company 2015/16
Lease obligations:				
Between 1 and 5 years	0	1.111	0	1.111
Within 1 year	0	14.348	0	14.348
	0	15.459	0	15.459

Lease debt has been partly discharged and an income of DKK 1,8 million is included in Other income.

	Consolidated 2016/17	Consolidated 2015/16	Parent Company 2016/17	Parent Company 2015/16
Other loan agreements:				
Between 1 and 5 years	256.993	0	256.993	0
Within 1 year	23.237	0	23.237	0
	280.230	0	280.230	0

Other loan agreements are not interest bearing. Short term loans are expiring in November 2017. Long term loans are expiring in September 2019 and include subordinated loans, as described in note 0.
The capital owners in Jet Time A/S has subordinated loan capital of DKK 190 million. The subordinated loan may be repaid if it is considered to be sound taking account of the company's operating and financial position. It is the Board of Directors that decides hereby.

Payments due within 1 year are recognised in current liabilities.

Other liabilities are recognised in non-current liabilities other than provisions.

21 Loan from shareholders

	Consolidated 2016/17	Consolidated 2015/16	Parent Company 2016/17	Parent Company 2015/16
Between 1 and 5 years	80.000	217.394	80.000	217.394
	80.000	217.394	80.000	217.394

The loans are not interest bearing. The loans are expiring in September 2019 as described in note 0.

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DKK '000	Consolidated 2016/17	Consolidated 2015/16	Parent Company 2016/17	Parent Company 2015/16
22 Corporation tax				
Corporation tax payable at 1 September	259	207	0	0
Adjustment re previous years	-1	0	0	0
Current tax for the year	1.283	646	0	0
Corporation tax paid during the year	-851	-594	0	0
	690	259	0	0

	Consolidated 2016/17	Consolidated 2015/16	Parent Company 2016/17	Parent Company 2015/16
23 Other payables				
Negative value of hedging of future purchase and sale of fuel and foreign currency	2.669	7.345	2.669	7.345
Holiday pay and other staff-related payables	45.200	66.974	36.576	59.878
CO2 quotas	1.260	825	1.260	825
Payable re. damage to leased aircraft	0	17.063	0	17.063
Other payables	10.788	13.652	10.766	13.641
	59.917	105.859	51.271	98.752

	Consolidated 2016/17	Consolidated 2015/16	Parent Company 2016/17	Parent Company 2015/16
24 Fees paid to auditors				
Statutory audit	1.100	1.555	1.000	1.500
Other audit services	100	0	100	0
Tax assistance	190	100	190	100
Other services	3.783	12.094	3.783	12.094
	5.173	13.749	5.073	13.694

	Consolidated 2016/17	Consolidated 2015/16	Parent Company 2016/17	Parent Company 2015/16
25 Contingencies etc				
Rent and lease obligations (operating leases) falling due after the balance sheet date	273.335	1.511.153	273.335	1.511.153
Falling due within 5 years	183.261	764.278	183.261	764.278
Falling due within 1 year	74.065	246.139	74.065	246.139
Total obligations are grouped as follows:				
Aircraft leases	241.587	1.479.196	241.587	1.479.196
Rental of property, hangar, etc	20.545	23.768	20.545	23.768
Other leases	11.204	8.189	11.204	8.189
	273.335	1.596.422	273.335	1.596.422

Lease obligations concerning aircraft have been translated from USD at the exchange rate at the balance sheet date.

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26 Mortgages and collateral

The Company has issued priority mortgage of DKK 10.5 million to a credit institution for a debt , secured in a building with a carrying amount of DKK 8 million.
The Company has issued second mortgage of DKK 40 million to a shareholder for a debt of DKK 55 million, secured in the same building.
The Company has issued collateral of DKK 10 million in an aircraft to a shareholder for a debt of DKK 25 million.
The Company has issued collateral in an aircraft and security deposits to a supplier for a debt of DKK 23 million.
As per balance sheet date the Company has two undrawn line of credit facilities of a total amount of DKK 45 million.
The Parent Company has provided an unlimited guarantee in favour of the Finnish subsidiary.

27 Hedging transactions

The Parent Company/Group have entered into contracts to hedge the Group’s future transactions concerning purchase of fuel. As compared to the forward price at the balance sheet date, the contracts have a negative value of DKK 2.4 million, net. The negative unrealised net value has been recognised in equity and as other payables.

Hedging transactions at 31 August 2017 break down as follows:

Transaction	Value	Payment/ maturity	Hedging transaction
	DKKm		DKKm
Fuel hedges, DKK	-2,4	0 - 14 months	39,1
	-2,4		39,1

28 Related party disclosures

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

JT3H ApS, Toldbodgade 87, 1253 København K

Consolidated financial statements are made for JT3H ApS. The annual report for the JT3H Group can be requested from Jet Time A/S.

JT3H ApS has provided loans to Jet Time A/S which are not interest bearing and hence not on market terms.

29 Discontinued operations

The company has two discontinued business areas. Information according to the Danish Financial Statements Act no. 80 there is not disclosed, as registrations are not available to fulfill the disclosure requirement.

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DKK '000	Consolidated 2016/17	2015/16

30 Cash flow statement - adjustments

	2016/17	2015/16
Amortisation of intangible assets and depreciation of property, plant and equipment	39.025	50.316
Gain and loss from sales of fixed assets	-10.825	0
Currency adjustment of fixed asset investments	2.314	-336
Interest on finance lease	470	955
Current tax for the year	144	52
Currency adjustment of investments in group entities	-4	-11
Other adjustments	5.070	-3.864
	36.193	47.112

31 Cash flow statement - change in working capital

	2016/17	2015/16
Change in receivables	110.433	-42.552
Change in inventories	4.565	3.386
Change in provisions	-212.189	184.027
Change in other short-term payables	-83.219	-58.627
	-180.410	86.234

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Note 32 Accounting Policies

The Annual Report of Jet Time A/S for the period 1 September 2016 – 31 August 2017 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

The accounting policies applied are consistent with those of last year.

Consolidated Financial Statements

The Consolidated Financial Statements comprise the Parent Company, Jet Time A/S, and enterprises in which Jet Time A/S directly or indirectly holds more than 50% of the voting rights or which it, in some other way, controls.

On consolidation, intra-group income and expenses, shareholdings, intra-group balances and dividends, and realised and unrealised gains and losses on intra-group transactions are eliminated.

Investments in group entities are set off against the proportionate share of the group entity' fair value of net assets and liabilities at the acquisition date.

Business combinations

Enterprises acquired or formed during the year are recognised in the Consolidated Financial Statements from the date of acquisition or formation. Enterprises disposed of are recognised in the consolidated income statement until the date of disposal. Comparative figures are not restated for acquisitions or disposals.

Recognition and measurement

Assets are recognized in the balance sheet when it is probable that future economic benefits will flow to the Group or the Parent Company, and the value of the asset can be measured reliably.

Liabilities are recognized in the balance sheet when an outflow of economic benefits is probable and when the liability can be reliably measured.

On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described below for each individual item.

In recognizing and measuring assets and liabilities, any gains, losses and risks occurring prior to the presentation of the Financial Statements that evidence conditions existing at the balance sheet date are taken into account.

Income is recognized in the income statement as earned, including value adjustments of financial assets and liabilities measured at fair value or amortized cost. Equally, costs incurred to generate the year's earnings are recognized, including depreciation, amortization, impairment losses and provisions as well as reversals as a result of changes in accounting estimates of amounts which were previously recognized in the income statement.

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 at the date of payment are recognized 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 rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and at the date at which the receivable or payable arose or was recognized in the latest Financial Statements is recognized in the income statement as financial income or financial expenses.

Foreign group entities are considered separate entities. The income statements are translated at the average exchange rates for the year, and the balance sheet items are translated at the exchange rates at the balance sheet date. Currency translation differences arisen when translating foreign group entities' equity at the beginning of the year using the closing rate and when translating income statements from average exchange rates using the closing rate, are recognized directly in equity.

Financial Statements 1 September – 31 August

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Note 32 Accounting Policies (Continued)

Derivative financial instruments

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

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of the fair value of a recognized asset or liability, are recognized in the income statement together with changes in the fair value of the hedged asset or liability.

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of future assets and liabilities, are recognized in other receivables or other payables and in equity. If the future transaction results in recognition of assets or liabilities, amounts previously recognized in equity are transferred to the cost of the asset or liability, respectively. If the hedged forecast transaction results in income or expenses, amounts previously recognized in equity are recognized in the income statement in the period in which the hedged item affects the profit/loss for the year.

For derivative financial instruments that do not qualify for hedge accounting, changes in fair value are recognized in the income statement on a regular basis.

Leases

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership (finance leases), are recognized in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease, or an approximated value as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Group.

The remaining lease obligation is capitalized and recognized in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

All other leases are considered operating leases. Payments made under operating leases are recognized in the income statement on a straight-line basis over the lease term.

Income statement

Revenue

Revenue is recognized based on completed flights, including income related to the flights.

Production costs

Production costs comprise e.g. costs of fuel, charges in connection with air transport and other costs of maintenance and operation of the aircraft fleet.

Lease costs

The Company has entered into agreements on operating leases of aircraft. Payments relating to operating leases are recognized in the income statement over the term of the lease.

Other external costs

Other external costs comprise rent and related costs, IT costs, travelling expenses, training and education costs, administrative expenses and marketing, etc.

Staff costs

Staff costs comprise wages, salaries, pension and social security costs to own staff. To the extent major maintenance work is performed in-house on our own Aircraft staff costs are capitalized.

Financial Statements 1 September – 31 August

Notes

Note 32 Accounting Policies (Continued)

Other income / costs

Other income comprise income from secondary activities including gain/loss from sales of fixed assets.

Income from investments in group entities

The proportionate share of the results after tax of the individual group entities is recognized in the income statement of the Parent Company after full elimination of intra-group profits/losses.

Financial income and expenses

Financial income and expenses comprise interest income and expense, gains and losses on securities, payables and transactions denominated in foreign currencies as well as extra payments and repayment under the on-account tax scheme, etc.

Tax on profit/loss for the year

Tax for the year comprises current tax and changes in deferred tax for the year due to changes in the tax rate. The tax expense relating to the profit/loss for the year is recognized in the income statement, and the tax expense relating to amounts directly recognized in equity is recognized directly in equity.

Balance sheet

Intangible assets

Software is measured at cost less accumulated amortisation and impairment losses.

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

Amortisation is provided on a straight-line basis over the assets' expected useful lives. The expected useful lives are 3-8 years.

Gains and losses on the disposal of intangible assets are determined as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains or losses are recognized in the income statement as amortisation.

Property, plant and equipment

Aircraft, modifications of aircraft as well as major maintenance work on aircraft on finance leases and own aircraft, buildings, leasehold improvements, fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

The cost comprises the purchase price and any costs directly attributable to the acquisition until such time as the asset is available for use. Borrowing costs are recognized in the income statement.

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.

Financial Statements 1 September – 31 August

Notes

Note 32 Accounting Policies (Continued)

Property, plant and equipment (continued)

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives. The expected useful lives are as follows:

Aircraft	According to production intensity over a period of up to 8 years with an expected residual value
Modifications, leased aircraft	Remaining term of the lease, however not exceeding 5 years
Maintenance, aircraft on finance leases and own aircraft	According to production intensity
Buildings	15 years
Installations in buildings	10 years
Leasehold improvements	3-5 years
Fixtures and fittings, tools and equipment	3-5 years

Depreciation period and residual value are reassessed annually.

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

Investments

Investments in group entities

Investments in group entities are measured according to the equity method.

Investments in group entities are measured at the proportionate share of the entities' net asset values calculated in accordance with the Group's accounting policies minus or plus unrealised intra-group profits and losses and plus or minus any residual value of positive or negative goodwill determined in accordance with the acquisition method.

Investments in group entities with negative net asset values are measured at DKK 0 (nil), and any amounts owed are written down if the amount owed is irrecoverable. If the Parent Company has a legal or constructive obligation to cover a deficit that exceeds the amount owed, the remaining amount is recognized under provisions.

Net revaluation of investments in group entities is recognized in the reserve for net revaluation according to the equity method in equity to the extent that the carrying amount exceeds cost. Dividends from group entities which are expected to be adopted before the approval of the Annual Report of Jet Time A/S are not recognized in the reserve for net revaluation.

On acquisition of enterprises, the purchase method is applied, see Consolidated Financial Statements above.

Deposits

Deposits are initially recognized at cost. Subsequently, deposits denominated in foreign currencies are measured at the exchange rate at the balance sheet date.

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Notes

Note 32 Accounting Policies (Continued)

Impairment losses

The carrying amount of intangible assets and property, plant and equipment as well as 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. If the recoverable amount is lower than the carrying amount, the asset is written down to its lower recoverable amount.

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than the cost, inventories are written down to this lower value.

The cost of goods for resale and raw materials and consumables comprises the purchase price plus delivery costs.

The net realisable value of inventories is determined as the selling price less costs of completion and costs incurred to effect the sale, taking into account marketability, obsolescence and developments in the expected selling price.

Receivables

Receivables are measured at amortised cost. Write-down is made for bad debt losses after an individual assessment of receivables.

Receivable future maintenance comprises the contribution made to lessors for future maintenance work which is recognized to the extent that the payments are expected to be reimbursed at the time of incurrence of future maintenance costs.

Prepayments

Prepayments comprise costs incurred concerning subsequent financial years.

Corporation tax and deferred tax

Current tax payable and receivable is recognized 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. However, deferred tax is not recognized on temporary differences relating to goodwill which is not deductible for tax purposes 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 assets, including the tax value of tax loss carryforwards, are recognized under other non-current assets 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 and jurisdiction.

Adjustment is made to deferred tax resulting from elimination of unrealised intra-group profits and losses.

Deferred tax is measured according to the tax rules and at the tax rates applicable in the respective countries at the balance sheet date when the deferred tax is expected to crystallise as current tax.

Financial Statements 1 September – 31 August

Notes

Note 32 Accounting Policies (Continued)

Equity

Reserve for net revaluation according to the equity method

Net revaluation of investments in subsidiaries is recognized at cost in the reserve for net revaluation according to the equity method.

The reserve is eliminated in case of losses, realisation of investments or a change in accounting estimates.

Dividends

Proposed dividends for the year are recognized as a liability at the date when they are adopted at the Annual General Meeting (declaration date). The expected dividend payment for the year is disclosed as a separate item under equity.

Provisions

Provision for aircraft maintenance comprises a provision for future maintenance work on aircraft on operating leases as well as provision for the costs of returning aircraft on operating leases.

Other provisions primarily comprise the costs of a few pending lawsuits, without material affect on the Annual Report or the Company's financial position.

Provisions are initially recognized at cost and are subsequently measured at net realisable value or value in use.

Liabilities other than provisions

Financial liabilities are recognized at the date of borrowing at the net proceeds received less transaction costs paid. In subsequent periods, the 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 recognized in the income statement over the term of the loan.

Other liabilities are measured at net realisable value.

Deferred income

Deferred income comprises negative goodwill, see the description of consolidation practice, as well as consideration for warrants.

Cash flow statement

The cash flow statement shows the Group's cash flows from operating, investing and financing activities for the year, the year's changes in cash and cash equivalents as well as the Group's cash and cash equivalents at the beginning and end of the year.

The cash flow effect of the establishment and of additions and disposals of enterprises is shown separately in cash flows from investing activities. Cash flows from the establishment and acquisitions of enterprises are recognized in the cash flow statement from the date of acquisition/date of establishment. Cash flows from disposals of enterprises are recognized up until the date of disposal.

Cash flows from operating activities

Cash flows from operating activities are calculated as the Group's share of the profit/loss adjusted for non-cash operating items, changes in working capital and corporation tax paid.

Financial Statements 1 September – 31 August

Notes

Note 32 Accounting Policies (Continued)

Cash flows from investing activities

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

Cash flows from financing activities

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

Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term marketable securities which are subject to an insignificant risk of changes in value.

Segmentation

The Group is engaged in charter flights for package tour operators, ACMI flights on short- or long-term agreements with other airlines as well as cargo flights.

Segment information is disclosed in note 1.

Financial ratios

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

The financial ratios stated in the statement of financial highlights have been calculated as follows:

Operating margin	$\dfrac{\text{Operating profit/loss x 100}}{\text{Revenue}}$
Gross margin	$\dfrac{\text{Gross profit/loss x 100}}{\text{Revenue}}$
Current ratio	$\dfrac{\text{Current assets, year end x 100}}{\text{Total current liabilities, year end}}$
Solvency ratio	$\dfrac{\text{Equity at year end x 100}}{\text{Total equity and liabilities at year end}}$
Return on equity	$\dfrac{\text{Profit/loss from ordinary activities after tax x 100}}{\text{Average equity}}$

In accordance with section 101(4) of the Danish Financial Statements Act, financial highlights are presented solely for the Group.