
KIRK Aviation A/S

Damhaven 5D, DK-7100 Vejle

Annual Report for 1 January - 31 December 2015

CVR No 31 78 63 47

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
21/4 2016

Søren Lindgaard
Chairman

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Management's Statement

The Executive and Supervisory Boards have today considered and adopted the Annual Report of KIRK Aviation A/S for the financial year 1 January - 31 December 2015.

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 2015 of the Company and of the results of the Company operations for 2015.

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, 11 March 2016

Executive Board

Søren Vad Sørensen

Board of Directors

Bjarne Ammitzbøll

Signe Krog Jensen

Søren Vad Sørensen

Michael Walsh

Independent Auditor's Report on the Financial Statements

To the Shareholder of KIRK Aviation A/S

Report on the Financial Statements

We have audited the Financial Statements of KIRK Aviation A/S for the financial year 1 January - 31 December 2015, which comprise income statement, balance sheet, notes and summary of significant accounting policies. The Financial Statements are prepared in accordance with the Danish Financial Statements Act.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on the Financial Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Financial Statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of Financial Statements that give a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the Financial Statements.

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

Our audit has not resulted in any qualification.

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2015 and of the results of the Company operations for the financial year 1 January - 31 December 2015 in accordance with the Danish Financial Statements Act.

Independent Auditor's Report on the Financial Statements

Statement on Management's Review

We have read Management's Review in accordance with the Danish Financial Statements Act. We have not performed any procedures additional to the audit of the Financial Statements. On this basis, in our opinion, the information provided in Management's Review is in accordance with the Financial Statements.

Aarhus, 11 March 2016

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Henrik Kragh

State Authorised Public Accountant

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

Bjarne Ammitzbøll
Signe Krog Jensen
Søren Vad Sørensen
Michael Walsh

Executive Board

Søren Vad Sørensen

Auditors

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

Management's Review

Main activity

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 2015 shows a loss of USD 2,254,523, and at 31 December 2015 the balance sheet of the Company shows equity of USD 63,145,887.

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 2015

	Note	2015 USD	2014 USD
Gross profit/loss		643.297	6.861.487
Depreciation and impairment of property, plant and equipment	1	-4.051.523	-5.136.345
Profit/loss before financial income and expenses		-3.408.226	1.725.142
Income from investments in subsidiaries		1.180.211	0
Income from investments in associates		-773.246	-4.157.459
Financial income	2	1.344.418	1.319.512
Financial expenses	3	-33.466	-51.503
Profit/loss before tax		-1.690.309	-1.164.308
Tax on profit/loss for the year	4	-564.214	-2.884.630
Net profit/loss for the year		-2.254.523	-4.048.938

Distribution of profit

Proposed distribution of profit

Extraordinary dividend paid		5.360.000	31.100.000
Reserve for net revaluation under the equity method		406.965	-4.157.459
Retained earnings		-8.021.488	-30.991.479
		-2.254.523	-4.048.938

Balance Sheet 31 December 2015

Assets

	Note	2015 USD	2014 USD
Airplanes		33.138.235	37.189.757
Property, plant and equipment	5	33.138.235	37.189.757
Investments in subsidiaries	6	39.855.340	0
Investments in associates	7	3.612.013	4.385.259
Receivables regarding finance leases	8	25.214.872	40.065.942
Fixed asset investments		68.682.225	44.451.201
Fixed assets		101.820.460	81.640.958
Receivables from group enterprises		0	71.190
Other receivables		2.258	543.222
Receivables		2.258	614.412
Cash at bank and in hand		864.692	750.239
Currents assets		866.950	1.364.651
Assets		102.687.410	83.005.609

Balance Sheet 31 December 2015

Liabilities and equity

	Note	2015 USD	2014 USD
Share capital		1.892.183	1.892.183
Reserve for net revaluation under the equity method		4.792.223	4.385.258
Retained earnings		56.461.481	64.482.969
Equity	9	63.145.887	70.760.410
Provision for deferred tax	10	7.168.700	8.031.100
Provisions		7.168.700	8.031.100
Other payables		19.337.565	0
Long-term debt		19.337.565	0
Prepayments received from customers		1.824.938	1.582.475
Trade payables		34.961	0
Payables to group enterprises		978	0
Corporation tax		1.360.517	1.891.808
Other payables		9.688.714	575.383
Deferred income		125.150	164.433
Short-term debt		13.035.258	4.214.099
Debt		32.372.823	4.214.099
Liabilities and equity		102.687.410	83.005.609
Contingent assets, liabilities and other financial obligations	11		
Related parties and ownership	12		

Notes to the Financial Statements

	<u>2015</u>	<u>2014</u>
	USD	USD
1 Depreciation and impairment of property, plant and equipment		
Depreciation of property, plant and equipment	2.526.506	5.136.345
Impairment of property, plant and equipment	1.525.017	0
	<u>4.051.523</u>	<u>5.136.345</u>
2 Financial income		
Interest received from group enterprises	18.534	23.002
Other financial income	1.085.536	1.296.510
Exchange adjustments	240.348	0
	<u>1.344.418</u>	<u>1.319.512</u>
3 Financial expenses		
Interest paid to associates	0	30.196
Other financial expenses	33.466	21.307
	<u>33.466</u>	<u>51.503</u>
4 Tax on profit/loss for the year		
Current tax for the year	1.360.519	1.914.541
Deferred tax for the year	-862.400	710.600
Adjustment of tax concerning previous years	66.095	260.389
Adjustment of deferred tax concerning previous years	0	-900
	<u>564.214</u>	<u>2.884.630</u>

Notes to the Financial Statements

5 Property, plant and equipment

	Airplanes USD
Cost at 1 January 2015	51.999.648
Cost at 31 December 2015	51.999.648
Impairment losses and depreciation at 1 January 2015	14.809.890
Impairment losses for the year	1.525.017
Depreciation for the year	2.526.506
Impairment losses and depreciation at 31 December 2015	18.861.413
Carrying amount at 31 December 2015	33.138.235

6 Investments in subsidiaries

	2015 USD	2014 USD
Cost at 1 January 2015	0	0
Additions for the year	38.675.129	0
Cost at 31 December 2015	38.675.129	0
Value adjustments at 1 January 2015	0	0
Net profit/loss for the year	1.230.211	0
Amortisation of goodwill	-50.000	0
Value adjustments at 31 December 2015	1.180.211	0
Carrying amount at 31 December 2015	39.855.340	0
Remaining positive difference included in the above carrying amount at 31 December 2015	1.018.082	0

Investments in subsidiaries are specified as follows:

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

Notes to the Financial Statements

	2015 <u>USD</u>	2014 <u>USD</u>
7 Investments in associates		
Cost at 1 January 2015	<u>1</u>	<u>1</u>
Cost at 31 December 2015	<u>1</u>	<u>1</u>
Value adjustments at 1 January 2015	4.385.258	8.542.717
Net profit/loss for the year	<u>-773.246</u>	<u>-4.157.459</u>
Value adjustments at 31 December 2015	<u>3.612.012</u>	<u>4.385.258</u>
Carrying amount at 31 December 2015	<u>3.612.013</u>	<u>4.385.259</u>

Investments in associates are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership
NK Aviation Ltd.	Ireland		50%

8 Other fixed asset investments

	Receivables regarding finance leases <u>USD</u>
Cost at 1 January 2015	57.358.865
Disposals for the year	<u>-7.052.246</u>
Cost at 31 December 2015	<u>50.306.619</u>
Revaluations at 1 January 2015	-17.292.923
Revaluations for the year	-9.388.322
Reversals for the year of revaluations in previous years	<u>1.589.498</u>
Revaluations at 31 December 2015	<u>-25.091.747</u>
Carrying amount at 31 December 2015	<u>25.214.872</u>

Notes to the Financial Statements

9 Equity

	Share capital	Reserve for net revaluation under the equity method	Retained earnings	Total
	USD	USD	USD	USD
Equity at 1 January 2015	1.892.183	4.385.258	64.482.969	70.760.410
Extraordinary dividend paid	0	0	-5.360.000	-5.360.000
Net profit/loss for the year	0	406.965	-2.661.488	-2.254.523
Equity at 31 December 2015	1.892.183	4.792.223	56.461.481	63.145.887

The share capital consists of 100.000 shares of a nominal value of DKK 100 (USD 18.92). No shares carry any special rights.

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

10 Provision for deferred tax

	2015	2014
	USD	USD
Property, plant and equipment	7.168.700	8.031
Tax loss carry-forward	0	8.023.069
	7.168.700	8.031.100

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

11 Contingent assets, liabilities and other financial obligations

Contingent liabilities

As collateral for bank debt in the subsidiary KA1 P/S, USDk 75,000, the bank has been given security in KIRK Aviation A/S's shares and rights in KKAG Aviation A/S with a carrying amount of USDk 39,855 at 31 December 2015.

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.

Notes to the Financial Statements

11 Contingent assets, liabilities and other financial obligations (continued)

12 Related parties and ownership

	Basis
Controlling interest	
KIRK KAPITAL A/S, Damhaven 5D, DK-7100 Vejle	Majority shareholder

Ownership

The following shareholder is recorded in the Company's register of shareholders as holding at least 5% of the votes or at least 5% of the share capital:

KIRK KAPITAL A/S, Damhaven 5D, DK-7100 Vejle

Consolidated Financial Statements

The Company is included in the Group Annual Report of KIRK KAPITAL A/S, CVR No: 31 15 98 57, and municipality of reg. office: Vejle.

Accounting Policies

Basis of Preparation

Financial Statements of KIRK Aviation A/S for 2015 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 2015 are presented in USD, which is the functional currency of the Company. At 31 December 2015 the USD/DKK exchange rate is 683.00. The corresponding exchange rate at 31 December 2014 was 612.14.

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. Gains and losses 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 transaction date rates are recognised in financial income and expenses in the income statement.

Accounting Policies

Income Statement

Gross profit/loss

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

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 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.

Depreciation and impairment losses

Depreciation and impairment losses comprise depreciation and impairment of property, plant and equipment.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the core activities of the enterprise, including gains and losses on the sale of intangible assets and 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.

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 the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

Accounting Policies

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 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	10,600,000 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, and 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.

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.

Accounting Policies

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 subsidiaries and 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 recognised in the balance sheet at amortised cost, which substantially corresponds to nominal value. Provisions for estimated bad debts are made.

Equity

Dividend

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

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, including the tax base of tax loss carry-forward, 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.

Accounting Policies

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 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.

Cash Flow Statement

No cash flow statement has been prepared for the Company as the Company's cash flows are included in the Consolidated Cash Flow Statement of KIRK KAPITAL A/S.