
KA1 P/S

Damhaven 5D, DK-7100 Vejle

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

CVR No 33 07 63 39

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

Søren Lindgaard
Chairman

Contents

	<u>Page</u>
Management's Statement and Auditor's Report	
Management's Statement	1
Independent Auditor's Report	2
Company Information	
Company Information	5
Management's Review	6
Financial Statements	
Income Statement 1 January - 31 December 2017	7
Balance Sheet 31 December 2017	8
Statement of Changes in Equity	10
Notes to the Financial Statements	11

Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of KA1 P/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

Martin Deppe Mørup
Chairman

Signe Krog Jensen

Søren Lindgaard

Independent Auditor's Report

To the Shareholder of KA1 P/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 KA1 P/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.

We communicate with those charged with governance regarding, among other matters, the planned

Independent Auditor's Report

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

KA1 P/S
Damhaven 5D
DK-7100 Vejle

CVR No: 33 07 63 39
Financial period: 1 January - 31 December
Municipality of reg. office: Vejle

Board of Directors

Martin Deppe Mørup, Chairman
Signe Krog Jensen
Søren Lindgaard

Executive Board

Søren Lindgaard

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 2017 shows a profit of USD 4,894,716, and at 31 December 2017 the balance sheet of the Company shows equity of USD 45,263,744.

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
Gross profit/loss		6,306,682	6,280
Depreciation and impairment of property, plant and equipment		-3,596,458	-3,596
Profit/loss before financial income and expenses		2,710,224	2,684
Income from investments in associates		187,053	735
Financial income	1	4,832,124	5,477
Financial expenses	2	-2,834,685	-3,841
Net profit/loss for the year		4,894,716	5,055

Distribution of profit

Proposed distribution of profit

Extraordinary dividend paid		0	8,800
Reserve for net revaluation under the equity method		0	2,216
Retained earnings		4,894,716	-5,961
		4,894,716	5,055

Balance Sheet 31 December 2017

Assets

	Note	2017 USD	2016 USDk
Airplanes		36,065,511	39,662
Property, plant and equipment		36,065,511	39,662
Investments in associates	3	1,028,684	842
Receivables regarding finance leases		49,296,634	52,022
Fixed asset investments		50,325,318	52,864
Fixed assets		86,390,829	92,526
Receivables from group enterprises		10,332	50
Receivables		10,332	50
Cash at bank and in hand		1,313,442	6,802
Currents assets		1,323,774	6,852
Assets		87,714,603	99,378

Balance Sheet 31 December 2017

Liabilities and equity

	Note	2017 USD	2016 USDk
Share capital		574,914	575
Retained earnings		44,688,830	37,874
Equity	4	45,263,744	38,449
Credit institutions		25,000,000	41,666
Long-term debt	5	25,000,000	41,666
Credit institutions	5	16,666,667	16,667
Trade payables		0	1
Payables to group enterprises		562	0
Other payables	6	783,630	2,595
Short-term debt		17,450,859	19,263
Debt		42,450,859	60,929
Liabilities and equity		87,714,603	99,378
Contingent assets, liabilities and other financial obligations	7		
Related parties	8		
Accounting Policies	9		

Statement of Changes in Equity

	<u>Share capital</u> USD	<u>Retained earnings</u> USD	<u>Total</u> USD
Equity at 1 January	574,914	37,873,114	38,448,028
Contribution from group enterprises	0	1,921,000	1,921,000
Net profit/loss for the year	0	4,894,716	4,894,716
Equity at 31 December	<u>574,914</u>	<u>44,688,830</u>	<u>45,263,744</u>

Notes to the Financial Statements

	2017 <u>USD</u>	2016 <u>USDk</u>
1 Financial income		
Interest received from group enterprises	18	24
Other financial income	4,832,071	5,453
Exchange gains	35	0
	<u>4,832,124</u>	<u>5,477</u>
2 Financial expenses		
Interest paid to group enterprises	1,216	0
Other financial expenses	2,833,468	3,841
Exchange loss	1	0
	<u>2,834,685</u>	<u>3,841</u>
3 Investments in associates		
Cost at 1 January	<u>2,323,000</u>	<u>2,323</u>
Cost at 31 December	<u>2,323,000</u>	<u>2,323</u>
Value adjustments at 1 January	-1,481,369	5,284
Net profit/loss for the year	187,053	735
Dividends received	0	-7,500
Value adjustments at 31 December	<u>-1,294,316</u>	<u>-1,481</u>
Carrying amount at 31 December	<u>1,028,684</u>	<u>842</u>

Investments in associates are specified as follows:

Name	Place of registered office	Votes and ownership
KN Operating Ltd.	Ireland	50%

Notes to the Financial Statements

4 Equity

The share capital consists of 32,220 shares of a nominal value of USD 18(DKK 100). No shares carry any special rights.

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

5 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:

	<u>2017</u> USD	<u>2016</u> USDk
Credit institutions		
After 5 years	0	0
Between 1 and 5 years	<u>25,000,000</u>	<u>41,666</u>
Long-term part	25,000,000	41,666
Within 1 year	<u>16,666,667</u>	<u>16,667</u>
	<u>41,666,667</u>	<u>58,333</u>

6 Derivative financial instruments

Derivative financial instruments contracts in the form of interest rate swaps have been concluded. At the balance sheet date, the fair value of derivative financial instruments amounts to:

	<u>2017</u> USD	<u>2016</u> USDk
Liabilities	774,731	2,437

Interest rate swap contracts have been concluded to hedge financial contracts provided with a fixed interest rate. The contracts have a term of 22-66 months. Under the contracts, an interest rate of LIBOR + 3 month is exchanged for a fixed rate of interest of 1.4850 – 3.1750 %. At the balance sheet date, the fair value of the interest rate swap contracts amount to USDk -775.

Notes to the Financial Statements

7 Contingent assets, liabilities and other financial obligations

Contingent liabilities

There are no security and contingent liabilities at 31 December 2017.

8 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, 7100 Vejle

Notes to the Financial Statements

9 Accounting Policies

The Annual Report of KA1 P/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.

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.

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently remeasured at their fair values. Positive and negative fair values of derivative financial instruments are classified as "Other receivables" and "Other payables", respectively.

Changes in the fair values of derivative financial instruments are recognised in the income statement unless the derivative financial instrument is designated and qualify as hedge accounting.

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 recognised exclusive of VAT and net of discounts relating to sales.

Other external expenses

Other external expenses comprise expenses related to administration.

Notes to the Financial Statements

9 Accounting Policies (continued)

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 associates

The item "Income from investments in associates" in the income statement includes the proportionate share of the profit for the year less goodwill amortisation.

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 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.

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	8-12 years
Residual value	20,850,000 USD

Notes to the Financial Statements

9 Accounting Policies (continued)

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.

Investments in associates

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

The item "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 intercompany 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 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 associates.

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

9 Accounting Policies (continued)

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.