



ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2019 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer: 916 490 771
Organisasjonsform: Norskreg. utenlandsk foretak
Foretaksnavn: NOR AVIATION LTD
Forretningsadresse: Strandveien 50
1366 LYSAKER

Regnskapsår

Årsregnskapets periode: 01.01.2019 - 31.12.2019

Konsern

Morselskap i konsern: Nei

Regnskapsregler

Regler for små foretak benyttet: Nei
Benyttet ved utarbeidelsen av årsregnskapet til selskapet: IFRS

Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet: Anders Bakken
Dato for fastsettelse av årsregnskapet: 01.03.2021

Grunnlag for avgivelse

År 2019: Årsregnskapet er elektronisk innlevert
År 2018: Tall er hentet fra elektronisk innlevert årsregnskap fra 2019

Det er ikke krav til at årsregnskapet m.v. som sendes til Regnskapsregisteret er undertegnet. Kontrollen på at dette er utført ligger hos revisor/enhetens øverste organ. Sikkerheten ivaretas ved at innsender har rolle/rettighet for innsending av årsregnskapet via Altinn, og ved at det bekreftes at årsregnskapet er fastsatt av kompetent organ.

Brønnøysundregistrene, 18.06.2021



Resultatregnskap

Beløp i: USD	Note	2019	2018
RESULTATREGNSKAP			
Kostnader			
Annen driftskostnad		133 752	169 630
Sum kostnader		133 752	169 630
Driftsresultat		-133 752	-169 630
Finansinntekter og finanskostnader			
Inntekt på investering i datterselskap og tilknyttet selskap		3 801 788	6 480 451
Annen finansinntekt	11	3 161 428	2 483 066
Sum finansinntekter		6 963 216	8 963 517
Annen finanskostnad	11	3 929 877	2 355 914
Sum finanskostnader		3 929 877	2 355 914
Netto finans		3 033 339	6 607 603
Ordinært resultat før skattekostnad		2 899 587	6 437 973
Skattekostnad på ordinært resultat		-215 834	15 801
Ordinært resultat etter skattekostnad		3 115 421	6 422 172
Årsresultat		3 115 421	6 422 172



Balanse

Beløp i: USD	Note	2019	2018
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Finansielle anleggsmidler			
Investering i datterselskap	14	8 734 311	8 725 405
Investering i annet foretak i samme konsern	15	1 497 143	1 497 143
Sum finansielle anleggsmidler		10 231 454	10 222 548
Sum anleggsmidler		10 231 454	10 222 548
Omløpsmidler			
Varer			
Fordringer			
Andre fordringer	16	313 583	3 640 040
Sum fordringer		313 583	3 640 040
Bankinnskudd, kontanter og lignende			
Bankinnskudd, kontanter og lignende	17	11 293 040	6 016 051
Sum bankinnskudd, kontanter og lignende		11 293 040	6 016 051
Sum omløpsmidler		11 606 623	9 656 091
SUM EIENDELER		21 838 077	19 878 639
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Selskapskapital	18	135 000	135 000
Sum innskutt egenkapital		135 000	135 000
Opptjent egenkapital			
Annen egenkapital		-1 256 401	-1 388 836



Balanse

Beløp i: USD	Note	2019	2018
Sum opptjent egenkapital		-1 256 401	-1 388 836
Sum egenkapital		-1 121 401	-1 253 836
Sum langsiktig gjeld		0	0
Kortsiktig gjeld			
Gjeld til kredittinstitusjoner	19	20 117 700	18 197 736
Leverandørgjeld	20	2 841 778	2 918 938
Annen kortsiktig gjeld			15 801
Sum kortsiktig gjeld		22 959 478	21 132 475
Sum gjeld		22 959 478	21 132 475
SUM EGENKAPITAL OG GJELD		21 838 077	19 878 639



NOR AVIATION LTD NUF

FINANCIAL STATEMENTS

31 December 2019





NOR AVIATION LTD NUF

BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors:	Espen Høyby
Company Secretary:	Beate Nygaardshaug
Independent Auditors:	RSM Cyprus Limited Certified Public Accountants and Registered Auditors 131, Gladstonos Street Kermia Court, 2nd floor 3032, Limassol Cyprus
Registered office:	OSM HOUSE Amathountos 22 Agios Tychonas, 4532 Limassol, Cyprus
Bankers:	Nordea Bank Norge AS
Registration number:	HE325169



NOR AVIATION LTD NUF

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME 31 December 2019

	Note	2019 US\$	2018 US\$
Dividend income		3,801,788	6,480,451
Administration expenses		(133,752)	(169,630)
Other expenses	8	-	-
Operating profit		3,668,036	6,310,821
Finance income	11	3,161,428	2,483,066
Finance costs	11	(3,929,877)	(2,355,914)
Profit before tax		2,899,587	6,437,973
Tax	12	215,834	(15,801)
Net profit for the year		3,115,421	6,422,172
Other comprehensive income		-	-
Total comprehensive income for the year		3,115,421	6,422,172

The notes on pages 5 to 20 form an integral part of these financial statements.



NOR AVIATION LTD NUF

STATEMENT OF FINANCIAL POSITION 31 December 2019

	Note	2019 US\$	2018 US\$
ASSETS			
Non-current assets			
Investments in subsidiaries	14	8,734,311	8,725,405
Investments in associates	15	1,497,143	1,497,143
		10,231,454	10,222,548
Current assets			
Receivables	16	313,583	3,640,040
Cash at bank and in hand	17	11,293,040	6,016,051
		11,606,623	9,656,091
Total assets		21,838,077	19,878,639
EQUITY AND LIABILITIES			
Equity			
Share capital	18	135,000	135,000
(Accumulated losses) /retained earnings		(1,256,401)	(1,388,836)
Total equity		(1,121,401)	(1,253,836)
Current liabilities			
Trade and other payables	20	2,841,778	2,918,938
Borrowings	19	20,117,700	18,197,736
Current tax liabilities	21		15,801
		22,959,478	21,132,475
Total equity and liabilities		21,838,077	19,878,639

On 1th of March 2021, the Board of Directors of NOR AVIATION LTD NUF authorised these financial statements for issue.

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Espen Høyby
Director

The notes on pages 5 to 20 form an integral part of these financial statements.



NOR AVIATION LTD NUF

STATEMENT OF CHANGES IN EQUITY

31 December 2019

	Note	Share capital US\$	Accumulated losses/retained earnings US\$	Total US\$
Balance at 1 January 2018		135,000	388,992	523,992
Comprehensive income				
Net profit for the year		-	6,422,172	6,422,172
Other adjustments		-	-	-
Transactions with owners				
Dividends	13	-	(8,200,000)	(8,200,000)
Balance at 31 December 2018/ 1 January 2019		135,000	(1,388,836)	(1,253,836)
Comprehensive income				
Net profit for the year		-	3,115,421	3,115,421
Other adjustments		-	17,014	17,014
Transactions with owners				
Dividends	13	-	(3,000,000)	(3,000,000)
Balance at 31 December 2019		135,000	(1,256,401)	(1,121,401)

Other adjustments represent transactions from previous periods corrected in 2019. Previous year's figures in STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME and STATEMENT OF FINANCIAL POSITION have as a consequence of these corrective adjustments been revised.

The notes on pages 5 to 20 form an integral part of these financial statements.



NOR AVIATION LTD NUF

CASH FLOW STATEMENT

31 December 2019

	Note	2019 US\$	2018 US\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		2,899,587	6,437,970
Adjustments for:			
Unrealised exchange profit		(3,875)	(521,414)
Dividend income		(3,801,788)	(6,480,451)
Interest income	11	(1,017,671)	(419,925)
Interest expense	11	<u>1,693,138</u>	<u>650,920</u>
		(230,609)	(332,894)
Changes in working capital:			
Decrease/(increase) in receivables		3,543,504	132,600
Decrease in trade and other payables		<u>(77,160)</u>	<u>(4,537,527)</u>
Cash generated /used in operations		3,235,735	(4,737,817)
Dividends received		<u>3,801,788</u>	<u>6,480,450</u>
Net cash generated from/(used in) operating activities		<u>7,037,523</u>	<u>1,742,633</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for purchase of investments in subsidiaries	14	(8,906)	(4,734)
Payment for purchase of investments in associated undertakings	15		(4,490)
Proceeds from sale of investments in associated undertakings		-	-
Interest received		<u>1,017,671</u>	<u>419,920</u>
Net cash generated from/(used in) investing activities		<u>1,008,765</u>	<u>410,700</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Unrealised exchange profit		3,875	521,414
Interest paid		(1,693,138)	(650,923)
Dividends paid		<u>(3,000,000)</u>	<u>(8,200,000)</u>
Net cash used in financing activities		<u>(4,689,263)</u>	<u>(8,329,509)</u>
Net decrease in cash and cash equivalents		3,357,025	(6,176,174)
Cash and cash equivalents at beginning of the year		<u>(12,181,685)</u>	<u>(6,005,511)</u>
Cash and cash equivalents at end of the year	17	<u>(8,824,660)</u>	<u>(12,181,685)</u>

The notes on pages 5 to 20 form an integral part of these financial statements.



NOR AVIATION LTD NUF

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

1. Incorporation and principal activities

Country of incorporation

The Company NOR Aviation Ltd (the "Company") was incorporated in Cyprus on 17 September 2013 as a private limited liability company under the provisions of the Cyprus Companies Law, Cap. 113. Its registered office is at OSM HOUSE, Amathountos 22, Agios Tychonas, 4532, Limassol, Cyprus. The Company also operates a branch in Norway. During 2020 the company changed name from OSM Aviation Ltd to NOR Aviation Ltd.

Principal activities

The principal activities of the Company, which are unchanged from last year, are the holding of investments and the provision of crew manning services to airlines.

2. Basis of preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and the requirements of the Norwegian Companies Law. The financial statements have been prepared under the historical cost convention.

These financial statements are the separate financial statements. The Company has not prepared consolidated financial statements as the exemption from consolidation in paragraph 10 of IAS27, "Consolidated and Separate Financial Statements", has been used. The Company's ultimate parent B.T Larsen & Co. Ltd, a Company incorporated in Cyprus produced consolidated financial statements that comply with International Financial Reporting Standards as issued by the IASB.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and requires Management to exercise its judgment in the process of applying the Company's accounting policies. It also requires the use of assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on Management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

3. Adoption of new or revised standards and interpretations

During the current year the Company adopted all the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 1 January 2019. This adoption did not have a material effect on the accounting policies of the Company.

4. Significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. Apart from the accounting policy changes resulting from the adoption of IFRS 16 effective from 1 January 2019, these policies have been consistently applied to all the years presented, unless otherwise stated.

Going concern basis

Even though the Company has made a profit of US\$ 3,115,421 for the year ended 31 December 2019, as of that date the Company's current liabilities exceeded its current assets by US\$11,352,855. However, even though NOR Aviation Ltd has a negative equity position, the subsidiaries, after their 2020 restructuring, are profitable and have capacity to give dividends up to NOR Aviation Ltd. On this basis and due to the fact that the group continues being profitable in 2020 management has prepared the financial statements on the going concern basis.



NOR AVIATION LTD NUF

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

4. Significant accounting policies (continued)

Subsidiary companies

Subsidiaries are entities controlled by the Company. Control exists where the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Investments in subsidiary companies are stated at cost less provision for impairment in value, which is recognised as an expense in the period in which the impairment is identified.

Associates

Associates are all entities over which the Company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associated undertakings are stated at cost less provision for permanent diminution in value, which is recognised as an expense in the period in which the diminution is identified.

Revenue

Recognition and measurement

Revenue represents the amount of consideration to which the Company expects to be entitled in exchange for transferring the promised goods or services to the customer, excluding amounts collected on behalf of third parties (for example, value-added taxes); the transaction price. The Company includes in the transaction price an amount of variable consideration as a result of rebates/discounts only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Estimations for rebates and discounts are based on the Company's experience with similar contracts and forecasted sales to the customer.

The Company recognises revenue when the parties have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations, the Company can identify each party's rights and the payment terms for the goods or services to be transferred, the contract has commercial substance (i.e. the risk, timing or amount of the Company's future cash flows is expected to change as a result of the contract), it is probable that the Company will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer and when specific criteria have been met for each of the Company's contracts with customers.

The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. In evaluating whether collectability of an amount of consideration is probable, the Company considers only the customer's ability and intention to pay that amount of consideration when it is due.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimates are reflected in the statement of profit or loss and other comprehensive income in the period in which the circumstances that give rise to the revision become known by management.

Identification of performance obligations

The Company assesses whether contracts that involve the provision of a range of goods and/or services contain one or more performance obligations (that is, distinct promises to provide a service) and allocates the transaction price to each performance obligation identified on the basis of its stand-alone selling price. A good or service that is promised to a customer is distinct if the customer can benefit from the good or service, either on its own or together with other resources that are readily available to the customer (that is the good or service is capable of being distinct) and the Company's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract (that is, the good or service is distinct within the context of the contract).



NOR AVIATION LTD NUF

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

4. Significant accounting policies (continued)

Revenue recognition (continued)

- **Interest income**

Interest income is recognised on a time-proportion basis using the effective interest method.

- **Dividend income**

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Finance income

Interest income is recognised on a time-proportion basis using the effective method.

Finance costs

Interest expense and other borrowing costs are charged to profit or loss as incurred.

Foreign currency translation

(1) **Functional and presentation currency**

Items included in the Company's financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in United States Dollars (US\$), which is the Company's functional and presentation currency.

(2) **Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Tax

Current tax liabilities and assets are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and laws that have been enacted, or substantively enacted, by the reporting date.

Dividends

Interim dividends are recognised in equity in the year in which they are approved by the Company's Directors. Dividend distribution to the Company's shareholders is recognised in the Company's financial statements in the year in which they are approved by the Company's shareholders.

Financial assets - Classification

The Company classifies its financial assets in the following measurement categories:

- those to be measured at amortised cost.

The classification and subsequent measurement of debt financial assets depends on: (i) the Company's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset. On initial recognition, the Company may irrevocably designate a debt financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.



NOR AVIATION LTD NUF

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

4. Significant accounting policies (continued)

Financial assets - Classification (continued)

For investments in equity instruments that are not held for trading, classification will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI). This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL.

Financial assets - Recognition and derecognition

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date when the Company commits to deliver a financial instrument. All other purchases and sales are recognized when the entity becomes a party to the contractual provisions of the instrument.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Financial assets - Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There is one category into which the Company classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in 'other income'. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss and other comprehensive income. Financial assets measured at amortised cost (AC) comprise: cash and cash equivalents, bank deposits with original maturity over 3 months, trade receivables and financial assets at amortised cost.

Financial assets - impairment - credit loss allowance for ECL

The Company assesses on a forward-looking basis the ECL for debt instruments (including loans) measured at AC and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. The Company measures ECL and recognises credit loss allowance at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.



NOR AVIATION LTD NUF

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

4. Significant accounting policies (continued)

Financial assets - impairment - credit loss allowance for ECL (continued)

The carrying amount of the financial assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of profit or loss and other comprehensive income within "net impairment losses on financial and contract assets".

Debt instruments measured at AC are presented in the statement of financial position net of the allowance for ECL. For loan commitments and financial guarantee contracts, a separate provision for ECL is recognised as a liability in the statement of financial position.

Expected losses are recognized and measured according to one of two approaches: general approach or simplified approach.

For trade receivables including trade receivables with a significant financing component and contract assets and lease receivables the Company applies the simplified approach permitted by IFRS 9, which uses lifetime expected losses to be recognised from initial recognition of the financial assets.

For all other financial asset that are subject to impairment under IFRS 9, the Company applies general approach - three stage model for impairment. The Company applies a three stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1.

Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 Months ECL"). If the Company identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("Lifetime ECL"). Refer to note 6, Credit risk section, for a description of how the Company determines when a SICR has occurred. If the Company determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL. The Company's definition of credit impaired assets and definition of default is explained in note 6, Credit risk section.

Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise deposits held at call with banks and bank overdrafts. In the statement of financial position, bank overdrafts are included in borrowings in current liabilities. Cash and cash equivalents are carried at AC because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL.

Financial assets at amortised cost

These amounts generally arise from transactions outside the usual operating activities of the Company. These are held with the objective to collect their contractual cash flows and their cash flows represent solely payments of principal and interest. Accordingly, these are measured at amortised cost using the effective interest method, less provision for impairment. Financial assets at amortised cost are classified as current assets if they are due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current assets.

Financial liabilities - measurement categories

Financial liabilities are initially recognised at fair value and classified as subsequently measured at amortised cost, except for (i) financial liabilities at FVTPL: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in securities), contingent consideration recognised by an acquirer in a business combination and other financial liabilities designated as such at initial recognition and (ii) financial guarantee contracts and loan commitments.



NOR AVIATION LTD NUF

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

4. Significant accounting policies (continued)

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

Share capital

Ordinary shares are classified as equity.

5. New accounting pronouncements

At the date of approval of these financial statements, standards and interpretations were issued by the International Accounting Standards Board which were not yet effective. Some of them were adopted by the European Union and others not yet. The Board of Directors expects, at its best estimate, that the adoption of these accounting standards in future periods will not have a material effect on the financial statements of the Company.

6. Financial risk management

Financial risk factors

The Company is exposed to credit risk, liquidity risk and currency risk arising from the financial instruments it holds. The risk management policies employed by the Company to manage these risks are discussed below:

6.1 Credit risk

Credit risk arises from cash and cash equivalents, contractual cash flows of debt investments carried at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVTPL), favourable derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and contract assets.

(i) Risk management

Credit risk is managed on a group basis.

For banks and financial institutions, only independently rated parties are accepted. If customers are independently rated, these ratings are used.

Otherwise, if there is no independent rating, management assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual credit limits and credit terms are set based on the credit quality of the customer in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.

(ii) Impairment of financial assets

The Company has the following types of financial assets that are subject to the expected credit loss model:

- financial assets at amortised cost
- cash and cash equivalents



NOR AVIATION LTD NUF

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

6. Financial risk management (continued)

6.1 Credit risk (continued)

(ii) Impairment of financial assets (continued)

Debt investments

Financial assets at amortised cost

Other financial assets at amortised cost include receivable from related party.

The Company considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- external credit rating (as far as available)
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- actual or expected significant changes in the operating results of the borrower/counterparty
- significant increases in credit risk on other financial instruments of the same borrower/counterparty
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements
- significant changes in the expected performance and behaviour of the borrower/counterparty, including changes in the payment status of counterparty in the Company and changes in the operating results of the borrower.

Based on management's credit loss assessment on financial assets at amortised cost and cash and cash equivalents, no significant credit losses arise which may significantly impact the financial statements.

6.1.3 Credit quality of financial assets

The credit quality of financials assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if applicable) or to historical information about counterparty default rates:

	2019 US\$	2018 US\$
Cash at bank and short term bank deposits		
Aa3	<u>11,293,040</u>	<u>6,016,051</u>
	<u>11,293,040</u>	<u>6,016,051</u>

6.2 Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. No maturity table disclosing the undiscounted cash flows of the underlying liabilities has been presented as all outstanding balances are due within 12 months and consequently their carrying amounts are representative of their contractual cash flows and the impact of discounting is not significant.



NOR AVIATION LTD NUF

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

6. Financial risk management (continued)

6.3 Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Company's measurement currency. The Company is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the Norwegian Krone and the Euro. The Company's Management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

At 31 December 2019, if the UD Dollar had weakened /strengthened by 10% (2018: 10%) against the Euro or the NOK with all other variables held constant, post tax profit for the year would not be materially impacted.

7. Critical accounting estimates, judgments and assumptions

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

- **Going concern basis**

The Directors judge that it is appropriate to prepare the financial statements on the going concern basis.

Critical judgements in applying the Company's accounting policies

- **Impairment of investments in subsidiaries/associates**

The Company periodically evaluates the recoverability of investments in subsidiaries/associates whenever indicators of impairment are present. Indicators of impairment include such items as declines in revenues, earnings or cash flows or material adverse changes in the economic or political stability of a particular country, which may indicate that the carrying amount of an asset is not recoverable. If facts and circumstances indicate that investment in subsidiaries/associates may be impaired, the estimated future discounted cash flows associated with these subsidiaries/associates would be compared to their carrying amounts to determine if a write-down to fair value is necessary.

- **Impairment of financial assets**

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in note 6, Credit risk section.

8. Other expenses

	2019 US\$	2018 US\$
Other non-allowable for tax expense	-	-
	-	-



NOR AVIATION LTD NUF

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

9. Expenses by nature

	2019 US\$	2018 US\$
Staff costs (Note 10)	107,254	116,506
Auditors' remuneration	14,207	25,741
Other expenses	<u>12,291</u>	<u>27,383</u>
Total expenses	<u>133,752</u>	<u>169,630</u>

10. Staff costs

	2019 US\$	2018 US\$
Salaries	94,000	103,910
Social security costs	<u>13,254</u>	<u>12,596</u>
	<u>107,254</u>	<u>116,506</u>

Average number of employees 1 1

11. Finance income/(costs)

	2019 US\$	2018 US\$
Interest income	1,017,671	419,925
Exchange profit	<u>2,143,757</u>	<u>2,063,141</u>
Finance income	<u>3,161,428</u>	<u>2,483,066</u>
Net foreign exchange losses	(2,208,714)	(1,674,659)
Interest expense	(1,693,138)	(650,923)
Sundry finance expenses	<u>(28,025)</u>	<u>(30,332)</u>
Finance costs	<u>(3,929,877)</u>	<u>(2,355,914)</u>
Net finance income/(cost)	<u>(768,449)</u>	<u>127,152</u>

12. Tax

	2019 US\$	2018 US\$
Overseas tax	(215,834)	15,801
Charge for the year	<u>(215,834)</u>	<u>15,801</u>

The tax on the Company's profit before tax differs from theoretical amount that would arise using the applicable tax rates as follows:

	2019 US\$	2018 US\$
Profit before tax	<u>2,899,587</u>	<u>6,437,973</u>
Tax calculated at the applicable tax rates	362,449	804,747
Tax effect of expenses not deductible for tax purposes		901
Tax effect of allowances and income not subject to tax	(362,449)	(805,648)
Overseas tax in excess of credit claim used during the year	<u>(215,834)</u>	<u>15,801</u>
Tax charge	<u>(215,834)</u>	<u>15,801</u>



NOR AVIATION LTD NUF

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

12. Tax (continued)

The corporation tax rate is 12,5%.

Under certain conditions interest income may be subject to defence contribution at the rate of 30%. In such cases this interest will be exempt from corporation tax. In certain cases, dividends received from abroad may be subject to defence contribution at the rate of 17%.

Overseas tax derives from the Norwegian trading activities that the Company operates through a branch and are subject to taxation in Norway. Tax paid in Norway is credited against tax that may be payable in Cyprus.

Gains on disposal of qualifying titles (including shares, bonds, debentures, rights thereon etc) are exempt from Cyprus income tax.

13. Dividends

	2019	2018
	US\$	US\$
Interim dividend paid	<u>3,000,000</u>	<u>8,200,000</u>
	<u>3,000,000</u>	<u>8,200,000</u>

On the 12th of March 2019 and the 9th of April 2019 the Board of Directors executed the payment of total dividends of US\$ 3,000,000(2018: US\$ 8,200,000).

Dividends are subject to a deduction of special contribution for defence at 17% for individual shareholders that are both Cyprus tax resident and Cyprus domiciled.



NOR AVIATION LTD NUF

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

14. Investments in subsidiaries

	2019 US\$	2018 US\$
Balance at 1 January	8,725,405	8,720,671
Additions	<u>8,906</u>	<u>4,734</u>
Balance at 31 December	<u>8,734,311</u>	<u>8,725,405</u>

The details of the subsidiaries are as follows:

Name	Country of incorporation	Principal activities	Holding %	2019 US\$	2018 US\$
OSM Aviation Pte	Singapore	Provision of airline cabin crew	100	7,561	7,561
OSM Aviation Spain,ETT,S.L	Spain	Provision of airline cabin crew	100	4,072	4,072
OSM Aviation Denmark Aps	Denmark	Provision of airline cabin crew	100	8,426	8,426
OSM Aviation Inc	United States	Provision of airline cabin crew	100	1	1
OSM Aviation HK Ltd	Hong Kong	Provision of airline cabin crew	100	1,317	1,317
Goldcup 11589AB UA	Sweden	Provision of airline cabin crew	100	62,540	62,540
OSM Aviation Germany GmbH	Germany	Provision of airline cabin crew	100	29,874	29,874
OSM Aviation AS	Denmark	Provision of airline cabin crew	100	482,948	482,948
OSM Aviation Norge AS	Norway	Provision of airline cabin crew	100	376,505	376,505
OSM Aviation Sweden AB	Sweden	Provision of airline cabin crew	100	4,459,534	4,459,534
OSM Aviation Norway AS	Norway	Provision of airline cabin crew	100	138,832	138,832
Aviation Management Norway AS	Norway	Provision of airline cabin crew	100	12,163	12,163
OSM Aviation Management UK Ltd	United Kingdom	Provision of airline cabin crew	100	362,740	362,740
Norwegian Air Singapore Resources Asia Pte Ltd	Singapore	Provision of airline cabin crew	100	75,264	75,264
BF Scandinavian Aviation Academy AB	Sweden	Provision of airline cabin crew	100	2,698,895	2,698,895
OSM Aviation Academy Holding AS	Norway	Provision of airline cabin crew	100	4,772	4,772
OSM Aviation T&I AS	Norway	Crewing systems	100	3,317	-
OSM Aviation India LLC	India	Provision of airline cabin crew	100	5,589	-
OSM Aviation Netherlands	Netherland	Provision of airline cabin crew	100	<u>11</u>	<u>11</u>
				<u>8,734,311</u>	<u>8,725,405</u>



NOR AVIATION LTD NUF

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

15. Investments in associates

	2019	2018
	US\$	US\$
Balance at 1 January	1,497,143	1,492,653
Additions	-	4,490
Disposals	-	-
Balance at 31 December	<u>1,497,143</u>	<u>1,497,143</u>



NOR AVIATION LTD NUF

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

15. Investments in associates (continued)

The details of the investments are as follows:

Name	Country of incorporation	Principal activities	Holding %	2019 US\$	2018 US\$
OSM Aviation AS	Norway	Provision of airline cabin crew	49	94,652	94,652
OSM Aviation UK Ltd	United Kingdom	Provision of airline cabin crew	49	1,528	1,528
Norwegian Air Resources Spain S.L	Spain	Provision of airline cabin crew	49	813,439	813,439
Norwegian Air Resources Asia Finland Pte Ltd	Finland	Provision of airline cabin crew	49	583,034	583,034
Norwegian OSM LH Spain S.L	Norway	Provision of airline cabin crew	49	4,490	4,490
				<u>1,497,143</u>	<u>1,497,143</u>

16. Receivables

	2019 US\$	2018 US\$
Receivables from own subsidiaries (Note 22.1)	11,317	3,561,949
Shareholders' current accounts - debit balances (Note 22.3)	85,353	77,012
Deposits and prepayments	<u>216,913</u>	<u>1,079</u>
	<u>313,583</u>	<u>3,640,040</u>

The fair values of receivables due within one year approximate to their carrying amounts as presented above.

The exposure of the Company to credit risk and impairment losses in relation to receivables is reported in note 6 of the financial statements.

17. Cash at bank and in hand

	2019 US\$	2018 US\$
Cash at bank and in hand	<u>11,293,040</u>	<u>6,016,05</u>
	<u>11,293,040</u>	<u>6,016,05</u>

For the purposes of the cash flow statement, the cash and cash equivalents include the following:

	2019 US\$	2018 US\$
Cash at bank and in hand	11,293,040	6,016,05
Bank overdrafts (Note 19)	<u>(20,117,700)</u>	<u>(18,197,736)</u>
	<u>(8,824,660)</u>	<u>(12,181,685)</u>

The exposure of the Company to credit risk and impairment losses in relation to cash and cash equivalents is reported in note 6 of the financial statements.



NOR AVIATION LTD NUF

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

18. Share capital

	2019 Number of shares	2019 \$	2018 Number of shares	2018 \$
Authorised				
Ordinary shares of \$1.35 each	<u>100,000</u>	<u>135,000</u>	100,000	135,000
		US\$		US\$
Issued and fully paid				
Balance at 1 January	<u>100,000</u>	<u>135,000</u>	100,000	135,000
Balance at 31 December	<u>100,000</u>	<u>135,000</u>	100,000	135,000

19. Borrowings

	2019 US\$	2018 US\$
Current borrowings		
Bank overdrafts (Note 17)	<u>20,117,700</u>	<u>18,197,736</u>

20. Trade and other payables

	2019 US\$	2018 US\$
Social insurance and other taxes	23,427	17,431
Accruals	12,421	15,441
Other creditors	17,680	7,368
Payables to own subsidiaries (Note 22.2)	-	30,146
Payables to associates (Note 22.2)	<u>2,788,250</u>	<u>2,848,552</u>
	<u>2,841,788</u>	<u>2,918,938</u>

The fair values of trade and other payables due within one year approximate to their carrying amounts as presented above.

21. Current tax liabilities

	2019 US\$	2018 US\$
Corporation tax	<u>-</u>	<u>15,801</u>
	<u>-</u>	<u>15,801</u>

22. Related party transactions

The Company is jointly controlled by OSM Aviation Group Limited and Norwegian Air Resources Limited. In July 2020 OSM Aviation Group Limited acquired the shares owned by Norwegian Air Resources Limited.



NOR AVIATION LTD NUF

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

The following transactions were carried out with related parties:

22.1 Receivables from own subsidiary (Note 16)

Name	2019 US\$	2018 US\$
OSM Aviation Sweden AB	-	1,577,340
OSM Aviation Spain ETT S.L	-	-
OSM Aviation Ireland Ltd	11,317	12,680
OSM Aviation Management AS	-	591,430
OSM Aviation Denmark Aps	-	1,380,499
	<u>11,317</u>	<u>3,561,949</u>

The receivables from related parties were provided interest free, and there was no specified repayment date.

22.2 Payables to related parties (Note 20)

Name	2019 US\$	2018 US\$
Norwegian Air Resources Spain SL	2,788,250	-
Norwegian Air Resources Asia Pte Ltd	-	2,876,209
OSM Aviation Management Spain SL	-	2,489
	<u>2,788,250</u>	<u>2,878,698</u>

The payables to related parties were provided interest free, and there was no specified repayment date.

22.3 Shareholders' current accounts - debit balances (Note 16)

	2019 US\$	2018 US\$
OSM Aviation Group Ltd	85,353	77,012
	<u>85,353</u>	<u>77,012</u>

The shareholders' current accounts are interest free and have no specified repayment date.

23. Contingent liabilities

The Company had no contingent liabilities as at 31 December 2019.

24. Commitments

The Company had no capital or other commitments as at 31 December 2019.

25. Events after the reporting period

With the recent and rapid development of the Coronavirus disease (COVID-19) outbreak the world economy entered a period of unprecedented health care crises that has already caused considerable global disruption in business activities and everyday life. Many countries have adopted extraordinary and economically costly containment measures. Certain countries have required companies to limit or even suspend normal business operations. Governments, including the Republic of Cyprus have implemented restrictions on travelling as well as strict quarantine measures.

Industries such as tourism, hospitality and entertainment are expected to be directly disrupted significantly by these measures. Other industries such as manufacturing and financial services are expected to be indirectly affected and their results to also be negatively affected.

The financial effect of the current crises on the global economy and overall business activities cannot be estimated



NOR AVIATION LTD NUF

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

with reasonable certainty at this stage, due to pace at which the outbreak expands and the high level of uncertainties arising from the inability to reliably predict the outcome.

The event is considered ad a non-adjusting event and is therefore not reflected in the recognition and measurement of the asset and liabilities in the financial statements as at 31 December 2019.

In addition to the above, during 2020 OSM Aviation Group Ltd acquired the remaining 50 % shareholding of NOR Aviation Ltd (OSM Aviation Ltd at the time), from Norwegian Air Resources Ltd ("NAR"). The Company and NAR have resolved to separate the business currently conducted through NOR Aviation Limited such that certain companies in the joint venture are transferred to NAR and the remaining entities left in the ownership of OSM Aviation Group Ltd. The restructuring is still under process and the expected to be finalized within 2020.

There were no other material events after the reporting period, which have a bearing on the understanding of the financial statements.





Skattedirektoratet

Saksbehandler Torstein Kinden Helleland	Deres dato 07.03.2017	Vår dato 13.03.2017
Telefon 22078139	Deres referanse Johan Bringsverd	Vår referanse 2017/259066

ERNST & YOUNG AS
Kystveien 2 C
4841 Arendal

Tillatelse til å utarbeide årsregnskap og årsberetning på engelsk språk for OSM Aviation Ltd, org. nr. 916 490 771

Vi viser til deres brev av 7. mars 2017 der det søkes om dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk for OSM Aviation Ltd.

Skattedirektoratet gir på bakgrunn av en konkret helhetsvurdering OSM Aviation Ltd dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk, jf. regnskapsloven § 3-4 tredje ledd. Dispensasjonen forutsetter at opplysningene som vedtaket baserer seg på ikke endres vesentlig.

Kopi av dette brevet må sendes Regnskapsregisteret i Brønnøysund sammen med årsregnskapet. Det påligger den regnskapspliktige å dokumentere ved dette brev at tillatelsen er gitt.

Bakgrunn

OSM Aviation Ltd er en filial av OSM Aviation Ltd som er hjemmehørende på Kypros. OSM Aviation Ltd (NUF) er en tjenesteleverandør innen luftfartsindustrien, herunder utleie og formidling av personale til luftfartsvirksomhet. Selskapet er morselskap i OSM Aviation konsernet og har datterselskaper både i Norge og utenlands, herunder USA, UK, Europa og Asia. Arbeidsspråket er engelsk. Alle sentrale aktører og samarbeidspartnere innen denne bransjen behersker og benytter engelsk. En norsk oversettelse vil kun ha til formål å oppfylle regnskapslovens språkkrav.

Skattedirektoratets vurdering

Efter regnskapsloven § 3-4 tredje ledd skal "årsregnskapet og årsberetningen ... være på norsk. Departementet kan ved ... enkeltvedtak bestemme at årsregnskapet og/eller årsberetningen kan være på et annet språk."

I Ot. prp. nr. 42 (1997-1998) Om lov om årsregnskap m.v., er det uttalt følgende om regnskapslovens formål, jf. pkt. 1.1:

"Regjeringen har som siktemål at regnskapsloven skal bidra til informative regnskaper for ulike grupper av regnskapsbrukere. Regnskapsbrukerne er dels investorer og kreditorer som tilfører kapital til foretakene, og dels andre grupper som har interesse av å vite hvordan

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Telefaks
22 17 08 60



foretaket drives, f.eks. de ansatte og lokalsamfunnet. Informasjonen til kapitalmarkedet skal gi grunnlag for riktig prising av finansielle objekter. Riktig prisdannelse på aksjer er en forutsetning for at ressursbruken i samfunnsøkonomien skal bli best mulig. Gode regnskaper vil også gjøre det vanskeligere for markedsdeltakere å ta ut spekulasjonsgevinster med basis i skjevt fordelt informasjon."

Det fremgår således at et av hovedformålene med regnskapsloven er å bidra til "informative regnskaper for ulike grupper av regnskapsbrukere". Regnskapsbrukere vil omfatte, jf. uttalelsen i proposisjonen, blant andre investorer, kreditorer, ansatte og lokalsamfunnet.

Det er etter Skattedirektoratets vurdering derfor avgjørende ved vurdering av om dispensasjon fra kravet til å utarbeide årsregnskap og/eller årsberetning på norsk kan gis, at det ikke foreligger mulige brukere av regnskapsinformasjon som blir vesentlig berørt negativt ved en eventuell dispensasjon.

Det er særlig hensynet til brukerne av regnskapsinformasjon som skal vurderes ved en dispensasjonssøknad. I denne vurderingen har Skattedirektoratet lagt vekt på at selskapet er en filial av et utenlandsk selskap. Eierkretsen er begrenset. Arbeidsspråk er engelsk. Videre er det vektlagt at alle sentrale aktører og samarbeidspartnere innen denne bransjen behersker og benytter engelsk.

Vennligst oppgi vår referanse ved henvendelser i saken.

Med hilsen

Rune Tystad
seniorrådgiver
Rettsavdelingen, foretaksskatt
Skattedirektoratet

Torstein Kinden Helleland

Dokumentet er elektronisk godkjent og har derfor ikke håndskrevne stignaturer



RSM Norge AS

To the General Meeting of NOR Aviation Ltd NUF

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Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of NOR Aviation Ltd NUF, which comprise the balance sheet as at 31 December 2019, the income statement, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements are prepared in accordance with law and regulations and give a true and fair view of the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards 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 as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (management) are responsible for the preparation in accordance with law and regulations, including a true and fair view of the financial statements in accordance with International Financial Reporting Standards as adopted by the EU, 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.

THE POWER OF BEING UNDERSTOOD

AUDIT | TAX | CONSULTING

RSM Norge AS is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

RSM Norge AS er medlem av/ is a member of Den norske Revisorforening.

Penneo Dokumentnr: 2JZ7O-HSTUU-DTNCA-KFF26-XXIWE-0U730



Independent Auditor's Report 2019 for NOR Aviation Ltd NUF



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. The financial statements use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about 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 laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

For further description of Auditor's Responsibilities for the Audit of the Financial Statements reference is made to <https://revisorforeningen.no/revisjonsberetninger>

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report concerning the financial statements, the going concern assumption and the proposed allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Arendal, 1 March 2021
RSM Norge AS

Johan T. Bringsverd
State Authorised Public Accountant
(This document is signed electronically)

Penneo Dokumentnr: 21Z7O-HSTUU-DTNCA-KFF26-XXIWE-0U730



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Johan Thulin Bringsverd

Partner

På vegne av: RSM Norge AS

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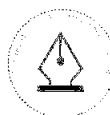


Directors' report 2019

NOR Aviation LTD

08.12.2020

Registered enterprise number 916 490 771



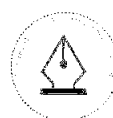
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SUMMARY

A state of emergency prevails in the international aviation industry at the time the accounts for 2019 are presented. The Covid-19 pandemic has had dramatic consequences. Extensive measures to prevent infection are hitting travel between countries and continents, and most of the world's aircraft fleet is grounded. That leaves both pilots and cabin crew without work, and Nor Aviation must adapt to a demanding position. Several steps are being taken both to ensure that the company is as well positioned as possible to take its share of the market when activity recovers, and to develop new business areas.

In this summary, the board will comment on two aspects of overarching significance for understanding the company's position and prospects. One is the conditions which first and foremost affected the 2019 accounts, and the other is important events which have occurred since the end of the fiscal year – the Covid-19 outbreak and its consequences.

Highlights of 2019

After several years of sharp growth, 2019 proved a challenging period for the Nor Aviation group. Its business was strongly affected by the problems in international aviation in general and at Norwegian Air in particular, which led to reduced operating revenues for Nor Aviation and a weaker result than the record performance achieved in 2018. Operating revenues fell from USD 268 million in that year to USD 175 million for 2019, while operating profit declined from USD 15.4 million to USD 2.1 million.

Norwegian Air Resources Holding (Norwegian Air) has been Nor Aviation's largest customer by far, and its performance has consequently been very significant for the company. The financial position at Norwegian Air has long been difficult and, after a period of substantial growth, it became necessary to initiate extensive measures to reduce costs and improve earnings. These included closure of routes and thereby a reduced level of activity for Nor Aviation. The negative consequences were further reinforced by technical problems with Norwegian Air's new Boeing 787- aircraft (Dreamliner) and by the global ban on operating Boeing 737 Max aircraft. All these conditions had a strong impact on Nor Aviation's accounts for 2019.

Covid-19

The Covid-19 pandemic is making 2020 an exceptional year for the global economy, and most industries are experiencing dramatic consequences. Airlines worldwide are hard-hit, and large parts of Nor Aviation's market have currently shut down.

Collaboration with Norwegian terminated

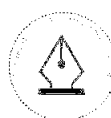
The collaboration between OSM Aviation and Norwegian Air terminated in July 2020. At the same time, an agreement was reached with Norwegian Air which means in part that the latter has taken over employer responsibility for about 3 000 personnel from Nor Aviation.

Because the collaboration between the two companies has now ended, Norwegian's 50-per-cent shareholding in Nor Aviation has been transferred to OSM Aviation Group Ltd, which is now the company's sole owner. Other outstanding accounts between Norwegian Air and OSM Aviation have been settled, but this will not be sufficient to cover the company's total claims against Norwegian Air. The size of the loss cannot yet be estimated.

During a transitional period, Nor Aviation will continue to handle crew management for certain routes, and this limited collaboration is expected to last until the end of 2020.

Bankruptcies

Because Norwegian Air defaulted on its payments, Nor Aviation found itself in a position during June 2020 where it unfortunately had no other option but to put three of the group's subsidiaries into administration.



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That concerned Swedish company OSM Aviation Sweden AB and the two Finnish companies OSM Aviation Finland OY and Norwegian OSM FI OY. Norwegian Air was the only customer for these companies and it was unable to pay what it owed them, they in turn could not meet their obligations. The three companies, with just over 570 employees in total, were thereby declared bankrupt.

The bankruptcy estates for the three companies had a total net claim on the group of about USD 10 Million. After some negotiations, the parties arrived at an amicable settlement.

Restructuring

The consequences of the Covid-19 pandemic and the uncertainty now prevailing in the international aviation sector mean that Nor Aviation must adapt to new circumstances. This has two components – various cost-saving measures and sale of some of the subsidiaries.

About the company

The company was established in 2013 with an ambition to renew international aviation. The company, which has specialised in recruiting, employing, training and administering airline crew, quickly became a world leader in its field. Its business model met a need in the market. Airlines gained access to a serious and full-service specialist company able to offer crew management services on competitive terms.

Through various training and educational schemes, the company ensures – in collaboration with the individual airline – that employees represent the airline they fly for in the best possible way where safety, service and brand values are concerned.

Right from the start, the company defined “it’s all about people” as a fundamental value for its business, which led not least to a new industry standard for cooperation with employee unions. OSM Aviation entered into an agreement in early 2017 with the International Transport Workers’ Federation (ITF). This recognises the right of employees to organise, and lays the basis for representation and the right to collective bargaining. The company has continued to abide by this principle during the current conditions created by the Covid-19 pandemic. However, like so many other players in the international aviation industry, it has also been forced to institute lay-offs and redundancies.

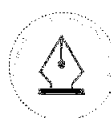
At 31 December 2019, the company employed almost 4 400 pilots and cabin crew from 18 countries. That number had been reduced to roughly 500 by 31 August 2020.

Overview of the business

NOR Aviation Ltd (“Nor Aviation” or “the company”) was incorporated in 2013 as a private limited liability company under Cyprus company law. OSM Aviation is headquartered in Limassol, Cyprus.

The company established a branch in Norway in late 2015, which was registered in the Norwegian Register of Business Enterprises on 6 February 2016 under the name OSM Aviation Ltd NUF.

The consolidated financial statements and the directors’ report for the year ended 31 December 2019 form the fourth annual report for Nor Aviation as a group. The Nor Aviation group (or “the group”) consists of the company, hereunder the Norwegian branch office (Nor Aviation Ltd NUF), and the company’s subsidiaries for the year ending 31 December 2019, including OSM Aviation Academy.



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Principal activities

The principal activities of the company were holding investments and provision of crewing services to airlines. From 2018, the company also had a separate business area for its commitment to pilot schools through OSM Aviation Academy.

OSM Aviation Ltd was founded as an offshoot of OSM Marine. It offers total crew management to the aviation industry, from recruitment and training to planning and execution. At 31 December 2019, the group employed 4 373 -air crew and was present in 18 countries. OSM Aviation Academy had 53 employees in three countries as at 31 December 2019.

Financial review

The following financial review is based on the consolidated financial statements of OSM Aviation Ltd and its subsidiaries (the group).

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) and represent the second financial statements for the group which accord with the IFRS.

In the view of the board, the income statement, the statements of comprehensive income, changes in equity and cash flow, the balance sheet and the notes provide satisfactory information about the operations and position of the group and the parent company at 31 December 2019.

The financial statements for 2019 include a note on segment information, where the figures are broken down between crew management and OSM Aviation Academy respectively. (Note 2.1)

Financial figures are presented in US dollars, which is the group's functional currency.

Income statement

The group's total revenues comprise the provision of services and other income. Consolidated total revenues declined from USD 267.7 in 2018 to USD 175.3 million in 2019, with provision of services accounting for USD 164.1 million. As explained in the introduction, the decline reflects the withdrawal of routes by Norwegian, the company's largest customer. The UK, Spain and the USA were the largest markets for OSM Aviation during 2019, and thereby also the source of the majority of its revenues. USD 7.2 million of total operating revenues derived from OSM Aviation Academy.

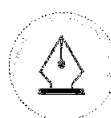
Total operating expenses, were USD 148.2 million, down from USD 230 million last year. Air-crew expenses accounted for just over 95 per cent of the total.

The group's operating profit amounted to USD 2,1 million, compared with USD 15.4 million the year before. This result reflects the sharp decline in Norwegian's flights, as described in the introduction to this report. The share of results in associated companies was a loss of USD 0.8 million. Profit before tax for 2019 was USD 0.9 million, compared with USD 15.6 million in 2018.

Net profit for the year was USD 1.2 million, down from USD 12.3 million the year before.

Financial position, financing and liquidity

Total non-current assets at 31 December amounted to USD 21.6 million, while total current assets came to USD 31.8 million. Current assets comprise cash, bank deposits, trade receivables and other receivables, and



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represent some 59 per cent of total assets. The group holds advances from customers as collateral for the trading balances. The fair value of trade and other receivables due within one year approximates to their carrying amounts as presented above.

Total shareholders' equity at 31 December was USD 6 million, corresponding to an equity ratio of 11.3 per cent. Non-current liabilities came to USD 18.3 million. Current liabilities were USD 29.1 million, of which USD 17 million represented trade and other payables. The group had no credit facilities at 31 December 2019, but interest-bearing debt of USD 7.4 million.

The company is financed by a combination of equity and prepayments from customers.

The board of directors considers the financial position to be satisfactory in the current covid-19 climate.

Cash flow

Net cash flows from operational activities were positive at USD 7.3 million. Net cash flows from investing activities in 2019 were negative at USD 11 million. Net cash flows from financing activities amounted to at USD 5 million.

Research and development

The group recognised USD 0.4 million related to research and development in 2019. One of the innovation projects, related to the automated crew management system, is funded by the Research Council of Norway. Forward-looking and efficient solutions for communication with and management of the workforce are under continuous development.

Financial risk and risk management

The group's performance is subject to a variety of risks. Some of these are within its control, and others are not. The group monitors the position closely and continuously, with a heavy emphasis on developing plans to keep business risk at a minimum.

Financial risk factors

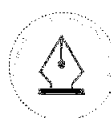
The group's principal financial liabilities, other than derivatives, comprise borrowings as well as trade and other payables. The main purpose of these financial liabilities is to finance the group's operations. The group has non-current loan receivables, trade and other receivables, and cash which derive directly from its operations. It also holds available-for-sale investments. The group is exposed to market, credit, liquidity and capital risk. The risk management policies used by the group to manage these risks are discussed below.

Market price risk

Market risk is the risk that the fair value of future cash flows for a financial instrument will fluctuate as a result of changes in market prices. Market prices comprise two types of risk: interest-rate and currency. Financial instruments affected by market risk include borrowings, deposits and available-for-sale investments.

Interest-rate risk

Interest-rate risk is the risk that the fair value of future cash flows for a financial instrument will fluctuate as a result of changes in market interest rates. The group's exposure to the risk of changes in market interest rates relates primarily to its borrowings with floating interest rates. The group's management monitors interest-rate fluctuations on a continuous basis and has entered into interest swaps which reduce the interest-rate risk.



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Credit risk

Credit risk is the risk that a counterparty will be unable to meet its obligations under a financial instrument or customer contract, leading to a financial loss. The group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. Trade-receivable risk is managed by each business unit, subject to the group's established policy. Outstanding trade receivables are regularly monitored, and overdue items of considerable size are followed up by the responsible key account handlers. The requirement for an impairment is analysed at each reporting date, both on an individual basis for significant amounts per client and also in overall terms on the basis of historical data about the amounts actually incurred. The group holds advances from customers as collateral. The group regards the concentration of risk with respect to trade receivables as low. This is based on historical data which show virtually no losses arising from trade receivables. Credit risk for cash balances with banks and financial institutions is considered to be low on the basis of the procedure which requires that all cash balances and hedges are held in financial institutions with high credit quality.

Liquidity risk

Liquidity risk is the risk which arises when the maturity of assets and liabilities fail to match. While an unmatched position potentially enhances profitability, it can also increase the risk of losses. The group has procedures which aim to minimise such losses. These include maintaining sufficient cash and other highly liquid current assets.

Currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes to foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency which is not the group's measurement currency. The group's exposure to the risk of changes in foreign exchange rates relates primarily to its operational activities (when revenue or expense is in a different currency than the group's functional currency) and to its net investment in foreign subsidiaries. The group manages part of its foreign currency risk by hedging transactions over the next 24-month period to minimise risk related to expenses in currencies other than the group's functional currency. Significant transactions which are certain are hedged without any time limit. The group's management monitors exchange rate fluctuations on a continuous basis and acts accordingly.

Going concern

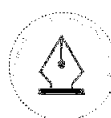
The consolidated financial statements have been prepared on the assumption that the group is a going concern. This assumption is based on the group's level of cash and short-term deposits at 31 December, available credit facilities and forecast cash flows. The company is financed by a combination of equity, prepayments from customers and a long-term loan.

The board has also confirmed that the going concern assumption holds good on the basis of the group's budgets and long-term strategic forecasts for the years to come.

Parent company results and allocation of net profit

The board proposes that the net profit of USD 3 115 424 in parent company OSM Aviation Ltd NUF be allocated as follows:

Transferred to retained earnings: USD 3 115 424



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Corporate social responsibility

OSM Aviation is subject to reporting requirements on corporate social responsibility (CSR) pursuant to section 3-3c of the Norwegian Accounting Act.

Its employees are the company's most important resource, and OSM Aviation has therefore adopted a business model which is intended to protect the rights of the workforce. To ensure these rights, the company entered into an agreement with the International Transport Workers' Federation (ITF) in early 2017. This recognises the right of employees to organise, and lays the basis for representation and collective bargaining on pay and conditions. Through collective pay agreements with unions in the respective countries, OSM Aviation contributes to ensuring that its workforce enjoys permanent employment with competitive pay and conditions.

To ensure that the company's customers, employees and partners, as well as government agencies and organisations, feel confident about OSM Aviation's commitment to operating its business in accordance with responsible, ethical and sound corporate and business principles, the company has established a code of conduct for CSR.

This code applies to all employees and directors in the group. By agreement, it may also be extended to apply to independent consultants, intermediaries or others acting on behalf of OSM Aviation. This document provides a framework for the conduct regarded as responsible by OSM Aviation, and defines the individual responsibilities of employees through a combination of broad principles and specific requirements.

The code is a guideline which outlines the principles on which day-to-day work is based.

Employees, organisation and equal opportunities

The group had 4 373 employees at 31 December 2019, divided between its operating companies in a total of 18 countries. Through negotiations with employee unions, the group wants to make provision for long-term and secure jobs, where its employees in the various countries are offered competitive pay and working conditions.

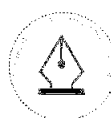
The group promotes a productive working environment and does not tolerate disrespectful behaviour. OSM Aviation is an equal opportunity employer. No discrimination is accepted in hiring, compensation, training, promotion, termination or retirement based on ethnic and national origin, religion, gender or other distinguishing characteristics. OSM Aviation will not use forced or any form or involuntary labour or employ any people below the legal minimum age.

OSM Aviation offers equal pay and conditions of employment to employees in comparable positions in the respective countries, regardless of gender. The company operates in a sector characterised by a traditional gender division. While the majority of cabin personnel are women, men are over-represented among the pilots. Since cabin crew represent a clear majority of all employees in OSM Aviation, the company employs more women than men.

All the directors are men.

Health, safety, the environment and quality (HSEQ)

The group has implemented a health, safety, environmental and quality (HSEQ) management system with the goal of minimising the risk of injuries to people and harm to the environment. The group's management system is based on internationally recognised standards and is supported by management commitment, personal



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accountability, training and measurement of performance. The group's management system is certified pursuant to ISO 9001.

The working environment in the group is considered to be good.

No significant accidents involving crew or other employees occurred during the year.

Sickness absence for the group corresponds to 5.5 per cent of total working days.

The company's operations do not pollute the natural environment.

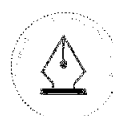
Outlook

As a result of the Covid-19 pandemic, 2020 will be an exceptionally demanding year for international aviation. Extensive infection control measures have led to a full or partial shutdown in several countries, and the number of flights has thereby been dramatically reduced. As a result, OSM Aviation's business has been sharply downscaled – primarily in crew management.

It is very likely to take time before air travel again approaches the pre-Covid-19 level. A new vaccine against the coronavirus could be ready in early 2021, and most countries are preparing their own programmes for vaccinating their populations. This will be time-consuming and it will probably take until 2022 before international aviation traffic approaches normal levels.

OSM Aviation has a business model which has proved very competitive, and a number of airlines are considering allowing a specialist team like the company to take over their crew management. Dialogue with potential new customers will continue, and signs are seen that new opportunities could open here since an airline no longer owns half the OSM Aviation shares. Both 2020 and 2021 will be demanding, but the company will be well positioned to capture new market share as air travel recovers.

The board of directors and CEO
NOR Aviation Ltd NUF
Lysaker/Oslo, 8 December 2020



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