Lighthouse 700 ApS

Nygade 2, DK-5500 Middelfart

Annual Report for 1 July 2016 - 30 June 2017

CVR No 33 75 47 60

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 28/9 2017

Jan Melgaard
Chairman

Contents

Management's Statement

The Executive Board has today considered and adopted the Annual Report of Lighthouse 700 ApS for the financial year 1 July 2016 - 30 June 2017.

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 2017 of the Company and of the results of the Company operations for 2016/17.

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, 28 September 2017

Executive Board

Jan Melgaard
CEO

Independent Auditor's Report on the Financial Statements

To the Shareholder of Lighthouse 700 ApS

We have performed an extended review of the Financial Statements of Lighthouse 700 ApS for the financial year 1 July 2016 - 30 June 2017, which compriseincome 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.

Auditor'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 30 June 2017 and of the results of the Company operations for the financial year 1 July 2016 - 30 June 2017 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 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, 28 September 2017
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Jan Bunk Harbo Larsen
State Authorised Public Accountant

Lasse Berg
State Authorised Public Accountant

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 2016/17 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 under the same accounting policies as last year.

Key activities

The Company's aircraft are leased under contracts. Current leases run till 2018.

Development in the year

The income statement of the Company for 2016/17 shows a profit of USD 562,248, and at 30 June 2017 the balance sheet of the Company shows equity of USD 2,361,364.

The Company's aircraft are leased under contracts. Current leases run till 2018.

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. The liability associated with such deferred fees has not been recognized, but is considered a contingent liability (see note 8). Management excepts the company's future cashflow from the investments will meet or exceed the book value as per 30.06.2017.

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	2016/17 USD	2015/16 USD
Gross profit/loss		**2,624,785**	**2,687,717**
Depreciation, amortisation and impairment of property, plant and equipment	1	-1,937,196	-1,933,158
Profit/loss before financial income and expenses		**687,589**	**754,559**
Financial income	2	33,311	7,143
Financial expenses	3	-16	-115,902
Profit/loss before tax		**720,884**	**645,800**
Tax on profit/loss for the year	4	-158,636	-160,925
Net profit/loss for the year		**562,248**	**484,875**

Distribution of profit

Proposed distribution of profit

Retained earnings	562,248	484,875
	562,248	**484,875**

Balance Sheet 30 June

Assets

	Note	2016/17	2015/16
		USD	USD
Airplanes		8,699,901	10,618,073
Property, plant and equipment	5	**8,699,901**	**10,618,073**
Fixed assets		**8,699,901**	**10,618,073**
Trade receivables		536,185	114,000
Receivables from group enterprises		422,817	414,526
Other receivables		0	4,331
Receivables		**959,002**	**532,857**
Cash at bank and in hand		**4,941,801**	**1,277,246**
Currents assets		**5,900,803**	**1,810,103**
Assets		**14,600,704**	**12,428,176**

Balance Sheet 30 June

Liabilities and equity

	Note	2016/17	2015/16
		USD	USD
Share capital		15,447	15,447
Retained earnings		2,345,917	1,783,670
Equity	6	**2,361,364**	**1,799,117**
Provision for deferred tax		606,388	801,820
Other provisions	7	10,952,340	9,542,106
Provisions		**11,558,728**	**10,343,926**
Prepayments received from customers		216,600	216,600
Trade payables		58	0
Payables to group enterprises		45,792	0
Corporation tax		411,058	56,990
Other payables		7,104	11,543
Short-term debt		**680,612**	**285,133**
Debt		**680,612**	**285,133**
Liabilities and equity		**14,600,704**	**12,428,176**
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Notes to the Financial Statements

		2016/17	2015/16
		USD	USD
1	**Depreciation, amortisation and impairment of property, plant and equipment**		
	Depreciation of property, plant and equipment	1,937,196	1,933,158
		1,937,196	**1,933,158**
2	**Financial income**		
	Interest received from group enterprises	8,291	6,642
	Other financial income	25,020	501
		33,311	**7,143**
3	**Financial expenses**		
	Interest paid to group enterprises	0	101,047
	Other financial expenses	16	14,855
		16	**115,902**
4	**Tax on profit/loss for the year**		
	Current tax for the year	354,068	56,990
	Deferred tax for the year	-195,432	103,935
		158,636	**160,925**

Notes to the Financial Statements

5 Property, plant and equipment

	Airplanes
	USD
Cost at 1 July	18,129,268
Additions for the year	19,025
Cost at 30 June	18,148,293
Impairment losses and depreciation at 1 July	7,511,196
Depreciation for the year	1,937,196
Impairment losses and depreciation at 30 June	9,448,392
Carrying amount at 30 June	**8,699,901**

6 Equity

	Share capital	Retained earnings	Total
	USD	USD	USD
Equity at 1 July	15,447	1,783,669	1,799,116
Net profit/loss for the year	0	562,248	562,248
Equity at 30 June	**15,447**	**2,345,917**	**2,361,364**

	2016/17	2015/16
	USD	USD

7 Other provisions

Maintenance cost regarding their aircrafts.

	2016/17	2015/16
Maintenance costs	10,952,340	9,542,106
	10,952,340	**9,542,106**

Notes to the Financial Statements

	2016/17	2015/16
	USD	USD
8 Contingent assets, liabilities and other financial obligations		
Charges and security		
The following assets have been placed as security with bankers:		
Assignment of lease agreements, lease income and other payments according to the lease agreements, including insurance sums. As per balance sheet date the book value of trade receivables amounts to:	114,000	114,000
The following assets have been placed as security with bank debt:		
Aeroplanes	8,699,901	10,618,073

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, 2016 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 1.025.000.

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

9 Accounting Policies

The Annual Report of Lighthouse 700 ApS for 2016/17 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.

The Financial Statements for 2016/17 are presented in USD.

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.

Leases

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an alternative borrowing rate as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Company.

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

Notes to the Financial Statements

9 Accounting Policies (continued)

All other leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

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 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

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 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 indirect production costs and expenses for premises, sales and distribution as well as office expenses, etc.

Amortisation, depreciation and impairment losses

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

Notes to the Financial Statements

9 Accounting Policies (continued)

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 wholly owned Danish and foreign subsidiaries. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

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.

Notes to the Financial Statements

9 **Accounting Policies** (continued)

Receivables

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

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.