

Backbone Aviation A/S
John Tranums Vej 20,
DK-6705 Esbjerg Ø

Annual Report for 2016

CVR No 33 58 28 97

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 30th of June 2017

Bjarne Lastein
Chairman

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Management's Statement

The Board of Directors and the Executive Board have today presented the Annual Report of Backbone Aviation A/S for 2016.

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

We consider the accounting policies applied appropriate, and 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 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.

Esbjerg, 30 June 2017

Executive Board

Suzette Knudsgaard

Bjarne Lastein

Board of Directors

Bjarne Lastein
Chairman

Einar V Adalsteinsson

Jesper Præst Olsen

Independent Practitioner's Report on the Financial Statements

To the Shareholders of Backbone Aviation A/S

We have performed an extended review of the Financial Statements of Backbone Aviation A/S for the financial year 1 January – 31 December 2016, which comprise income statement, balance sheet and notes, including a 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.

Practitioner's Responsibility

Our responsibility is to express a conclusion on the Financial Statements. We conducted our extended review in accordance with the Danish Business Authority's assurance standard for small enterprises and FSR – Danish Auditors' standard on extended review of financial statements prepared under the Danish Financial Statements Act.

This requires that we comply with the Danish Act on Approved Auditors and Audit Firms and FSR – Danish Auditors' Code of Ethics and that we plan and perform procedures to obtain limited assurance in respect of our conclusion on the Financial Statements and, moreover, that we perform supplementary procedures specifically required to obtain additional assurance in respect of our conclusion.

An extended review consists of making inquiries, primarily of Management and others within the enterprise, as appropriate, and applying analytical procedures and the supplementary procedures specifically required as well as assessing the evidence obtained.

An extended review is less in scope than an audit and, consequently, we do not express an audit opinion on the Financial Statements.

Conclusion

Based on the extended review, 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.

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 extended review 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 extended review, 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 Financial 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.

Hellerup, 30 June 2017

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab
CVR-no. 33 77 12 31

Jan Boje Andreasen
State Authorised Public Accountant

Company Information

The Company	Backbone Aviation A/S John Tranums Vej 20 DK 6705 Esbjerg Ø
	CVR No: 33 58 28 97
	Founded: Reg. 27 March 2011
	office: Financial Esbjerg
	year: 1 January - 31 December 6th financial year
Board of Directors	Bjarne Lastein Einar V Adalsteinsson Jesper Præst Olsen
Executive Board	Suzette Knudsgaard
Auditors	PricewaterhouseCoopers statsautoriseret Revisionspartnerselskab Strandvejen 44 2900 Hellerup
Bankers	Jyske Bank
Lawyers	Kirk Larsen Ascanius
Parent Company	DanHolding II ApS, Holsted, Denmark

Management's Review

Main activity

Backbone Aviation A/S's main activity includes aviation and aviation-related services as well as any activity, which in the opinion of the Board of Directors is connected to this.

Development in activities and financial conditions

Results for the year after tax show a gain of DKK 1,703,464 compared to a loss of DKK 1,003,608 last year. Management considers the results for the year unsatisfactory.

This year, the Company has lost a significant contract and earnings relating to helicopter services in Greenland. Efforts are being made to create other activities to replace the lost contract. In addition, another contract has not contributed to earning as planned due to lack of activity.

A new board of directors has been appointed in the autumn. Their task was to start up a planned turnaround of the company. In addition a new interim Executive board was appointed in December – the task was to restructure internally until the new Executive board (the owners) will take over the task of creating new activities in the company.

The Financial Statements have been prepared on a going concern assumption; however, it is a condition for the Company's ability to continue as a going concern that the Company's activity level and earnings are increased and that the credit facilities can be extended if necessary.

Post balance sheet events

As stated above, after the balance sheet date, the Company has lost a significant contract and earnings relating to AOC services. After the year-end new initiatives has started as a part of the turnaround plan. This including having a new 50 seater airplane in the portfolio as well as transferring part-time jobs to fulltime as the first steps of the new activity to increased activity and earning. Apart from this, no events have occurred after the balance sheet date which may have a material effect on the Company's financial position.

Accounting Policies

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

The Annual Report has been prepared according to the same accounting policies as last year and is presented in Danish kroner.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities. Moreover, all expenses 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.

Certain financial assets and liabilities are measured at amortised cost, which involves the recognition of a constant effective interest rate over the maturity period. Amortised cost is calculated as original cost less any repayments and with addition/deduction of the cumulative amortisation of any difference between cost and the nominal amount. In this way, capital losses and capital gains are allocated over the maturity period of the asset or the liability.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Annual Report which relate to affairs and conditions existing at the balance sheet date.

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 payable was established are recognised in financial income and expenses in the income statement.

Fixed assets and other non-monetary assets that are bought in foreign currencies and are not considered to be investment assets are measured at the exchange rates at the dates of transaction.

Accounting Policies

Income Statement

Gross profit

Gross profit includes revenue, operating expenses and other external expenses.

Revenue is recognised in the income statement if delivery and passing of risk to the buyer have taken place before the end of the year, and if the income can be calculated reliably and is expected to be received. Revenue is recognised exclusive of VAT and other indirect taxes and net of discounts relating to sales.

Other external expenses comprise expenses for distribution, sale, advertising, administration, premises, bad debts and expenses relating to operating leases.

Financial income and expenses

Financial income and expenses comprise interest income and expenses as well as realised and unrealised capital gains and losses relating to financial assets and liabilities. Financial income and expenses are recognised in the income statement at the amounts that relate to the financial year.

Tax on profit/loss for the year

Tax for the year consists of current corporation tax for the year and change in deferred tax. 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.

The Company is comprised by the Danish rules on compulsory joint taxation of the Parent Company and the Danish subsidiaries.

The current Danish corporation tax is allocated through settlement of joint taxation contributions between the jointly taxed enterprises in proportion to their taxable incomes. In this connection, enterprises with tax losses receive joint taxation contributions from enterprises which have been able to utilise such losses (full allocation).

Balance Sheet

Property, plant and equipment

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

The basis of depreciation is cost reduced by the expected residual value after the end of the useful life.

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

Accounting Policies

Depreciation is calculated on a straight-line basis based on the following assessment of the expected useful lives of the assets:

Other fixtures and fittings, tools and equipment 3-5 years

Minor assets with an expected useful life of less than 1 year are expensed in the income statement in the year of acquisition.

Profits or losses on the sale of property, plant and equipment are calculated as the difference between selling price less selling costs and the carrying amount at the time of the sale. Profit or losses are recognised in the income statement under other operating income or other operating expenses.

Receivables

Receivables are measured at amortised cost, which usually corresponds to nominal value. Write-down is made to net realisable value in order to meet expected losses.

Cash at bank and in hand

Cash at bank and in hand comprise bank deposits and cash holdings.

Prepayments

Prepayments comprise expenses paid relating to subsequent financial years.

Corporation tax and deferred tax

Current tax receivables and liabilities are recognised in the balance sheet at the amount calculated on the basis of the expected taxable income for the year adjusted for tax on taxable incomes for prior years and for taxes paid on account. Tax receivables and liabilities are offset if there is a legally enforceable right of set-off and an intention to settle on a net basis or simultaneously.

According to the Danish rules on joint taxation, Backbone Aviation A/S has as administration company joint, several and unlimited liability towards the tax authorities for corporation taxes and withholding taxes on unearned income, royalty and dividends relating to the group of jointly taxed companies.

Deferred tax is the tax on all temporary differences between the carrying amount and the tax base of assets and liabilities calculated on the basis of the intended use of the asset and settlement of the liability, respectively.

Accounting Policies

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. Recognition of the tax asset/liability are performed at the rate 22%.

Debts

Financial debts are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the financial obligations are recognised at amortised cost corresponding to capitalised value by applying the effective rate of interest; the difference between the proceeds and the nominal value is recognised in the income statement over the loan period.

Other payables are measured at amortised cost, which usually corresponds to nominal value.

Deferred income

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

Income Statement 1 January - 31 December

<u>Note</u>	<u>2016</u>	<u>2015</u>
Gross profit	5,605,888	2,519,433
2 Staff expenses	-3,825,221	-3,422,492
Depreciation of property, plant and equipment	<u>0</u>	<u>-82,327</u>
Profit/loss from operating activities	1,780,667	-985,386
Other financial income from group enterprises	0	0
Other financial income	61,031	6,875
3 Other financial expenses	<u>-138,234</u>	<u>-83,097</u>
Profit/loss before tax	1,703,464	-1,061,608
Tax on profit/loss for the year	<u>0</u>	<u>0</u>
Net profit/loss for the year	<u>1,703,464</u>	<u>-1,061,608</u>
Retained earnings spent	<u>1,703,464</u>	<u>-1,061,608</u>
Total amount spent	<u>1,703,464</u>	<u>-1,061,608</u>

Balance Sheet at 31 December

Assets		
<u>Note</u>	<u>2016</u>	<u>2015</u>
Fixed assets		
4 Other fixtures and fittings, tools and equipment	0	0
Total property, plant and equipment	0	0
5 Deposits	9,000	9,000
Total fixed asset investments	9,000	9,000
Total fixed assets	9,000	9,000
Current assets		
Trade receivables	1,716,908	699,047
Receivables from group enterprises	2,541,175	0
Other receivables	110,404	140,001
Prepayments	1,118	263,441
Total receivables	4,369,605	1,102,489
Cash at bank and in hand	1,282,297	1,872,701
Total current asset	5,651,902	2,975,190
Total assets	5,660,902	2,984,190

Balance Sheet at 31 December

Liabilities and equity			
<u>Note</u>		<u>2016</u>	<u>2015</u>
Equity			
6	Share capital	500,000	500,000
7	Retained earnings	98,582	-4,024,274
	Total equity	598,582	-3,524,274
 Debts			
	Debt to banks	97,678	84,451
	Trade payables	1,393,604	1,964,428
	Debt to group enterprises	119,275	1,788,981
	Debt to associated enterprises	1,602,289	0
	Other payables	498,720	2,370,604
	Deferred income	1,350,754	300,000
	Total short-term debt	5,062,320	6,508,464
	Total debts	5,052,320	6,508,464
	Total liabilities and equity	5,660,902	2,984,190
 8 Charges and security			
9 Contingencies			
10 Related parties			

Notes

1. Uncertainty relating to going concern

The Financial Statements have been prepared on a going concern assumption. As stated in Management's Review, it is a significant condition for the Company's ability to continue as a going concern that the Company's activity level and earnings are increased and that new share capital is contributed, or that the credit facilities can be extended if necessary.

	<u>2016</u>	<u>2015</u>
2. Staff expenses		
Wages and salaries	3,209,233	2,900,977
Pensions	107,033	102,930
Other social security expenses	64,839	73,254
Other staff expenses	444,116	345,331
	<u>3,825,221</u>	<u>3,422,492</u>
Average number of employees	<u>9</u>	<u>10</u>
3. Other financial expenses		
Interest, group enterprises	66,800	59,100
Other interest expenses	71,434	23,997
	<u>138,234</u>	<u>83,097</u>

4. Property, plant and equipment

	Other fixtures and fittings, tools and equipment
Cost, beginning of year	195,009
Cost, end of year	195,009
Depreciation and impairment losses, beginning of year	195,009
Depreciation and impairment losses, end of year	<u>195,009</u>

Notes

	<u>31/12 2016</u>	<u>31/12 2015</u>
5. Deposits		
Cost, beginning of year	<u>9,000</u>	<u>9,000</u>
Cost, end of year	<u>9,000</u>	<u>9,000</u>
Carrying amount, end of year	<u>9,000</u>	<u>9,000</u>
6. Share capital		
Share capital, beginning of year	<u>500,000</u>	<u>500,000</u>
	<u>500,000</u>	<u>500,000</u>
7. Retained earnings		
Retained earnings, beginning of year	-4,024,274	-2,962,666
Contribution from parent company	2,419,392	0
Retained earnings for the year	<u>1,703,464</u>	<u>-1,061,608</u>
	<u>98,582</u>	<u>-4,024,274</u>

8. Charges and security

None

9. Contingencies

Contingent assets

The Company has a deferred tax asset of DKK 1,213k which has not been capitalized in the Financial Statements.

Lease obligations

The Company has entered into a lease for a helicopter. The lease can be terminated at 1 month's notice.

Joint taxation

The Company is included in the national joint taxation with Dan Holding II ApS, Holsted as administration company and has, as from the financial year 2012, joint, several and unlimited liability for total corporation taxes together with the other jointly taxed companies.

Notes

9. Contingencies (continued)

Joint-taxation

As from 1 July 2012, the Company has joint, several and unlimited liability together with the other jointly taxed companies for any obligations to withhold taxes on unearned income, royalties and dividends.

The company has a potential risk of a claim related to an air on ground incident on estimated 1,000 t.kr the claim -if materialized - will be potential for recourse to another external part. The management does not expect the claim to be materialized.

10. Related parties Ownership

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

DanHolding II ApS, Holsted, Denmark