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***KA1 P/S***

Damhaven 5D, DK-7100 Vejle

**Annual Report for 1 January - 31  
December 2016**

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CVR No 33 07 63 39

The Annual Report was  
presented and adopted at  
the Annual General  
Meeting of the Company on  
1 /5 2017

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 KA1 P/S for the financial year 1 January - 31 December 2016.

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 2016 of the Company and of the results of the Company operations for 2016.

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 2017

## **Direktion**

Søren Lindgaard

## **Bestyrelse**

Bjarne Ammitzbøll  
Chairman

Signe Krog Jensen

Søren Lindgaard

Michael Walsh

# 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 2016 and of the results of the Company operations for the financial year 1 January - 31 December 2016 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 2016, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("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 Statement 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 judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 2017

**PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab

*CVR No 33 77 12 31*

Henrik Kragh

State Authorised Public Accountant

## **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**

Bjarne Ammitzbøll, Chairman  
Signe Krog Jensen  
Søren Lindgaard  
Michael Walsh

### **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 2016 shows a profit of USD 5,054,580, and at 31 December 2016 the balance sheet of the Company shows equity of USD 38,448,028.

## **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 2016

	Note	2016 USD	2015 USDk
<b>Gross profit/loss</b>		<b>6.282.244</b>	<b>6.285</b>
Depreciation and impairment of property, plant and equipment		-3.596.458	-3.596
<b>Profit/loss before financial income and expenses</b>		<b>2.685.786</b>	<b>2.689</b>
Income from investments in associates		734.593	-442
Financial income		5.475.654	5.608
Financial expenses		-3.841.453	-4.696
<b>Net profit/loss for the year</b>		<b>5.054.580</b>	<b>3.159</b>

## Distribution of profit

### Proposed distribution of profit

Extraordinary dividend paid		8.800.000	0
Reserve for net revaluation under the equity method		2.215.962	-442
Retained earnings		-5.961.382	3.601
		<b>5.054.580</b>	<b>3.159</b>

## Balance Sheet 31 December 2016

### Assets

	Note	2016 USD	2015 USDk
Airplanes		39.661.969	43.259
<b>Property, plant and equipment</b>	1	<b>39.661.969</b>	<b>43.259</b>
Investments in associates	2	841.631	7.607
Receivables regarding finance leases		52.021.529	64.670
<b>Fixed asset investments</b>		<b>52.863.160</b>	<b>72.277</b>
<b>Fixed assets</b>		<b>92.525.129</b>	<b>115.536</b>
Trade receivables		0	1
Receivables from group enterprises		49.968	27
<b>Receivables</b>		<b>49.968</b>	<b>28</b>
<b>Cash at bank and in hand</b>		<b>6.802.630</b>	<b>6.143</b>
<b>Currents assets</b>		<b>6.852.598</b>	<b>6.171</b>
<b>Assets</b>		<b>99.377.727</b>	<b>121.707</b>

# Balance Sheet 31 December 2016

## Liabilities and equity

	Note	2016 USD	2015 USDk
Share capital		574.914	575
Reserve for net revaluation under the equity method		0	5.284
Retained earnings		37.873.114	36.334
<b>Equity</b>	3	<b>38.448.028</b>	<b>42.193</b>
Credit institutions		41.666.666	58.333
<b>Long-term debt</b>	4	<b>41.666.666</b>	<b>58.333</b>
Credit institutions	4	16.666.667	16.667
Trade payables		1.360	0
Other payables	5	2.595.006	4.514
<b>Short-term debt</b>		<b>19.263.033</b>	<b>21.181</b>
<b>Debt</b>		<b>60.929.699</b>	<b>79.514</b>
<b>Liabilities and equity</b>		<b>99.377.727</b>	<b>121.707</b>
Related parties	6		

## 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 2016	574.914	5.284.038	36.334.496	42.193.448
Extraordinary dividend paid	0	0	-8.800.000	-8.800.000
Dividend from associates	0	-7.500.000	7.500.000	0
Net profit/loss for the year	0	2.215.962	2.838.618	5.054.580
<b>Equity at 31 December 2016</b>	<b>574.914</b>	<b>0</b>	<b>37.873.114</b>	<b>38.448.028</b>

# Notes to the Financial Statements

## 1 Property, plant and equipment

	Airplanes USD
Cost at 1 January 2016	62.000.000
Cost at 31 December 2016	62.000.000
Impairment losses and depreciation at 1 January 2016	18.741.573
Depreciation for the year	3.596.458
Impairment losses and depreciation at 31 December 2016	22.338.031
<b>Carrying amount at 31 December 2016</b>	<b>39.661.969</b>

	2016 USD	2015 USDk
<b>2 Investments in associates</b>		
Cost at 1 January 2016	2.323.000	2.323
Cost at 31 December 2016	2.323.000	2.323
Value adjustments at 1 January 2016	5.284.038	5.726
Net profit/loss for the year	734.593	-442
Dividends received	-7.500.000	0
Value adjustments at 31 December 2016	-1.481.369	5.284
<b>Carrying amount at 31 December 2016</b>	<b>841.631</b>	<b>7.607</b>

Investments in associates are specified as follows:

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

## 3 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.

# Notes to the Financial Statements

## 4 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:

	2016 USD	2015 USDk
<b>Credit institutions</b>		
Between 1 and 5 years	41.666.666	58.333
Long-term part	41.666.666	58.333
Within 1 year	16.666.667	16.667
	<b>58.333.333</b>	<b>75.000</b>

## 5 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:

	2016 USD	2015 USDk
Liabilities	2.437.119	4.200

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 -2,437.

## 6 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, Accounting Policies

## Basis of Preparation

The Annual Report of KA1 P/S for 2016 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 2016 are presented in USD, which is the functional currency of the Company. At 31 December 2016 the USD/DKK exchange rate is 705.28. The corresponding exchange rate at 31 December 2015 was 683.00.

## 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, see below.

## Hedge accounting

Changes in the fair values of financial instruments that are designated and qualify as fair value hedges of a recognised asset or a recognised liability are recognised in the income statement as are any changes in the fair value of the hedged asset or the hedged liability related to the hedged risk.

Changes in the fair values of derivative financial instruments that are designated and qualify as hedges of expected future transactions are recognised in retained earnings under equity as regards the effective portion of the hedge. The ineffective portion is recognised in the income statement. If the hedged transaction results in an asset or a liability, the amount deferred in equity is transferred from equity and recognised in the cost of the asset or the liability, respectively. If the hedged transaction results in an income or an expense, the amount deferred in equity is transferred from equity to the income statement in the period in which the hedged transaction is recognised. The amount is recognised in the same item as the hedged transaction.

## **Notes, Accounting Policies**

Changes in the fair values of financial instruments that are designated and qualify as hedges of net investments in independent foreign subsidiaries or associates are recognised directly in equity as regards the effective portion of the hedge, whereas the ineffective portion is recognised in the income statement.

### **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 related to administration.

#### **Depreciation and impairment losses**

Depreciation and impairment losses comprise amortisation, 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 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 on profit/loss for the year**

The Company is not an independent tax subject, and therefore income tax is not recognised in the Annual Report. The shareholders are subject to taxation of their share of the taxable income of the Company.



# Notes, Accounting Policies

## 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

### 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 items "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.

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 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.

## **Notes, Accounting Policies**

### **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.

### **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.