Lighthouse 700 ApS

Nygade 2, DK-5500 Middelfart

Annual Report for 1 July 2018 - 30 June 2019

CVR No 33 75 47 60

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 30/8 2019

Jan Melgaard
Chairman of the General Meeting

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Management’s Statement

The Executive Board has today considered and adopted the Annual Report of Lighthouse 700 ApS for the financial year 1 July 2018 - 30 June 2019.

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

In my opinion the Financial Statements give a true and fair view of the financial position at 30 June 2019 of the Company and of the results of the Company operations for 2018/19.

In my opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

I recommend that the Annual Report be adopted at the Annual General Meeting.

Middelfart, 30 August 2019

Executive Board

Jan Melgaard
CEO

The Independent Practitioner’s Report

To the Shareholder of Lighthouse 700 ApS

Conclusion

We have performed an extended review of the Financial Statements of Lighthouse 700 ApS for the financial year 1 July 2018 - 30 June 2019, 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.

Based on the work performed, in our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 30 June 2019 and of the results of the Company operations for the financial year 1 July 2018 - 30 June 2019 in accordance with the Danish Financial Statements Act.

Basis for conclusion

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 in accordance with the Danish Financial Statements Act. Our responsibilities under those standards and requirements are further described in the ”Practitioner's responsibilities for the extended review 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 rules and requirements. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

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.

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.

Practitioner’s responsibilities for the extended review of the Financial Statements

Our responsibility is to express a conclusion on the Financial Statements. This requires 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.

The Independent Practitioner's Report

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

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 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.

Trekantområdet, 30 August 2019

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Jan Bunk Harbo Larsen
statsautoriseret revisor
mne30224

Lasse Berg
statsautoriseret revisor
mne35811

Company Information

The Company	Lighthouse 700 ApS Nygade 2 DK-5500 Middelfart CVR No: 33 75 47 60 Financial period: 1 July - 30 June Municipality of reg. office: Middelfart
Executive Board	Jan Melgaard
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Herredsvej 32 DK-7100 Vejle

Management's Review

Financial Statements of Lighthouse 700 ApS for 2018/19 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B as well as selected rules applying to reporting class C.

The Annual Report has been prepared under the same accounting policies as last year.

Key activities

The Company's aircraft are leased under contracts.

Development in the year

The income statement of the Company for 2018/19 shows a profit of USD 369,867, and at 30 June 2019 the balance sheet of the Company shows negative equity of USD 945,234.

Capital resources

At acquisition the aircraft investments were partially financed with 3rd party financing and such finansing has been granted against a contingent deferred fee, which is dependent on future events. Management excepts the company's future cashflow from the investments will meet or exceed the book value as per 30 June 2019.

The company's shareholder has issued a statement of support to support the company's liquidity needs in the coming year, thereby ensuring that, despite the negative equity capital, the company fulfills the prerequisites for continued operations.

Uncertainty relating to recognition and measurement

There is significant uncertainty in recognizing and measuring the company's receivables from sales and services. According to the company's accounting policies, an individual assessment of the receivables occurs, which has not resulted in any loss of provision. However, significant uncertainty is associated with this assessment, but management estimates that valuation of receivables from sales and services has been conducted with appropriate caution.

Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Income Statement 1 July - 30 June

	Note	2018/19	2017/18
		USD	USD
Gross profit/loss		**2,288,777**	**2,637,491**
Depreciation, amortisation and impairment of property, plant and equipment	3	-1,918,630	-1,927,913
Profit/loss before financial income and expenses		**370,147**	**709,578**
Financial income	4	104,560	79,854
Financial expenses	5	-405	-2,502,658
Profit/loss before tax		**474,302**	**-1,713,226**
Tax on profit/loss for the year	6	-104,435	376,761
Net profit/loss for the year		**369,867**	**-1,336,465**

Distribution of profit

Proposed distribution of profit

Extraordinary dividend paid	0	2,340,000
Retained earnings	369,867	-3,676,465
	369,867	**-1,336,465**

Balance Sheet 30 June

Assets

	Note	2018/19	2017/18
		USD	USD
Airplanes		4,853,358	6,771,988
Property, plant and equipment	7	**4,853,358**	**6,771,988**
Fixed assets		**4,853,358**	**6,771,988**
Trade receivables		2,069,513	1,829,771
Receivables from group enterprises		520,182	608,427
Other receivables		4,642	0
Receivables		**2,594,337**	**2,438,198**
Cash at bank and in hand		**6,079,670**	**2,839,724**
Currents assets		**8,674,007**	**5,277,922**
Assets		**13,527,365**	**12,049,910**

Balance Sheet 30 June

Liabilities and equity

	Note	2018/19	2017/18
		USD	USD
Share capital		15,447	15,447
Retained earnings		-960,681	-1,330,548
Equity	8	**-945,234**	**-1,315,101**
Provision for deferred tax		123,004	355,236
Other provisions	9	13,495,943	12,480,502
Provisions		**13,618,947**	**12,835,738**
Prepayments received from customers		188,600	216,600
Trade payables		0	58
Payables to group enterprises		449,724	76,990
Corporation tax		211,058	228,459
Other payables		4,270	7,166
Short-term debt		**853,652**	**529,273**
Debt		**853,652**	**529,273**
Liabilities and equity		**13,527,365**	**12,049,910**
Going concern	1		
Uncertainty relating to recognition and measurement	2		
Contingent assets, liabilities and other financial obligations	10		
Accounting Policies	11		

Notes to the Financial Statements

1 Going concern

The company's shareholder has issued a statement of support to support the company's liquidity needs in the coming year, thereby ensuring that, despite the negative equity capital, the company fulfills the prerequisites for continued operations.

2 Uncertainty relating to recognition and measurement

There is significant uncertainty in recognizing and measuring the company's receivables from sales and services. According to the company's accounting policies, an individual assessment of the receivables occurs, which has not resulted in any loss of provision. However, significant uncertainty is associated with this assessment, but management estimates that valuation of receivables from sales and services has been conducted with appropriate caution.

	2018/19	2017/18
	USD	USD

3 Depreciation, amortisation and impairment of property, plant and equipment

Depreciation of property, plant and equipment	1,918,630	1,927,913
	1,918,630	**1,927,913**

4 Financial income

Interest received from group enterprises	10,662	1,357
Other financial income	93,898	54,508
Exchange gains	0	23,989
	104,560	**79,854**

Notes to the Financial Statements

		2018/19	2017/18
		USD	USD
5	**Financial expenses**		
	Interest paid to group enterprises	0	1,508
	Other financial expenses	405	2,501,150
		405	**2,502,658**
6	**Tax on profit/loss for the year**		
	Current tax for the year	336,667	-125,609
	Deferred tax for the year	-232,232	-251,152
		104,435	**-376,761**

7 Property, plant and equipment

	Airplanes
	USD
Cost at 1 July	18,148,293
Cost at 30 June	18,148,293
Impairment losses and depreciation at 1 July	11,376,305
Depreciation for the year	1,918,630
Impairment losses and depreciation at 30 June	13,294,935
Carrying amount at 30 June	**4,853,358**

8 Equity

	Share capital	Retained earnings	Total
	USD	USD	USD
Equity at 1 July	15,447	-1,330,548	-1,315,101
Net profit/loss for the year	0	369,867	369,867
Equity at 30 June	**15,447**	**-960,681**	**-945,234**

Notes to the Financial Statements

	2018/19	2017/18
	USD	USD
9 Other provisions		
Expected future maintenance costs regarding aircrafts		
Maintenance costs	13,495,943	12,480,502
	13,495,943	**12,480,502**

10 Contingent assets, liabilities and other financial obligations

Contingent liabilities

In consideration for a high non-recourse loan advance the bank debt contains a contingent deferred fee, which will be a function of future events. The deferred fee amounts to 50% of the cash surplus before income taxes once the aircraft have been sold. The deferred fee is contingent upon a successful profitable sale of aircraft for which reason it has not been recognized in the financial statemets. However, if the deferred fee was estimated as per June 30, 2019 according to the contractual claims and assuming a sale at book value with reasonable cost expectations the contingent deferred fee after taxes would be appoximately USD 0.

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable is disclosed in the Annual Report of Melgaard Invest A/S, which is the management company of the joint taxation purposes. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company’s liability.

Notes to the Financial Statements

11 Accounting Policies

The Annual Report of Lighthouse 700 ApS for 2018/19 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B as well as selected rules applying to reporting class C.

The accounting policies applied remain unchanged from last year.

Financial Statements for 2018/19 are presented in USD, which is the functional currency of the Company. At 30 June 2019 the USD/DKK exchange rate is 655,85. The corresponding exchange rate af 30 June 2018 was 639,26.

Recognition and measurement

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.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Annual Report which confirm or invalidate 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. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

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

Notes to the Financial Statements

11 Accounting Policies (continued)

arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Income Statement

Revenue

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, expenses for raw materials and consumables and other external expenses.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of property, plant and equipment.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in 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.

The Company is jointly taxed with Danish parent company. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Notes to the Financial Statements

11 Accounting Policies (continued)

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:

Aeroplanes	5-20 years

Depreciation period and residual value are reassessed annually.

Depreciation principles reflects the fact that maintenance of components are the responsibility of the lessee.

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, the asset is written down to its lower recoverable amount.

Receivables

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

Provisions

Provisions are recognised when - in consequence of an event occurred before or on the balance sheet date - the Company has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

Notes to the Financial Statements

11 Accounting Policies (continued)

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes 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-forwards, 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 within the same legal tax entity.

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. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

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

Debts are measured at amortised cost, substantially corresponding to nominal value.