
KIRK Aviation A/S

Havneøen 1, DK-7100 Vejle

Annual Report for 1 January - 31 December 2018

CVR No 31 78 63 47

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
9 /4 2019

Martin Deppe Mørup
Chairman of the General
Meeting

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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 2018.

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 2018 of the Company and of the results of the Company operations for 2018.

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, 9 April 2019

Executive Board

Martin Deppe Mørup

Board of Directors

Kim Gulstad
Chairman

Martin Deppe Mørup

Andreas Færk

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 2018 and of the results of the Company's operations for the financial year 1 January - 31 December 2018 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 2018, 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, 9 April 2019

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Henrik Kragh
State Authorised Public Accountant
mne26783

Claus Lyngsø Sørensen
State Authorised Public Accountant
mne34539

Company Information

The Company

KIRK Aviation A/S
Havneøen 1
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
Martin Deppe Mørup
Andreas Færk

Executive Board

Martin Deppe Mørup

Auditors

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

Management's Review

Key activities

The key activities 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 2018 shows a profit of USD 4,024,991, and at 31 December 2018 the balance sheet of the Company shows equity of USD 56,282,853.

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 2018

	Note	2018 USD	2017 USDk
Gross profit/loss		2,091,720	1,318
Depreciation and impairment of property, plant and equipment		-1,429,412	-5,314
Profit/loss before financial income and expenses		662,308	-3,996
Income from investments in subsidiaries		3,821,777	3,545
Income from investments in associates		-242,874	0
Financial income	1	170,101	391
Financial expenses	2	-335,014	-890
Profit/loss before tax		4,076,298	-950
Tax on profit/loss for the year	3	-51,307	834
Net profit/loss for the year		4,024,991	-116

Distribution of profit

Proposed distribution of profit

Extraordinary dividend paid		0	6,148
Reserve for net revaluation under the equity method		1,082,310	0
Retained earnings		2,942,681	-6,264
		4,024,991	-116

Balance Sheet 31 December 2018

Assets

	Note	2018 USD	2017 USDk
Airplanes		11,850,000	13,278
Property, plant and equipment		11,850,000	13,278
Investments in subsidiaries	4	43,867,439	38,665
Investments in associates	5	2,832,522	0
Receivables regarding finance leases		0	5,393
Fixed asset investments		46,699,961	44,058
Fixed assets		58,549,961	57,336
Receivables from group enterprises		7,545	29
Other receivables		81,435	2,100
Receivables		88,980	2,129
Cash at bank and in hand		165,244	400
Current assets		254,224	2,529
Assets		58,804,185	59,865

Balance Sheet 31 December 2018

Liabilities and equity

	Note	2018 USD	2017 USDk
Share capital		1,892,183	1,892
Reserve for net revaluation under the equity method		1,082,310	0
Retained earnings		<u>53,308,360</u>	<u>41,636</u>
Equity	6	<u>56,282,853</u>	<u>43,528</u>
Provision for deferred tax	7	<u>1,346,192</u>	<u>2,462</u>
Provisions		<u>1,346,192</u>	<u>2,462</u>
Prepayments received from customers		0	2,145
Trade payables		2,933	2
Corporation tax		1,166,990	1,931
Other payables		5,217	9,757
Deferred income		<u>0</u>	<u>40</u>
Short-term debt		<u>1,175,140</u>	<u>13,875</u>
Debt		<u>1,175,140</u>	<u>13,875</u>
Liabilities and equity		<u>58,804,185</u>	<u>59,865</u>
Contingent assets, liabilities and other financial obligations	8		
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Statement of Changes in Equity

	Share capital	Reserve for net revaluation under the equity method	Retained earnings	Total
	USD	USD	USD	USD
Equity at 1 January	1,892,183	0	41,635,506	43,527,689
Exchange adjustments	0	0	-102,827	-102,827
Contribution from group enterprises	0	0	8,833,000	8,833,000
Net profit/loss for the year	0	1,082,310	2,942,681	4,024,991
Equity at 31 December	1,892,183	1,082,310	53,308,360	56,282,853

Notes to the Financial Statements

	<u>2018</u>	<u>2017</u>
	USD	USDk
1 Financial income		
Interest received from group enterprises	2,369	9
Other financial income	59,549	381
Exchange adjustments	108,183	1
	<u>170,101</u>	<u>391</u>
2 Financial expenses		
Interest paid to associates	354	0
Other financial expenses	334,660	717
Exchange adjustments, expenses	0	173
	<u>335,014</u>	<u>890</u>
3 Tax on profit/loss for the year		
Current tax for the year	1,166,990	1,931
Deferred tax for the year	-1,115,738	-2,765
Adjustment of tax concerning previous years	55	0
	<u>51,307</u>	<u>-834</u>

Notes to the Financial Statements

	2018 USD	2017 USDk
4 Investments in subsidiaries		
Cost at 1 January	41,405,129	38,675
Additions for the year	1,380,000	2,730
Cost at 31 December	42,785,129	41,405
Value adjustments at 1 January	-2,739,467	-6,285
Net profit/loss for the year	3,821,777	3,545
Value adjustments at 31 December	1,082,310	-2,740
Carrying amount at 31 December	43,867,439	38,665
Remaining positive difference included in the above carrying amount at 31 December	391,631	605

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Votes and ownership
KKAG Aviation A/S	Vejle	100%

Notes to the Financial Statements

	2018 <u>USD</u>	2017 <u>USDk</u>
5 Investments in associates		
Cost at 1 January	0	0
Additions for the year	<u>3,178,223</u>	<u>0</u>
Cost at 31 December	<u>3,178,223</u>	<u>0</u>
Value adjustments at 1 January	0	0
Exchange adjustment	-102,827	0
Net profit/loss for the year	<u>-242,874</u>	<u>0</u>
Value adjustments at 31 December	<u>-345,701</u>	<u>0</u>
Carrying amount at 31 December	<u>2,832,522</u>	<u>0</u>

Investments in associates are specified as follows:

Name	Place of registered office	Votes and ownership
JF IV ApS	Billund	50%
K/S Jointflight IV	Billund	49%

6 Equity

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

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

	2018 <u>USD</u>	2017 <u>USDk</u>
7 Provision for deferred tax		
Property, plant and equipment	1,346,192	1,275
Financial leases	<u>0</u>	<u>1,187</u>
	<u>1,346,192</u>	<u>2,462</u>

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

Notes to the Financial Statements

	2018 USD	2017 USDk
8 Contingent assets, liabilities and other financial obligations		
Charges and security		
The following assets have been placed as security with bankers:		
As collateral for bank debt in the subsidiary KA1 P/S, USD 25,000k, 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	43,867	38,665

As security for KA1 P/S' financial instruments in banks, KIRK Aviation A/S has granted security for these instruments. As of 31 December 2018 these instruments have a positive value of USD 48k.

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	Havneøen 1, DK-7100 Vejle

Notes to the Financial Statements

10 Accounting Policies

The Annual Report of KIRK Aviation A/S for 2018 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 2018 are presented in USD, which is the functional currency of the Company. At 31 December 2018 the USD/DKK exchange rate is 651.94. The corresponding exchange rate at 31 December 2017 was 620.77.

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, gross profit/loss is calculated as a summary of revenue and other external expenses.

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.

Notes to the Financial Statements

10 Accounting Policies (continued)

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

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.