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# ***KIRK Aviation A/S***

Damhaven 5D, DK-7100 Vejle

## **Annual Report for 1 January - 31 December 2017**

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CVR No 31 78 63 47

The Annual Report was  
presented and adopted at  
the Annual General  
Meeting of the Company on  
25/4 2018

Søren Lindgaard  
Chairman

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# **Management's Statement**

The Executive Board and Board of Directors have today considered and adopted the Annual Report of KIRK Aviation A/S for the financial year 1 January - 31 December 2017.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2017 of the Company and of the results of the Company operations for 2017.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

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

Vejle, 25 April 2018

## **Executive Board**

Søren Lindgaard

## **Board of Directors**

Kim Gulstad  
Chairman

Signe Krog Jensen

Søren Lindgaard

Martin Deppe Mørup

# Independent Auditor's Report

To the Shareholder of KIRK Aviation A/S

## Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2017 and of the results of the Company's operations for the financial year 1 January - 31 December 2017 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of KIRK Aviation A/S for the financial year 1 January - 31 December 2017, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("the 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 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 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 Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

## Management's responsibilities for the Financial Statements

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

# Independent Auditor's Report

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

## **Auditor's responsibilities for the audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of 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 Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- 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.

# **Independent Auditor's Report**

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.

Aarhus, 25 April 2018

**PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab

*CVR No 33 77 12 31*

Henrik Kragh

State Authorised Public Accountant

mne26783

## **Company Information**

### **The Company**

KIRK Aviation A/S  
Damhaven 5D  
DK-7100 Vejle

CVR No: 31 78 63 47  
Financial period: 1 January - 31 December  
Municipality of reg. office: Vejle

### **Board of Directors**

Kim Gulstad, Chairman  
Signe Krog Jensen  
Søren Lindgaard  
Martin Deppe Mørup

### **Executive Board**

Søren Lindgaard

### **Auditors**

PricewaterhouseCoopers  
Statsautoriseret Revisionspartnerselskab  
Nobelparken  
Jens Chr. Skous Vej 1  
DK-8000 Aarhus C

# **Management's Review**

## **Key activities**

The objective of the Company is to operate business within trade and industry, including aircraft leasing, and other related activities.

## **Development in the year**

The income statement of the Company for 2017 shows a loss of USD 116,111, and at 31 December 2017 the balance sheet of the Company shows equity of USD 43,527,689.

## **Subsequent events**

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.



## Income Statement 1 January - 31 December 2017

	Note	2017 USD	2016 USDk
<b>Gross profit/loss</b>		<b>1,318,698</b>	<b>1,649</b>
Depreciation and impairment of property, plant and equipment		-5,313,713	-2,420
<b>Profit/loss before financial income and expenses</b>		<b>-3,995,015</b>	<b>-771</b>
Income from investments in subsidiaries		3,545,468	385
Income from investments in associates		0	2,388
Financial income	1	390,290	746
Financial expenses	2	-890,545	-1,025
<b>Profit/loss before tax</b>		<b>-949,802</b>	<b>1,723</b>
Tax on profit/loss for the year	3	833,691	73
<b>Net profit/loss for the year</b>		<b>-116,111</b>	<b>1,796</b>

## Distribution of profit

### Proposed distribution of profit

Extraordinary dividend paid		6,148,000	15,150
Reserve for net revaluation under the equity method		0	3,058
Retained earnings		-6,264,111	-16,412
		<b>-116,111</b>	<b>1,796</b>

## Balance Sheet 31 December 2017

### Assets

	Note	2017 USD	2016 USDk
Airplanes		13,279,412	30,719
<b>Property, plant and equipment</b>		<b>13,279,412</b>	<b>30,719</b>
Investments in subsidiaries	4	38,665,662	32,390
Investments in associates		0	-1
Receivables regarding finance leases		5,392,991	13,519
<b>Fixed asset investments</b>		<b>44,058,653</b>	<b>45,908</b>
<b>Fixed assets</b>		<b>57,338,065</b>	<b>76,627</b>
Trade receivables		312	0
Receivables from group enterprises		29,026	0
Other receivables		2,098,180	2
<b>Receivables</b>		<b>2,127,518</b>	<b>2</b>
<b>Cash at bank and in hand</b>		<b>400,096</b>	<b>1,402</b>
<b>Currents assets</b>		<b>2,527,614</b>	<b>1,404</b>
<b>Assets</b>		<b>59,865,679</b>	<b>78,031</b>

# Balance Sheet 31 December 2017

## Liabilities and equity

	Note	2017 USD	2016 USDk
Share capital		1,892,183	1,893
Retained earnings		41,635,506	47,899
<b>Equity</b>	5	<b>43,527,689</b>	<b>49,792</b>
Provision for deferred tax	6	2,461,931	5,227
<b>Provisions</b>		<b>2,461,931</b>	<b>5,227</b>
Other payables		0	9,727
<b>Long-term debt</b>	7	<b>0</b>	<b>9,727</b>
Prepayments received from customers		2,145,086	2,145
Trade payables		1,549	1
Payables to group enterprises		0	23
Corporation tax		1,930,990	1,286
Other payables	7	9,758,151	9,752
Deferred income		40,283	78
<b>Short-term debt</b>		<b>13,876,059</b>	<b>13,285</b>
<b>Debt</b>		<b>13,876,059</b>	<b>23,012</b>
<b>Liabilities and equity</b>		<b>59,865,679</b>	<b>78,031</b>
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## Statement of Changes in Equity

	<u>Share capital</u> USD	<u>Retained earnings</u> USD	<u>Total</u> USD
Equity at 1 January	1,892,183	47,899,617	49,791,800
Extraordinary dividend paid	0	-6,148,000	-6,148,000
Net profit/loss for the year	<u>0</u>	<u>-116,111</u>	<u>-116,111</u>
<b>Equity at 31 December</b>	<b><u>1,892,183</u></b>	<b><u>41,635,506</u></b>	<b><u>43,527,689</u></b>

## Notes to the Financial Statements

	2017	2016
	USD	USDk
<b>1 Financial income</b>		
Interest received from group enterprises	9,346	29
Other financial income	380,944	671
Exchange adjustments	0	46
	<u>390,290</u>	<u>746</u>
<b>2 Financial expenses</b>		
Interest paid to associates	0	2
Other financial expenses	717,856	1,023
Exchange adjustments, expenses	172,689	0
	<u>890,545</u>	<u>1,025</u>
<b>3 Tax on profit/loss for the year</b>		
Current tax for the year	1,930,990	1,286
Deferred tax for the year	-2,764,707	-1,396
Adjustment of tax concerning previous years	26	583
Adjustment of deferred tax concerning previous years	0	-546
	<u>-833,691</u>	<u>-73</u>

## Notes to the Financial Statements

	2017 USD	2016 USDk
<b>4 Investments in subsidiaries</b>		
Cost at 1 January	38,675,129	38,675
Additions for the year	2,730,000	0
Cost at 31 December	41,405,129	38,675
Value adjustments at 1 January	-6,284,935	1,180
Net profit/loss for the year	3,545,468	385
Dividend to the Parent Company	0	-7,850
Value adjustments at 31 December	-2,739,467	-6,285
<b>Carrying amount at 31 December</b>	<b>38,665,662</b>	<b>32,390</b>
Remaining positive difference included in the above carrying amount at 31 December	605,246	818,863

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Votes and ownership	Equity	Net profit/loss for the year
KKAG Aviation A/S	Vejle	100%	38,060,416	3,759,084

## 5 Equity

The share capital consists of 100,000 shares of a nominal value of USD 19 (DKK 100). No shares carry any special rights.

There have been no changes in the share capital during the last 5 years.

## Notes to the Financial Statements

	2017	2016
	USD	USDk
<b>6 Provision for deferred tax</b>		
Property, plant and equipment	1,275,473	2,252,463
Financial leases	1,186,458	2,974,175
Tax loss carry-forward	0	-5,221,411
	<b>2,461,931</b>	<b>5,227</b>

Deferred tax has been provided at 22% corresponding to the current tax rate.

### 7 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

	2017	2016
	USD	USDk
<b>Other payables</b>		
Between 1 and 5 years	0	9,727
Long-term part	0	9,727
Within 1 year	9,730,157	9,725
Other short-term payables	27,994	27
Short-term part	9,758,151	9,752
	<b>9,758,151</b>	<b>19,479</b>

# Notes to the Financial Statements

	2017 USD	2016 USDk
<b>8 Contingent assets, liabilities and other financial obligations</b>		
<b>Charges and security</b>		
The following assets have been placed as security with bankers:		
As collateral for bank debt in the subsidiary KA1 P/S, USD 41,667k, the bank has been given security in KIRK Aviation A/S's shares and rights in KKAG Aviation A/S.		
The carrying amount of the shares and rights amounts to	38,665	32,390

As security for KA1 P/S' financial instruments in banks, KIRK Aviation A/S has granted security for these instruments. As of 31 December 2017 these instruments have a negative value of USD 0.8 million.

## Contingent liabilities

The Danish group enterprises are jointly and severally liable for tax on the jointly taxed income of the Group and for Danish taxes at source such as dividend tax, tax on royalty payments and withholding tax. The total payable corporation tax is disclosed in the Annual Report of KIRK KAPITAL A/S, which is the management company of the joint taxation.

## 9 Related parties

### Consolidated Financial Statements

The Company is included in the Group Annual Report of

Name	Place of registered office
KIRK KAPITAL A/S, CVR No: 31 15 98 57, and municipality of reg. office: Vejle	Damhaven 5D, DK-7100 Vejle



# Notes to the Financial Statements

## 10 Accounting Policies

The Annual Report of KIRK Aviation A/S for 2017 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B.

The accounting policies applied remain unchanged from last year.

Financial Statements for 2017 are presented in USD, which is the functional currency of the Company. At 31 December 2017 the USD/DKK exchange rate is 620.77. The corresponding exchange rate at 31 December 2016 was 705.28.

### Recognition and measurement

The Financial Statements have been prepared under the historical cost method.

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

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

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

### Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

# Notes to the Financial Statements

## 10 Accounting Policies (continued)

### Income Statement

#### Revenue

Revenue from the lease of airplanes is recognised in the income statement when delivery and transfer of risk to the buyer have been made before year end.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

#### Other external expenses

Other external expenses comprise expenses for premises, sales and distribution as well as office expenses, etc.

#### Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, revenue has not been disclosed in the Annual Report.

#### Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of property, plant and equipment.

#### Income from investments in subsidiaries and associates

The items “Income from investments in subsidiaries” and “Income from investments in associates” in the income statement include the proportionate share of the profit for the year.

#### Financial income and expenses

Financial income and expenses comprise interest income and expenses, realised and unrealised capital and exchange gains and losses on foreign currency transactions as well as surcharges and allowances under the on-account taxation scheme, etc.

# Notes to the Financial Statements

## 10 Accounting Policies (continued)

### Tax on profit/loss for the year

Tax for the year consists of current tax for the year and deferred tax for the year. The tax attributable to the profit for year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

Any changes in deferred tax due to changes to tax rates are recognised in the income statement.

The Company is jointly taxed with the Parent Company and all Danish group enterprises. The tax effect of the joint taxation with the subsidiaries is allocated to enterprises showing profits or losses in proportion to their taxable incomes (full allocation with credit for tax losses).

## Balance Sheet

### Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Airplanes	10-20 years
Residual value	7,800,000 USD

### Impairment of fixed assets

The carrying amounts of property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, an impairment test is carried out to determine whether the recoverable amount is lower than the carrying amount. If so, the asset is written down to its lower recoverable amount.

The recoverable amount of the asset is calculated as the higher of net selling price and value in use. Where a recoverable amount cannot be determined for the individual asset, the assets are assessed in the smallest group of assets for which a reliable recoverable amount can be determined based on a total assessment.

# Notes to the Financial Statements

## 10 Accounting Policies (continued)

### Investments in subsidiaries and associates

Investments in subsidiaries and associates are recognised and measured under the equity method.

The items “Investments in subsidiaries” and “Investments in associates” in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealised inter-company profits or losses and with addition of the remaining value of any increases in value and goodwill calculated at the time of acquisition of the enterprises.

The total net revaluation of investments in subsidiaries and associates is transferred upon distribution of profit to “Reserve for net revaluation under the equity method” under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in the subsidiaries and the associates.

Subsidiaries and associates with a negative net asset value are recognised at USD 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

### Other fixed asset investments

Other fixed asset investments consist of leases regarding rental of airplanes where the other party takes on all risks, and benefits attached to the ownership are treated as finance leases. Outstanding lease receivables are recognised in the balance sheet as receivables under fixed asset investments, and the interest share of the lease payments received is recognised in the income statement proportional with the period of the lease contract.

### Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

### Deferred tax assets and liabilities

Deferred tax is recognised in respect of all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised in respect of temporary differences concerning goodwill not deductible for tax purposes and other items - apart from business acquisitions - where temporary differences have arisen at the time of acquisition without affecting the profit for the year or the taxable income.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. In cases where the computation of the tax base may be made according to alternative tax rules, deferred tax is

## **Notes to the Financial Statements**

### **10 Accounting Policies** (continued)

measured on the basis of the intended use of the asset and settlement of the liability, respectively.

# Notes to the Financial Statements

## 10 Accounting Policies (continued)

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities.

### **Current tax receivables and liabilities**

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

### **Financial debts**

Loans, such as mortgage loans and loans from credit institutions, are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

Other debts are measured at amortised cost, substantially corresponding to nominal value.

### **Deferred income**

Deferred income comprises payments received in respect of income in subsequent years.