Nordic Aviation Capital A/S

Stratusvej 12
DK-7190 Billund

CVR no. 19 39 89 94

Annual report for the period 1 July 2020 – 30 June 2021

The annual report was presented and approved at the Company's annual general meeting on

29 November 2021

DocuSigned by:
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Jette Mariann Hulgaard
Chairman

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Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Nordic Aviation Capital A/S for the financial year 1 July 2020 – 30 June 2021.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 30 June 2021 and of the results of the Company's operations for the financial year 1 July 2020 – 30 June 2021.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's operations and financial matters, of the results for the year and of the Company's financial position.

We recommend that the annual report be approved at the annual general meeting.

Billund, 29 November 2021
Executive Board:

DocuSigned by:
Justin Bickle
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Justin Andrew Bickle
Chief Executive Officer

Board of Directors:

DocuSigned by: Rod Sheridan A46E2E4F91C24B9...	DocuSigned by: Martin Cooke 534DD50A553E450...	DocuSigned by: Paul O'Donnell 0337D47141E447E...
Rodney John Sheridan Chairman	Martin Anthony Cooke	Paul Philip O'Donnell
DocuSigned by: Anthony Ray Horton 367404809F6048E...	DocuSigned by: Jame Donath F0A0954262D7454...	DocuSigned by: Justin Bickle BFA46E360EE9429...
Anthony Ray Horton	Jamie Donath	Justin Andrew Bickle

Independent auditor's report

To the shareholders of Nordic Aviation Capital A/S

Opinion

We have audited the financial statements of Nordic Aviation Capital A/S for the financial year 1 July 2020 – 30 June 2021 comprising income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 30 June 2021 and of the results of the Company's operations for the financial year 1 July 2020 – 30 June 2021 in accordance with the Danish Financial Statements Act.

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 rules and requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 2 to the financial statements stating that the operations of the Company and the Nordic Aviation Capital Group (the Group) have been adversely affected by the prolonged impact of COVID-19 on the regional aircraft market, which has caused technical default on some of the Group loans. As a result, the Group (including the Danish entity) will require a comprehensive restructuring transaction with its creditors in order to continue to realise its assets and discharge its liabilities in the normal course of business and has begun negotiations with its lenders in order to achieve the required restructuring through a consensual agreement or a court proceeding. As stated in note 2, these events or conditions, along with the other matters accounted for in note 2, indicate that material uncertainty exists that may cast significant doubt on the Company and the the Group's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

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 that 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.

Independent auditor's report

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to 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 in Denmark will always detect a material misstatement when it exists. Misstatements may 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 made 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 judgement and maintain professional scepticism throughout the audit. We also

— identify and assess the risks of material misstatement of the company 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 scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the 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 the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Independent auditor's report

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the 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 of the Management's review.

Fredericia, 29 November 2021
KPMG
Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

Nikolaj Møller Hansen
State Authorised
Public Accountant
mne33220

Management's review

Company details

Nordic Aviation Capital A/S
Stratusvej 12
7190 Billund
Denmark

Telephone:	+4576511200
Fax:	+4576511212
Website:	www.nac.dk
CVR no.:	19 39 89 94
Established:	26 June 1996
Registered office:	Billund
Financial year:	1 July – 30 June

Board of Directors

Rodney John Sheridan, Chairman
Martin Anthony Cooke
Paul Philip O'Donnell
Anthony Ray Horton
Jame Donath
Justin Andrew Bickle

Executive Board

Justin Andrew Bickle, Chief Executive Officer

Auditor

KPMG
Statsautoriseret Revisionspartnerselskab
Vesterballevej 27, 2.
7000 Fredericia
Denmark
CVR no. 25 57 81 98

Management's review

Financial highlights

USDm	2020/21	2019/20	2018/19*	2017/18*	2016/17*
Key figures					
Revenue	34	43	34	31	51
Operating profit/loss	-7	8	0	-1	8
Profit/loss from financial income and expenses	-13	7	8	129	34
Profit/loss for the year	-40	31	4	122	32
Total assets	513	565	420	1,185	1,055
Equity	389	428	398	394	272
Investment in property, plant and equipment	20	54	0	3	7
Ratios					
Return on equity	-9.8%	7.4%	1.0%	36.8%	12.5%
Solvency ratio	75.8%	75.8%	94.8%	33.2%	25.8%
Other key figures					
Average number of full-time employees	83	86	92	85	74

The financial ratios have been calculated as follows:

*The numbers for 2016/17 to 2018/19 have not been restated to account for the impact of IFRS 16.

Return on equity $$\frac{\text{Profit/loss from ordinary activities after tax x 100}}{\text{Average equity}}$$

Solvency ratio $$\frac{\text{Equity ex. non-controlling interests at year-end x 100}}{\text{Total equity and liabilities at year-end}}$$

Management's review

Operating review

Principal activities

Nordic Aviation Capital A/S' (the Company) activities consist of providing shared services to other Group members. The services are primarily hangar, technical and financial services. Additionally, the Company has an aircraft on lease with an external customer. In consideration of the volume of transactions with other Group members, this Management's review includes Group considerations. Accordingly, the sections below include Company information as well as commentary from the Group annual report for the financial year 2020/21 ('Group annual report').

The Company's activities are predominantly denominated in US Dollars ("$"), and this is the Company's functional currency. The financial statements are presented in $.

Development in activities and financial position

The Company's income statement for 2020/21 shows a loss of USD 39,879 thousand as against a profit of USD 30,716 thousand in 2019/20. Equity in the Company's balance sheet at 30 June 2021 stood at USD 388,595 thousand as against USD 428,474 thousand at 30 June 2020.

The financial performance of the Company was significantly affected by the continued impact of COVID-19 on the global aviation sector. The outbreak of the COVID-19 pandemic and the travel restrictions adopted by governments worldwide have significantly affected the aviation industry generally, with the Company experiencing a significant impact in the financial year ended 30 June 2020, which continued to escalate through the financial year ended 30 June 2021. Consequently, the Company has been significantly affected by the COVID-19 pandemic throughout two consecutive financial years. As of this date, it is not possible to quantify the exact impact on the demand for aircraft or how long it may take to recover.

Going concern/outlook

Financing

The Group's aircraft financing comprises secured external financing and non-recourse group borrowings. As a member of the Group, the Company benefits from the support and a financial guarantee from Nordic Aviation Capital Designated Activity Company (NAC DAC) and is also subject to Group lending requirements. The Company has, however, a receivable, from NAC DAC. NAC DAC received a letter of support stating repayment of the outstanding intercompany balance owed to the Company will not be required unless, and only to the extent that, NAC DAC has available cash.

In response to these unprecedented challenges, NAC DAC and certain of its affiliates entered into an Irish Scheme of Arrangement on 22 July 2020 to defer certain principal and interest payments and to waive certain financial covenants. Because the pandemic, and resulting financial strain on the Company, have persisted longer than the Scheme of Arrangement contemplated, the Group resumed restructuring discussions with its stakeholders in early 2021 regarding a comprehensive solution for addressing the Group's, and the Company's, go forward capital structure.

As the Company is a member of the Group, the discussions with the lenders are collectively managed on its behalf by NAC DAC and the Group's advisors. The discussions are ongoing, and for further information, see the going concern section.

On the face of the balance sheet most debt is recorded as current at 30 June 2021, since it is considered repayable on demand. Pursuant to the forbearance agreement, lenders have agreed to forbear from requiring repayment, notwithstanding that the Group is not currently adhering to certain of the covenants under the financing agreements, which constitutes a technical default. Further information about the forbearance agreement is provided in the going concern section.

Management's review

Operating review

Principal risks and uncertainties

The Directors consider the following to be the principal risk factors that could materially and adversely affect the Company's future operating profits or financial position:

Liquidity and financing risk:

The Group continuously forecasts its liquidity requirements and consistently maintains contact with its lenders. The Group's liquidity management policy involves projecting cash flows in major currencies and evaluating the level of liquid assets required. The analysis is used to monitor liquidity ratios against internal and external regulatory requirements and maintain debt financing plans.

Although the Group has taken multiple measures to reduce its expenses and fleet utilization is steadily improving, developments relating to the spread of COVID-19 and the Delta variant continue to negatively affect cash collection and liquidity, straining the Company's ability to fulfill its funded debt obligations.

Through negotiations with its creditors, the Group executed a forbearance agreement with key creditor constituencies to afford time to develop a comprehensive solution to the Group's and the Company's capital structure. If certain milestones in the forbearance agreement are not timely satisfied, the Group's creditors could terminate the forbearance. If this was to occur, the Group may seek court protection in one or more jurisdictions. In the absence of such a sequence of events, the Company has access to NAC DAC's available unrestricted cash to sustain operations in the near term. Long-term liquidity may require a restructuring of the balance sheet to reduce outstanding liabilities and go forward interest obligations. Discussions with key stakeholders regarding potential solutions remain ongoing, and one or more formal restructuring proceedings could result.

Future operations of the Company:

Given the current position of the Group, as outlined in the liquidity and financing risk section above, and the challenges due to the COVID-19 pandemic, there is a risk associated with the long-term operation of the Group, which is further discussed in the Going concern section.

Residual values of the aircraft:

The Group bears the risk of re-leasing or selling aircraft in its fleet at the end of their lease terms. If demand for aircraft decreases or market lease rates decrease, these factors could affect the market value of the portfolio or re-lease rates achieved. Should these conditions continue for an extended period, it could affect the market value of the portfolio and may result in impairment charges. The Directors look to mitigate these risks by actively managing the portfolio, lease durations, maintenance return conditions and selectively marketing aircraft for sale. Despite the efforts to manage the fleet, the COVID-19 pandemic and the related reduction in aircraft market values and lease rental income resulted in an impairment charge.

Credit risk of lease counterparties:

The Group operates as a lessor to airlines. Its ability to succeed is partially dependent on the financial strength of its customers and their ability to compete effectively in the aviation market and manage in the competitive environment in which they operate. If airline customers experience financial difficulties, this may result in default or the early termination of leases. The Group continuously monitors and assesses its customer and credit exposure, and the Directors look to mitigate risks by negotiating security deposits and maintenance reserve payments as appropriate.

Management's review

Operating review

Geopolitical and economic risks:

The Group leases aircraft to customers, which may operate in multiple jurisdictions worldwide, which may expose it to a variety of economic, social, legal and political risks. Exposure to multiple jurisdictions may adversely affect the Group's future performance, position and growth potential. The adequacy and timeliness of Management's response to exposures in these jurisdictions is of importance to the mitigation of this risk.

COVID-19:

The global impact of COVID-19 presented the Group with unprecedented financial and operational challenges, including depressed billings and even further depressed receipts thereon.

While recent months have brought the beginning signs of a return of demand for air travel, the COVID-19 pandemic continues to impact the Group, and the emergence of new strains, like the Delta variant, underlines that the COVID-19 pandemic is continuing to have a material impact on the aviation industry, and by extension the aircraft leasing sector. Consequently, authorities maintain widespread travel restrictions, and the effects of COVID-19 continue to impact the Group.

Interest rate and currency risks:

Exposure to interest rate risk is minimised by the use of derivatives and the maintaining of a balance between fixed and floating rate debt instruments. The majority of the Group's transactions is denominated in $, the Group's functional currency.

Going concern

The outbreak of the COVID-19 pandemic and the travel restrictions adopted by governments worldwide have significantly affected the aviation industry and the Company. This impact has been felt through an unprecedented reduction in the use of aircraft and a significant increase in the level of deferral requests and airlines being unable to make scheduled lease rent payments. The impact has significantly been felt in the financial year ended 30 June 2020, which continued to escalate through the financial year ended 30 June 2021. Consequently, the Company has been significantly affected by the COVID-19 pandemic throughout two consecutive financial years. As of this date, it is not possible to quantify the exact impact on the demand for aircraft or how long it may take to recover.

The Company is part of the Group and the Company's ability to continue as a going concern is dependent on financing provided by the Group, the repayment of outstanding balances, reference to which is made in note 12, and the Group's purchase of services from the Company.

The Group has engaged in constructive discussions with its lenders and on 22 July 2020 a Scheme of Arrangement was officially approved by the court resulting in a standstill of interest and capital payments on the Group's borrowings. On the back of the 22 July 2020 Scheme of Arrangement the COVID-19 crisis continued to unfold, and it became clear that the COVID-19 pandemic continued to significantly impact the Company.

In May 2021, the Group executed a forbearance agreement with key lender constituencies to afford them time to further develop this solution. Although the forbearance is not a permanent solution, it has allowed the Group and the Company additional time to consensually negotiate the terms of a comprehensive proposed restructuring transaction with its creditors.

Material uncertainties remain regarding the appropriate implementation process and to the Group structure post-reorganization, which cast significant doubt on the Company's ability to continue as a going concern, which are discussed in detail below. However, the Company and the Directors remain optimistic that a holistic restructuring transaction will be negotiated that will address material liabilities and allow the Company to continue to operate in the ordinary course of business on a go forward basis.

Management's review

Operating review

Balance sheet restructuring:

The Group is currently evaluating (I) securing a debt restructuring with its lenders outside the court system, (II) applying for a court proceeding to secure a reorganization of the Group or (III) ultimately entering into liquidation and/or bankruptcy proceedings.

The estimated cash flows involve known and unknown risks and uncertainties, which may cause actual performance and financial results in future periods to differ materially from forecasted cash flows.

(I) Out-of-court restructuring:

The Group and its advisors continue to make substantial progress on negotiating the terms of a flexible, comprehensive restructuring transaction and are in the process of negotiating a restructuring support agreement and related transaction term sheets.

While negotiations regarding a consensual transaction are progressing, out-of-court restructurings require near-total consensus, as there is no mechanism to compel the co-operation of “holdouts”. The Group’s capital structure is complex, comprised of secured loans from over one hundred different lenders, including the involvement of several government-backed entities. Accordingly, reaching sufficient consensus cannot be guaranteed. Further, certain non-funded debt obligations (e.g., operating costs) can only realistically be addressed on a broad scale through a court proceeding.

In the event the Group cannot secure the necessary lender support to complete a comprehensive restructuring outside the court system, or the Group decides to complete a wide-scale operational restructuring in addition to a financial restructuring, the Group may consider utilizing reorganization proceedings in one or more jurisdictions.

(II) Reorganization proceedings:
In parallel with its negotiations with creditor groups, the Group has been evaluating alternatives for a court-supervised restructuring, with particular emphasis on either a chapter 11 filing in the United States or an Irish Examinership.

Chapter 11:

A chapter 11 can be commenced at any time and will result in automatic protection of all filing entities; all affiliates can participate. In a chapter 11, the Company would continue to operate its businesses as “debtors-in-possession” under the jurisdiction of a bankruptcy court while effectuating a financial and operational restructuring to improve liquidity, eliminate unprofitable contracts, and right-size its funded debt obligations. Chapter 11 can be utilized in either a consensual or a non-consensual context.

The automatic stay can provide certain protections if a consensual transaction is not achieved. A chapter 11 filing would enable the Company to remain intact and to operate in a “business as usual” manner (taking into account the COVID-19 induced disruptions) with respect to post-filing vendor and customer relationships as well as employee obligations. Chapter 11 is not a liquidation or wind-down of the business. Chapter 11 would provide the Company with additional tools to renegotiate existing debt agreements, change ownership, dispose of assets, and obtain additional financing if necessary. The ultimate goal of a chapter 11 case is to confirm a “plan” to address the debtor’s liabilities.

Importantly, chapter 11 proceedings provide for a 120-day exclusive period for the debtor to propose a chapter 11 plan - subject to extension of up to 18 months after the petition date, giving the debtor significant control over the process.

Management's review

Operating review

The purpose of chapter 11 is to rehabilitate a debtor and allow for future operations of a viable business. Because of the Company's solid foundation and successful pre-pandemic operations, the Company, as a victim of circumstance, is a prime candidate for chapter 11, which would allow the Company to continue to operate the business while utilizing chapter 11's provisions to reduce outstanding financial liabilities and, if determined beneficial, effectuate an operational restructuring.

Examinership:

An examinership is an Irish corporate restructuring procedure which provides breathing space (with a Court stay or moratorium) for an examiner to formulate proposals for a scheme of arrangement for the survival of the participating company, or any part of its undertaking, as a going concern. The moratorium only protects participating entities.

Examinership preparation is ongoing as part of the contingency planning in the event it is required in a defensive scenario or the implementation of a consensual transaction or a Chapter 11 plan.

Examinership lasts for an initial period of 70 days that is extendable to 100 days. However, in light of COVID-19 pandemic, the period is temporarily extended to 150 days where "exceptional circumstances exist".

An examinership is commenced by the presentation of a petition in the Irish High Court seeking the appointment of an examiner. The presentation of the petition creates an automatic stay and can be presented by a company, its members, directors or creditors. It must be accompanied by an Independent Expert Report assessing the viability of the company which includes a statement of affairs of the company, an opinion as to whether the expert believes the company has a reasonable prospect of survival and a list of conditions that need to be satisfied to achieve the outcome. The debtor remains in possession, although an independent examiner is appointed (selected and nominated by the petitioner). In examinership, the Company would continue its normal course trade and business. Also, examinership allows a company to repudiate certain contracts.

Examinership is similar to chapter 11 in many ways. Examinership could be used to implement or give effect to a chapter 11 plan where required or be used independent of a chapter 11 to implement a consensual transaction relating to Irish companies and companies that have a sufficient connection to Ireland.

(III) Liquidation:

The Company may determine voluntarily, or in certain jurisdictions at the discretion of its creditors, to enter into liquidation proceedings. A voluntary liquidation would be undertaken as part of a comprehensive restructuring. In such circumstances, the Group, and any company entities remaining, would still likely continue to operate as a going concern.

In certain jurisdictions, the Group's creditors may have the ability to force Group entities into an involuntary liquidation. Under such circumstances, there is an increased risk that the Group would no longer continue as a going concern.

At this time, the Group remains engaged in negotiations with its creditors regarding the path forward. Creditor groups are evaluating multiple options, including equitization and debt-exchange options. Material uncertainties remain regarding the appropriate implementation process and post-reorganized Group structure pending creditors' final, irrevocable decisions as to the preferred option. However, the Company remains confident that a holistic restructuring transaction will be negotiated that will address material liabilities. This proposed holistic restructuring transaction will allow the Company to continue to operate in the ordinary course as a going concern.

The Group presently expects that any proposed plan of restructuring will provide a mechanism for settlement of claims against the Company. However, there can be no assurance that the Group will be able to reach an agreement with its lenders or secure a court approval where required.

Management's review

Operating review

These financial statements have been prepared on a going concern basis and do not include any adjustments to the carrying amounts or classification of reported assets, liabilities, and expenses that would otherwise be necessary if the going concern assumption was not appropriate.

Events after the balance sheet date

No significant events have occurred after the balance sheet date.

Moreover, reference is made to note 2, in which the Company´s financial situation is described in further detail.

Corporate social responsibility

The Company's activities consist of providing shared services to other Group members. The services are primarily hangar, technical and financial services. Additionally, the Company has an aircraft on lease with an external customer.

Since our founding in 1990 by aviation entrepreneur Martin Møller, NAC has strived to make a difference for our customers, our partners and our people.

NAC has a set of core values which have guided our lasting success. These values represent the essence of our beliefs, culture and everyday actions. They are timeless guiding principles – the essential and enduring beliefs of our company, ingrained in our corporate culture. Through our core values, we have global guidance on how to act and behave. Our values unite us and create a sense of purpose and belonging.

Aligned to these values, NAC has a set of behaviours and policies in place which reflect its social and environmental concerns. All company policies are pragmatic and accessible to all team members via the company intranet site.

We continuously assess our impact on our surroundings and seek to mitigate/proactively address any CSR risk identified. This is done either directly or through industry /outside industry network.

For FY20/21, we have not identified any substantial CSR risk, but we continue to have a high focus on our environmental impact and on how we as a company can work more sustainable.

People and work environment

We are committed to providing positive, productive and encouraging working environments where all employees are valued and supported in being the best they can be.

Management's review

Operating review

Equality and dignity at work

NAC is committed to creating an environment promoting equality and dignity at work.

We are inspired by the UN sustainable development goals and are dedicated to work active on Goal 4, 5 and 8: Quality Education, Gender Equality and Decent Work and Economic growth. NAC wishes to "create a workplace that provides equal opportunities for all employees and potential employees, where their integrity is always protected and respected".

NAC is committed to creating an environment promoting equality and dignity at work. NAC wishes to create a workplace that provides equal opportunities for all employees and potential employees, where their integrity is always protected and respected.

Training and development continue to be a focus area during the financial year 2021/2022. The NAC online training platform: “NAC Learning” is now well established, providing easy access to learning opportunities for all team members.

In addition to this, NAC runs a Global online Leadership training program with emphasis on developing NAC leaders of the future and enabling cross-cultural knowledge-sharing. One of our priorities is to continue to provide people at every level within the business with ample development opportunities to enhance career progression and to ensure future competence requirements are identified and nurtured.

During FY20/21 as part of the Global Leadership program, NAC has made Diversity training mandatory for all the leaders taking part. Purpose with training is to create awareness of unconscious biases and support a working environment with equality and equal opportunities. For FY21/22 we will continue this training and further build awareness.

Bullying and harassment

NAC is committed to providing a safe working environment for its employees with an environment free from bullying and harassment. The Company has in place both informal and formal procedures to deal with the issue of bullying or harassment at work. More information is available in the local handbook.

NAC has previously conducted a work environment assessment (in Danish APV) and during FY20/21 conducted a global working remote assessment. Our surveys have focused both on mental and physical wellbeing at work. The results of both surveys were very positive and showed a social and friendly work environment. It also showed both the advantages and disadvantages from working remote. NAC has during the year taken additional steps to ensure a caring work environment.

These steps include:

- Resilience training
- Friday Pilates
- Motivational speakers giving sessions on wellbeing, nutrition and work-life balance
- Monthly town hall meetings
- Walk and talk sessions within the teams
- Virtual events during the COVID-19 pandemic to keep a social environment (bingo, cooking and other).

The UN 17 sustainable development goals. Goal 3 and goal 8: Good Health, Wellbeing and Decent Work and Economic Growth offers inspiration on good practice and how NAC can and will approach a good work environment for all our team members.

Management's review

Operating review

For FY21/22 we will continue to offer relevant activities, that supports a welcoming working environment and the wellbeing of all team members.

Furthermore, we have decided on a trial basis to continue to offer our team members the option to work remote part of their work week. This will allow our team members a higher degree of flexibility, while still being part of the social life lived at the office.

Climate and environment

NAC follows all mandatory requirements and guidelines regarding climate and environment. We comply with all relevant legislation and monitor the guidelines from EASA and ICAO. We have therefore decided not to have a separate policy regarding climate and environment.

Internally as a natural part of our value “caring”, we encourage our team members to think of ways to lessen our environmental impact.

Anti-corruption policy

We are dedicated to act with integrity and to develop our business in a responsible manner. Our Anti-Corruption and Bribery policy is a no-tolerance policy and clearly outlines the acceptable actions about anti-corruption and bribery from our employees, suppliers and third parties.

Corporate compliance is important to NAC, and NAC ensures that its employees and contractors are trained in regulations affecting commercial businesses acting in an international environment. The corporate policies can at all times be found on NAC's Intranet.

As part of their onboarding program, new joiners will be required to take an e-learning course and tests to make sure they have the needed knowledge and understanding with respect to this policy.

Furthermore, during FY20/21 Group General Counsel conducted an awareness survey/test and one month on our leadership channel was dedicated to "anti-corruption". As part of this we shared articles/and other materials with our leaders to enhance their focus on this topic.

For the FY 20/21, no incidents of violation of the Company's anti-corruption and bribery policy were recorded.

For FY 21/22 NAC will continue to ensure awareness of our Anti-Corruption policies. Training will be offered to new joiners and where relevant additional training offered to existing employees.

Human rights

NAC follows all mandatory requirements and guidelines regarding Human Rights. We comply with all relevant legislation and monitor the guidelines from the UN. We have therefore decided not to have a separate policy regarding Human Rights but consider it a natural part of our values to care for others.

We encourage our team members to think of ways to support Human Rights for all globally.

Management's review

Operating review

Gender composition in the Board of Directors and Management

Board of Directors

Under Danish legislation, NAC sets an objective to ensure the necessary development of the gender composition on the Board of Directors. Our ambition is that no gender should account for less than 25% of our members. Following adjustments in the Board of Directors early spring 2021, the current Board now consist of six male board members.

NAC is aware of this imbalance and will work actively on having a more gender-balanced board of directors again. We will in our recruitments actively favour female candidates and seek to gradually return to our previous level; 33% female/66% male. Within the next 2-3 years we will seek to take at least one new female board member onboard.

Managers

NAC is dedicated to maintaining a work environment where diversity and equal opportunities are available to all employees. We continuously strive to enhance diversity and mitigate gender underrepresentation.

During 20/21, we continued our focus on having a work environment which would attract and retain female representatives at management positions. This has primarily included flexible working hours and offering internal leadership training for talents. Globally we are committed, until a balanced gender representation has been met, to have a positive bias toward female candidates when candidate competencies are at an equal level.

In April 2019, a woman was promoted as Chief Contracts Officer thereby ensuring a strong female presence at our executive management level. The total number of female leaders (4) has remained unchanged during FY20/21. Thus, we will continue to actively seek ways to enforce gender diversity in the management team to achieve a more balanced gender representation, current female share overall is 28% and within our executive leadership 18%.

For FY21/22 we will seek to maintain the current gender split in our executive leadership and for our leaders to continue with a positive bias toward female candidates when competences are similar.

Financial statements 1 July – 30 June

Income statement

USD'000	Note	2020/21	2019/20
Revenue	4	34,352	43,399
Production costs	5	-23,342	-13,785
Gross profit		11,010	29,614
Administrative expenses	5	-17,545	-21,270
Operating profit/loss		-6,535	8,344
Other operating income		0	22,959
Other operating costs		0	-7,962
Profit/loss before financial income and expenses		-6,535	23,341
Income from equity investments in group entities		-20,330	74,000
Other financial income	6	3,143	10,366
Other financial expenses	7	-16,595	-3,345
Profit/loss before tax		-40,317	104,362
Tax on profit/loss for the year	8	438	-73,646
Profit/loss for the year	9	-39,879	30,716

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Balance sheet

USD'000	Note	30/6 2021	30/6 2020
ASSETS			
Fixed assets			
Property, plant and equipment	10		
Buildings		15,191	15,923
Fixtures and fittings, tools and equipment		171	691
Aircraft		24,079	28,423
Prepayments for property, plant and equipment		31,980	19,610
		71,421	64,647
Investments	11		
Equity investments in group entities		73	20,430
Receivables from group entities		0	1,805
Deposits		8,582	8,582
		8,655	30,817
Total fixed assets		80,076	95,464
Current assets			
Inventories			
Consumables		1,285	4,373
Receivables			
Trade receivables		88	144
Receivables from group entities	12	428,323	462,174
Other receivables		29	2,268
Prepayments	13	2,131	0
		430,571	464,586
Securities and equity investments		0	3
Cash at bank and in hand		749	447
Total current assets		432,605	469,409
TOTAL ASSETS		512,681	564,873

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Balance sheet

USD'000	Note	30/6 2021	30/6 2020
EQUITY AND LIABILITIES			
Equity			
Contributed capital	14	747	747
Retained earnings		387,848	427,727
Total equity		388,595	428,474
Provisions	15		
Provisions for deferred tax		0	438
Total provisions		0	438
Liabilities other than provisions			
Non-current liabilities other than provisions	16		
Lease obligations		35,819	38,345
Corporation tax		62,587	73,611
Other payables		1,623	0
Deposits		80	80
		100,109	112,036
Current liabilities other than provisions			
Current portion of non-current liabilities	16	20,023	3,917
Other credit institutions, current liabilities		0	3,492
Trade payables		972	3,146
Corporation tax		0	1,813
Other payables		2,982	11,557
		23,977	23,925
Total liabilities other than provisions		124,086	135,961
TOTAL EQUITY AND LIABILITIES		512,681	564,873

Financial statements 1 July – 30 June

Statement of changes in equity

USD'000	Contributed capital	Retained earnings	Total
Equity at 1 July 2020	747	427,727	428,474
Transferred over the distribution of loss	0	-39,879	-39,879
Equity at 30 June 2021	747	387,848	388,595

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Notes

1 Accounting policies

The annual report of Nordic Aviation Capital A/S for 2020/21 has been prepared in accordance with the provisions applying to reporting class C large entities under the Danish Financial Statements Act with opt-in from higher reporting classes.

Omission of consolidated financial statements

Pursuant to section 112(1) of the Danish Financial Statements Act, no consolidated financial statements have been prepared. The financial statements of Nordic Aviation Capital A/S and group entities are included in the consolidated financial statements of Nordic Aviation Capital Designated Activity Company, Ireland, Registered number 567526.

Omission of cash flow statement

Pursuant to section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared. The Company's cash flows are included in the cash flow statement in the consolidated financial statements of Nordic Aviation Capital Designated Activity Company , Ireland, Registered number 567526.

Reporting currency

The financial statements are presented in USD as the Company's most significant transactions are settled in USD. At the balance sheet date, the DKK/USD exchange rate was 6.26. For the year 2019/20, the DKK/USD exchange rate at the balance sheet date was 6.66.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

Derivative financial instruments

On initial recognition, derivative financial instruments are recognised in the balance sheet at cost and subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are recognised as other receivables and other payables, respectively.

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1 Accounting policies (continued)

Income statement

Revenue

The Company leases aircraft principally under operating leases and records rental income on a straightline basis over the life of the lease as it is earned. In some cases, lease agreements provide for rentals based on aircraft usage which may be calculated based on hours or on cycles operated. The Company accounts for lease rentals under such agreements on a basis that represents the time pattern in which revenue is earned.

Most of the Company's lease contracts require lease payments to be paid in advance. Additional payments are paid in arrears. Rentals received but unearned at the reporting date are recorded as deferred income.

Generally, lease contracts require a lessee to redeliver aircraft in specified maintenance condition (normal wear and tear excepted), with reference to major life-limited components of the aircraft. To the extent that such components are redelivered in a different condition than specified, there is generally an end-of-lease compensation adjustment for the monetary difference. Amounts received or paid as part of these redelivery adjustments are recorded as lease rental income on lease termination. The Company recognises amounts recorded as maintenance payments that are not expected to be reimbursed to lessees as revenue.

Other revenue comprises group fee from group entities.

Production costs

Production costs comprise costs, including depreciation, amortisation, wages and salaries, incurred to generate revenue for the year. Such costs include direct costs of acquisition/value adjustments (regarding aircraft recognised as current assets) and maintenance of aircraft.

Administrative expenses

Administrative expenses comprise expenses incurred during the year for management and administration of the Group, including expenses for administrative staff, Management, office premises, office expenses and amortisation/depreciation of assets used for administrative purposes.

Other operating income

Other operating income comprises items secondary to the activities of the entity, including gains on the disposal of equity investments in group entities.

Other operating costs

Other operating costs comprise items secondary to the activities of the entity, including losses on the disposal of equity investments in group entities.

Financial statements 1 July – 30 June

Notes

1 **Accounting policies (continued)**

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts that relate to the financial reporting period. The items comprise interest income and expenses, e.g. from group entities and associates, declared dividends from other securities and investments, financial expenses relating to finance leases, realised and unrealised capital gains and losses relating to other securities and investments, exchange gains and losses and amortisation of financial assets and liabilities.

Tax on profit/loss for the year

The Company is subject to the Danish rules on compulsory joint taxation of the Group's Danish subsidiaries. The subsidiaries are included in the joint taxation from the date on which they are included in the consolidated financial statements and up to the date on which they are excluded from the consolidation.

The Company is the administrative company for the joint taxation and accordingly settles all payments of corporation tax to the tax authorities.

On payment of joint taxation contributions, current Danish corporation tax is allocated between the jointly taxed entities in proportion to their taxable income. Entities with tax losses receive joint taxation contributions from entities that have used the losses to reduce their own taxable profit.

Tax for the year comprises current corporation tax for the year and changes in deferred tax, including changes in tax rates. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity.

Balance sheet

Property, plant and equipment

Buildings, aircraft and fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date on which the asset is available for use.

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

The basis of depreciation is cost less any projected residual value after the end of the useful life. Depreciation is provided on a straight-line basis over the estimated useful life. The estimated useful lives are as follows:

Buildings	22 years
Aircraft	25-30 years
Fixtures and fittings, tools and equipment	5 years

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1 Accounting policies (continued)

The useful life and residual value are reassessed annually. Changes are accounted for as accounting estimates, and the effect on depreciation is recognised prospectively.

Depreciation is recognised in the income statement as production costs and administrative expenses, respectively.

Gains and losses on the disposal of property, plant and equipment are stated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses are recognised in the income statement as other operating income or other operating costs, respectively.

Prepayments for property, plant and equipment, comprise payments regarding future acquisitions of aircraft.

Impairment of fixed assets

The carrying amount of property, plant and equipment as well as equity investments in group entities is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

The recoverable amount is the higher of an asset's net selling price and its value in use. The value in use is determined as the present value of the forecast net cash flows from the use of the asset or the group of assets, including forecast net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Leases

When entering into a contract, the Company assesses whether the contract is a lease or contains a lease component. A lease is defined as a contract or part of a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration. When an assessing whether a contract contains a lease component, it must be considered whether, during the period of use, the lessee has the right to substantially all economic benefits from the use of the identified asset and the right to direct the use of the identified asset.

The Company recognises a right-of-use asset and a lease liability at the commencement date.

Lease liabilities recognised as "Credit institutions and interest-bearing liabilities" are initially measured at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses its incremental borrowing rate.

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Notes

1 Accounting policies (continued)

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value.

The net realisable value of inventories is calculated as the sales amount less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and development in expected selling price.

Finished goods and work in progress are measured at cost, comprising the cost of raw materials, consumables, direct wages and salaries and indirect production overheads. Indirect production overheads comprise indirect materials and wages and salaries as well as the maintenance of depreciation of production machinery, buildings and equipment as well as factory administration and management. Borrowing costs are not included in cost.

Receivables

Receivables are measured at amortised cost.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable is impaired, an impairment loss is recognised on an individual basis.

Receivables with no objective indication of individual impairment are assessed for objective indication of impairment on a portfolio basis. The portfolios are primarily based on the debtors' registered offices and credit rating in accordance with the Company's credit risk management policy. The objective indicators used in relation to portfolios are determined on the basis of historical loss experience.

Impairment losses are calculated as the difference between the carrying amount of receivables and the present value of forecast cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

Prepayments

Prepayments comprise the prepayment of costs incurred relating to subsequent financial years.

Cash at bank and in hand

Cash comprises bank deposits.

Equity

Dividends

The expected dividend payment for the year is disclosed as a separate item under equity.

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1 Accounting policies (continued)

Corporation tax and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities based on the planned use of the asset or settlement of the liability. However, deferred tax is not recognised on temporary differences relating to goodwill non-deductible for tax purposes and on office premises and other items where the temporary differences arise at the date of acquisition without affecting either profit/loss or taxable income.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised at the expected value of their utilisation within the foreseeable future; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Any deferred net assets are measured at net realisable value.

Deferred tax is measured in accordance with the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Changes in deferred tax as a result of changes in tax rates are recognised in the income statement or equity, respectively.

Liabilities other than provisions

Financial liabilities are recognised at cost at the date of borrowing, corresponding to the proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost using the effective interest method. Accordingly, the difference between cost and the nominal value is recognised in the income statement over the term of the loan together with interest expenses.

Other liabilities are measured at net realisable value.

Deferred income

Deferred income comprises payments received regarding income in subsequent years.

Segment information

The allocation of revenue to activities and geographical markets is disclosed where these activities and markets differ significantly with regard to the organisation of the sale of goods and services.

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2 Material uncertainties regarding going concern

The outbreak of the COVID-19 pandemic and the travel restrictions adopted by governments worldwide have significantly affected the aviation industry and the Company. This impact has been felt through an unprecedented reduction in the use of aircraft and a significant increase in the level of deferral requests and airlines being unable to make scheduled lease rent payments. The impact has significantly been felt in the financial year ended 30 June 2020, which has continued to escalate through the financial year ended 30 June 2021. Consequently, the Company has been significantly impacted by the COVID-19 pandemic throughout two consecutive financial years. As of this date, it is not possible to quantify the exact impact on the demand for aircraft or how long it may take to recover.

The Company is part of the Group and the Company's ability to continue as a going concern is dependent on financing provided by the Group, the repayment of outstanding balances, reference to which is made in note 12, and the Group's purchase of services from the Company.

The Group has engaged in constructive discussions with its lenders and on 22 July 2020 a Scheme of Arrangement was officially approved by the court resulting in a standstill of interest and capital payments on the Group's borrowings. On the back of the 22 July 2020 Scheme of Arrangement the COVID-19 crisis continued to unfold, and it became clear that the COVID-19 pandemic continued to significantly impact the Company.

In May 2021, the Group executed a forbearance agreement with key lender constituencies to afford them time to further develop this solution. Although the forbearance is not a permanent solution, it has allowed the Group and the Company additional time to consensually negotiate the terms of a comprehensive proposed restructuring transaction with its creditors.

Material uncertainties remain regarding the appropriate implementation process and to the Group structure post-reorganization, which cast significant doubt on the Company's ability to continue as a going concern, which are discussed in detail below. However, the Company and the Directors remain optimistic that a holistic restructuring transaction will be negotiated that will address material liabilities and allow the Company to continue to operate in the ordinary course on a go forward basis.

Balance sheet restructuring:

The Group is currently evaluating (I) securing a debt restructuring with its lenders outside the court system, (II) applying for a court proceeding to secure a reorganization of the Group or (III) ultimately entering liquidation and/or bankruptcy proceedings.

(I) Out-of-court restructuring:

The Group and its advisors continue to make substantial progress on negotiating the terms of a flexible, comprehensive restructuring transaction and are in the process of negotiating a restructuring support agreement and related transaction term sheets.

While negotiations regarding a consensual transaction are progressing, out-of-court restructurings require near-total consensus, as there is no mechanism to compel the co-operation of "holdouts". The Group's capital structure is complex, comprised of secured loans from over one hundred different lenders, including the involvement of several government-backed entities. Accordingly, reaching sufficient consensus cannot be guaranteed. Further, certain non-funded debt obligations (e.g. operating costs) can only realistically be addressed on a broad scale through a court proceeding.

In the event the Group cannot secure the necessary lender support to complete a comprehensive restructuring outside the court system, or the Group decides to complete a wide-scale operational restructuring in addition to a financial restructuring, the Group may consider utilizing reorganization proceedings in one or more jurisdictions.

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(II) Reorganization proceedings:

In parallel with its negotiations with creditor groups, the Group has been evaluating alternatives for a court-supervised restructuring, with particular emphasis on either a chapter 11 filing in the United States or an Irish Examinership.

Chapter 11:

A chapter 11 can be commenced at any time and will result in automatic protection of all filing entities; all affiliates can participate. In a chapter 11, the Company would continue to operate its businesses as “debtors-in-possession” under the jurisdiction of a bankruptcy court while effectuating a financial and operational restructuring to improve liquidity, eliminate unprofitable contracts, and right-size its funded debt obligations. Chapter 11 can be utilized in either a consensual or a non-consensual context.

The automatic stay can provide certain protections if a consensual transaction is not achieved. A chapter 11 filing would enable the Company to remain intact and to operate in a “business as usual” manner (taking into account the COVID-19 induced disruptions) with respect to post-filing vendor and customer relationships as well as employee obligations. Chapter 11 is not a liquidation or wind-down of the business. Chapter 11 would provide the Company with additional tools to renegotiate existing debt agreements, change ownership, dispose of assets, and obtain additional financing if necessary. The ultimate goal of a chapter 11 case is to confirm a “plan” to address the debtor’s liabilities.

Importantly, chapter 11 proceedings provide for a 120-day exclusive period for the debtor to propose a chapter 11 plan - subject to extension of up to 18 months after the petition date, giving the debtor significant control over the process.

The purpose of chapter 11 is to rehabilitate a debtor and allow for future operations of a viable business. Because of the Company’s solid foundation and successful pre-pandemic operations, the Company, as a victim of circumstance, is a prime candidate for chapter 11, which would allow the Company to continue to operate the business while utilizing chapter 11’s provisions to reduce outstanding financial liabilities and, if determined beneficial, effectuate an operational restructuring.

Examinership:

An examinership is an Irish corporate restructuring procedure which provides breathing space (with a Court stay or moratorium) for an examiner to formulate proposals for a scheme of arrangement for the survival of the participating company, or any part of its undertaking, as a going concern. The moratorium only protects participating entities.

Examinership preparation is ongoing as part of the contingency planning in the event it is required in a defensive scenario or the implementation of a consensual transaction or a Chapter 11 plan.

Examinership lasts for an initial period of 70 days that is extendable to 100 days. However, in light of COVID-19 pandemic, the period is temporarily extended to 150 days where "exceptional circumstances exist”.

An examinership is commenced by the presentation of a petition in the Irish High Court seeking the appointment of an examiner. The presentation of the petition creates an automatic stay and can be presented by a company, its members, directors or creditors. It must be accompanied by an Independent Expert Report assessing the viability of the company which includes a statement of affairs of the company, an opinion as to whether the expert believes the company has a reasonable prospect of survival and a list of conditions that need to be satisfied to achieve the outcome. The debtor remains in possession, although an independent examiner is appointed (selected and nominated by the petitioner). In examinership, the Company would continue its normal course trade and business. Also, examinership allows a company to repudiate certain contracts.

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Examinership is similar to chapter 11 in many ways. Examinership could be used to implement or give effect to a chapter 11 plan where required or be used independent of a chapter 11 to implement a consensual transaction relating to Irish companies and companies that have a sufficient connection to Ireland.

(III) Liquidation:

The Company may determine voluntarily, or in certain jurisdictions at the discretion of its creditors, to enter into liquidation proceedings. A voluntary liquidation would be undertaken as part of a comprehensive restructuring. In such circumstances, the Group, and any company entities remaining, would still likely continue to operate as a going concern.

In certain jurisdictions, the Group’s creditors may have the ability to force Group entities into an involuntary liquidation. Under such circumstances, there is an increased risk that the Group would no longer continue as a going concern.

At this time, the Group remains engaged in negotiations with its creditors regarding the path forward. Creditor groups are evaluating multiple options, including equitization and debt-exchange options. Material uncertainties remain regarding the appropriate implementation process and post-reorganized Group structure pending creditors' final, irrevocable decisions as to the preferred option. However, the Company remains confident that a holistic restructuring transaction will be negotiated that will address material liabilities. This proposed holistic restructuring transaction will allow the Company to continue to operate in the ordinary course of business as a going concern.

The Group presently expects that any proposed plan of restructuring will provide a mechanism for settlement of claims against the Company. However, there can be no assurance that the Group will be able to reach an agreement with its lenders or secure a court approval where required.

These financial statements have been prepared on a going concern basis and do not include any adjustments to the carrying amounts or classification of reported assets, liabilities, and expenses that would otherwise be necessary if the going concern assumption was not appropriate.

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3 Special items

Special items comprise significant costs of a special nature in relation to the Company's usual income-generating operating activities. Special items also comprise costs related to impairment of PDP (Classified as property, plant and equipment in progress) and investments.

As mentioned in the Management's review, profit/loss was affected by impairment of PDP and investments. This matter deviates from Management's assessment of what is part of the Company's operating activities.

Special items, including their recognition in the income statement, are speficied as follows:

USD'000	2020/21	2019/20
Income from equity investments		
Impairment of investments	20,330	0
Production costs		
Impairment of PDP	8,016	0

4 Segment information

Lease income	360	360
Engine reserve	351	828
Workshop sales	178	229
Other income & Group Fee	33,463	41,982
	34,352	43,399
Breakdown of revenue by geographical segments		
Asia and the Pacific	8	5
Europe	33,573	42,182
South and Central America	711	1,188
North America	57	24
Africa and Middle East	3	0
	34,352	43,399

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5 Staff costs and incentive schemes

Wages and salaries	16,907	20,224
Pensions	358	311
Other social security costs	67	66
	17,332	20,601
Average number of full-time employees	83	86

Staff costs are recognised in the financial statements as follows:

Production	3,603	3,639
Administration	13,729	16,962
	17,332	20,601

Staff costs include remuneration of the Company's Executive Board and Board of Directors, USD 1,846 thousand and pensions, USD 50 thousand.

USD'000	2020/21	2019/20

6 Other financial income

Interest income from group entities	3,141	9,674
Income from fixed asset investments	0	53
Other financial income	2	40
Exchange gains	0	599
	3,143	10,366

7 Other financial expenses

Impairment losses on financial assets	0	407
Other financial costs	8,500	2,938
Exchange losses	8,095	0
	16,595	3,345

8 Tax on profit/loss for the year

Current tax for the year	0	3,758
Deferred tax for the year	-438	-260
Adjustment of tax concerning previous years	0	70,148
	-438	73,646

9 Proposed profit appropriation/distribution of loss

Retained earnings	-39,879	30,716

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10 Property, plant and equipment

USD'000	Land and buildings	Fixtures and fittings, tools and equipment	Aircraft	Property, plant and equipment in progress	Total
Cost at 1 July 2020	16,656	2,570	38,302	19,610	77,138
Additions for the year	0	0	0	20,386	20,386
Disposals for the year	0	-36	-1,489	0	-1,525
Cost at 30 June 2021	16,656	2,534	36,813	39,996	95,999
Depreciation and impairment losses at 1 July 2020	-733	-1,879	-9,879	0	-12,491
Impairment losses for the year	0	0	0	-8,016	-8,016
Depreciation for the year	-732	-520	-4,344	0	-5,596
Reversed depreciation and impairment losses on assets sold	0	36	1,489	0	1,525
Depreciation and impairment losses at 30 June 2021	-1,465	-2,363	-12,734	-8,016	-24,578
Carrying amount at 30 June 2021	15,191	171	24,079	31,980	71,421
Assets held under finance leases	15,191	0	21,450	0	0

11 Investments

USD'000	Equity investments in group entities
Cost at 1 July 2020	20,937
Cost at 30 June 2021	20,937
Revaluations at 1 July 2020	-507
Revaluations for the year	-20,357
Revaluations 30 June 2021	-20,864
Carrying amount at 30 June 2021	73

USD'000	Deposits
Cost at 1 July 2020	8,582
Cost at 30 June 2021	8,582
Carrying amount at 30 June 2021	8,582

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Name	Legal form	Domicile	Equity	Profit/loss for the year
Subsidiaries:			USD'000	USD'000
Nordic Aviation Financing	ApS	Billund	5,937	347
NAC Aviation 2	A/S	Billund	-19,210	-23,649
NAC Aviation 3	A/S	Billund	-2,508	-9,301
NAC Aviation 3	Ltd	Ireland	5,948	875
NAC Aviation 4	Ltd	Ireland	94,423	17,697
NAC Aviation 6	Ltd	Ireland	2,332	-155
NAC Aviation 8	Ltd	Ireland	-43,073	-22,089
NAC Aviation 9	Ltd	Ireland	26,404	2,340
NAC Aviation 10	Ltd	Ireland	10,585	4,454
NAC Aviation 11	Ltd	Ireland	5,952	1,354
Nac Aviation 16	Ltd	Ireland	798	80
Nac Aviation 17	Ltd	Ireland	20,371	8,331
Nac Aviation 18	Ltd	Ireland	4,657	500
Nac Aviation 20	Ltd	Ireland	9,867	-371
Nac Aviation 21	Ltd	Ireland	-8,243	1,420
Nac Aviation 22	Ltd	Ireland	4,005	-90
Nac Aviation 23	Ltd	Ireland	-9,438	-3,995
Nac Aviation 25	Ltd	Ireland	41,149	-2,725
Nac Aviation 26	Ltd	Ireland	-2,860	-2,806
Nac Aviation 27	Ltd	Ireland	-9,971	-7,142
Nordic Aviation Contractor	Ltd	Ireland	40,139	-15,896
NK Leasing	Ltd	Ireland	15,812	-856
Nordic Aviation Leasing Pte	Ltd	Singapore	1,190	-23
Nordic Aviation Leasing Two Pte	Ltd	Singapore	3,011	-496
Nordic Aviation Leasing Six Pte	Ltd	Singapore	4,840	-3,706
Nordic Aviation Leasing Seven Pte	Ltd	Singapore	67,264	-42,970
Nordic Aviation Leasing Eight Pte	Ltd	Singapore	165	-3,441
Nordic Aviation Leasing Nine Pte	Ltd	Singapore	15,914	-3,307
Nordic Aviation Leasing Eleven Pte	Ltd	Singapore	27,856	3,454
Nordic Aviation Leasing Twelve Pte	Ltd	Singapore	-5	1
Nordic Aviation Leasing Fourteen Pte	Ltd	Singapore	3,515	1,052
Nordic Aviation Leasing Fifteen Pte	Ltd	Singapore	34	3
Nordic Aviation Leasing Sixteen Pte	Ltd	Singapore	10,958	313
Nordic Aviation Leasing Seventeen Pte	Ltd	Singapore	2,169	560
Nordic Aviation Leasing Eighteen Pte	Ltd	Singapore	2,884	910
Nordic Aviation Leasing Nineteen Pte	Ltd	Singapore	523	175
Nordic Aviation Leasing Twenty Pte	Ltd	Singapore	2,607	807

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Nordic Aviation Leasing Twentyone Pte	Ltd	Singapore	2,080	-199
Nordic Aviation Leasing Twentytwo Pte	Ltd	Singapore	1,864	706
Nordic Aviation Leasing Twentythree Pte	Ltd	Singapore	865	701
Nordic Aviation Leasing Twentyfour Pte	Ltd	Singapore	983	761
Nordic Aviation Leasing Twentyfive Pte	Ltd	Singapore	3,785	1,708
Nordic Aviation Leasing Twentysix Pte	Ltd	Singapore	-2	0
Nordic Aviation Leasing Twentyseven Pte	Ltd	Singapore	2,197	1,714
Nordic Aviation Leasing Twentyeight Pte	Ltd	Singapore	2,943	-555
Nordic Aviation Leasing Twentynine Pte	Ltd	Singapore	-5	-1
Nordic Aviation Capital Pte	Ltd	Singapore	1,885	1,003
Nordic Aviation Financing one Pte	Ltd	Singapore	5,775	1,391
NAC Aviation France 1	SAS	France	621	143
NAC Aviation France 2	SAS	France	0	0
NAC Aviation France 4	SAS	France	0	0
NAC Aviation France 5	SAS	France	139	4
NAC Aviation France 6	SAS	France	178	13
NAC Aviation Cyprus 1	Ltd	Cyprus	3,818	-24
NAC Aviation Cyprus 3	Ltd	Cyprus	-58	-14
Merlano	Ltd	Cyprus	-329	-37
NAC Aviation UK 2	Ltd	United Kingdom	94	7
The following subsidiaries are owned at 50%:				
KN Operating	Ltd	Ireland	11,562	1,567

The above figures are based on the 2019/20 annual reports except for the Danish entities. Annual reports for 2020/21 are not yet available.

12 Receivables from group entities

In the general interests of Nordic Aviation Capital A/S (NAC A/S) and its group of companies, Nordic Aviation Capital A/S has issued a letter of support stating that repayment of the outstanding intercompany balance will not be required unless and only to the extent that the intercompany counterpart has available cash, subject to any fiduciary duties and obligations of the Directors of NAC A/S to NAC A/S's creditors and other constituents, and also subject to the terms of any financial restructuring transaction and/or proceeding. Furthermore, reference is made in note 2 which describes material uncertainties regarding going concern.

13 Prepayments

Prepayments are costs related to the financial year 2021/22 such as insurance, bonus, etc.

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14 Equity

Contributed capital consists of 4,500 shares of a nominal value of DKK 1000 each.

All shares rank equally.

15 Provisions

USD'000	30/6 2021	30/6 2020
Deferred tax at 1 July	438	698
Adjustment of deferred tax	-438	-260
Deferred tax at 30 June	0	438
Deferred tax relates to:		
Property, plant and equipment	0	628
Right of use assets	0	9,108
Lease obligation	0	-9,298
	0	438

The Company's preliminary net deferred tax asset at 30 June 2021 amounted to approx. USD 2 million.

Due to uncertainty in estimating future earnings, Management has chosen not to capitalise a deferred tax asset. Going forward, Management will assess any potential capitalisation of the deferred tax asset.

16 Non-current liabilities other than provisions

USD'000	Total debt at 30/6 2021	Repayment, first year	Outstanding debt after five years
Lease obligations	39,345	3,526	19,495
Corporation tax	79,084	2,643	0
Deposits	80	0	0
Holiday accrual	1,623	0	1,623
	120,132	6,169	21,118

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17 Related party disclosures

Nordic Aviation Capital A/S' related parties comprise the following:

Control

Nordic Aviation Capital Designated Activity Company, Gardens International, Henry Street, Limerick, Ireland.

Nordic Aviation Capital Designated Activity Company holds the majority of the contributed capital in the Company.

Nordic Aviation Capital A/S is part of the consolidated financial statements of Nordic Aviation Capital Designated Activity Company, Ireland, which is both the smallest and largest Group, in which the Company is included as a subsidiary.

The consolidated financial statements of Nordic Aviation Capital Designated Activity Company can be obtained at the address above.

Related party transactions

In accordance with section 98 c(7) of the Danish Financial Statements Act, the Company has not disclosed any related party transactions as they were conducted on an arm's length basis.