

Note 11 – Tangible Assets

(NOK 1,000)	Aircraft, parts and Prepayment installations on					Total
	Buildings	leased aircraft	Boeing contract	Equipment and fixtures	Financial lease	
Acquisition cost at 1 January 2012	9 525	4 424 627	2 126 954	114 303	34 607	6 710 016
Additions	0	607 445	2 134 161	46 416	0	2 788 023
Transfers	0	1 416 756	-1 416 756	0	0	0
Disposals	0	-125 559	0	0	0	-125 559
Acquisition cost at 31 December 2012	9 525	6 323 271	2 844 359	160 719	34 607	9 372 481
Acquisition cost at 1 January 2013	9 525	6 323 271	2 844 359	160 719	34 607	9 372 481
Additions	5 441	519 444	1 546 334	39 297	0	2 110 516
Transfers	0	1 875 810	-1 875 810	0	0	0
Disposals	0	-15 757	0	-19 009	0	-34 766
Acquisition cost at 31 December 2013	14 966	8 702 767	2 514 883	181 007	34 607	11 448 230
Accumulated depreciation at 1 January 2012	0	555 468	0	82 313	6 724	644 505
Depreciation	0	308 931	0	19 930	3 321	332 183
Depreciation disposals	0	-120 886	0	0	0	-120 886
Accumulated depreciation at 31 December 2012	0	743 513	0	102 243	10 045	855 801
Accumulated depreciation at 1 January 2013	0	743 513	0	102 243	10 045	855 801
Depreciation	0	447 012	0	24 571	3 321	474 904
Depreciation disposals	0	-14 465	0	-18 779	0	-33 244
Accumulated depreciation at 31 December 2013	0	1 176 059	0	108 035	13 367	1 297 461
Book value at 31 December 2012	9 525	5 579 757	2 844 359	58 477	24 561	8 516 680
Book value at 31 December 2013	14 966	7 526 708	2 514 883	72 972	21 240	10 150 769

Estimated useful life, depreciation plan and residual value is as follows:

Useful life	See below	See below	See below	3-9 years	4-20 years
Depreciation plan	See below	Straight-line	See below	Straight-line	Straight-line
Residual value	100 %	See below	See below	0 %	0 %

As at 31 December 2013, the Group operated a total of 85 aircraft, whereas 36 were owned and 49 were leased under operational leases. See note 12 for details about operational leases.

Aircraft

The Group acquired 7 Boeing 737-800 and 1 Boeing 787-8 aircraft during 2013 and 8 Boeing 737-800 aircraft during 2012.

The residual value is NOK 2,227.7 million (2012: NOK 1,614.4 million) in total for all owned aircraft and deducted from the depreciable amount of the body of the aircraft. The life expectancy of the body of the aircraft is 25 years for the 737 and the 787 aircraft, and the economic life of the owned aircraft is 25 years less the age of the aircraft at time of purchase.

Installations on leased aircraft

The installations on the leased aircraft include cabin interior modifications and other improvements to the aircraft after lease commencement. The capitalized value is depreciated over the remainder of the aircraft lease, which is between 1-10 years. Linear depreciation is applied and residual value is NOK 0. In 2013 and 2012 several engines on the leased aircraft were in overhaul, and replacement costs for life limited parts were capitalized to the extent that the costs were improvements to the engines and therefore exceeding the requirements that were specified in the leasing contracts. These components are depreciated at a defined rate per engine cycle, limited to the remainder of the aircraft lease.

Spare parts

Spare parts consist of rotatable parts for the aircraft and are depreciated over their useful life. The useful life of spare parts ranges between 5-8 years. Straight-line depreciation is applied and 25% of the acquisition cost is calculated as residual value.

Buildings

Buildings consist of 3 apartments in Berlin, purchased in 2007 for the purpose of housing crew and trainees stationed in Berlin on a temporary basis. In 2010, the Group purchased an apartment in Seattle, and in 2013 purchased an apartment in Florida, for the purpose of housing personnel stationed in the United States in respect of the delivery of new 737-800 aircraft and opening new destinations. Buildings are carried at acquisition cost. The residual value is estimated to equal the acquisition cost.

Prepayments to aircraft manufacturers

In 2007 the Group entered a purchase contract with Boeing Commercial Airplanes concerning 42 new 737-800 aircraft, with an option of purchasing 42 additional aircraft. The contract was extended in June 2011 for an additional 15 Boeing 737-800. In 2011, the Group entered a purchase contract with Icelandair for the right to acquire 3 Boeing 787-8 Dreamliner aircraft, which Icelandair had on order with Boeing Commercial Airplanes. In January 2012, the Group entered into additional purchase contracts with Boeing Commercial airplanes and Airbus S.A.S comprising a total of 372 aircraft, of which 222 were firm orders. Note 2.6 include a table showing the timeline of future deliveries.

At 31 December 2013, 31 owned and 13 sale and lease backs were delivered (2012: 23 and 10). Until delivery of the aircraft, the Group will make prepayments to aircraft manufacturers, following a defined prepayment schedule. The Group capitalizes borrowing costs incurred for the construction of qualifying assets during the period of time which is required to complete the aircraft. Borrowing costs of NOK 86.0 million (2012: NOK 73.5 million) have been capitalized during the year. An average capitalization rate of 4.8% (2012:4.7%) was used.

Financial lease assets

In 2009, the Group entered into lease agreements concerning de-ice equipment and electronic flight bag equipment. The lease agreements are classified as financial leases as all risks and rewards are transferred to the Group after the end of the lease agreement. The financial lease assets are depreciated over their useful lives. De-ice equipment is depreciated over 20 years, while electronic flight bag equipment is depreciated over 4 years. Residual value of financial lease assets is 0.

Impairment of tangible assets

Tangible assets are tested for impairment if there are indicators that impairment may exist.

No impairment losses have been recognized in 2013 or 2012.

For information regarding assets pledged as collateral for debt, see note 23.