

# Nordic Aviation Financing ApS

Stratusvej 12  
DK-7190 Billund

CVR no. 21 16 74 01

**Annual report for the period 1 January – 31 December 2022**

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

7 July 2023

Edward James Sheard

Chairman of the annual general meeting

## Contents

Statement by the Board of Directors and the Executive Board	2
Independent auditor's report	3
Management's review	5
Company details	5
Operating review	6
Financial statements 1 January – 31 December	8
Income statement	8
Balance sheet	9
Statement of changes in equity	11
Notes	12

**Nordic Aviation Financing ApS**  
Annual report 2022  
CVR no. 21 16 74 01

## **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 Financing ApS for the financial year 1 January – 31 December 2022.

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 31 December 2022 and of the results of the Company's operations for the financial year 1 January – 31 December 2022.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

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

Billund, 7 July 2023  
Executive Board:

---

Edward James Sheard  
Chief Executive Officer

Board of Directors:

---

Edward James Sheard  
Chairman

---

Thomas Buskop

---

Jan-Philip Werner Julius

## Independent auditor's report

### To the shareholders of Nordic Aviation Financing ApS

#### Opinion

We have audited the financial statements of Nordic Aviation Financing ApS for the financial year 1 January – 31 December 2022 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 31 December 2022 and of the results of the Company's operations for the financial year 1 January – 31 December 2022 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' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

#### 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.

#### 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 financial statement 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

## Independent auditor's report

- 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.

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, 7 July 2023

**KPMG**

Statsautoriseret Revisionspartnerselskab  
CVR no. 25 57 81 98

Nikolaj Møller Hansen  
State Authorised  
Public Accountant  
mne33220

Michael Lund Siegumfeldt  
State Authorised  
Public Accountant  
mne28662

**Nordic Aviation Financing ApS**  
Annual report 2022  
CVR no. 21 16 74 01

## **Management's review**

### **Company details**

Nordic Aviation Financing ApS  
Stratusvej 12  
7190 Billund  
Denmark

CVR no.: 21 16 74 01  
Established: 1 July 1998  
Financial year: 1 January – 31 December

### **Board of Directors**

Edward James Sheard, Chairman  
Thomas Buskop  
Jan-Philip Werner Julius

### **Executive Board**

Edward James Sheard, Chief Executive Officer

### **Auditor**

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

## Management's review

### Operating review

#### Principal activities

Nordic Aviation Financing ApS (the Company) activities are to purchase properties and to rent these within the group.

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 2021 July – December ('Group annual report').

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

#### Development in activities and financial position

The Company's income statement for the financial year 2022 January to December shows a loss of USD 74t versus a profit of USD 197t for the partial financial year 2021 July to December (2021 6m).

The main items to note are:

- Revenue is decreasing 9.8% on an annualized basis. This is from impairment of the Building and Hangar as a result of these being sold and adjusted to market value.
- Gross loss is negative due to an exceptional increase in production costs resulting from impairment in Right of Use Assets as the building and hangar are being sold and adjusted to market value.
- Other Financial Expenses shows results similar to prior year.

Equity in the Company's balance sheet on 31 December 2022 stood at USD 6,059t versus USD 6,133t at 31 December 2021.

#### Going concern/outlook

##### Financing

The Group's parent Nordic Aviation Capital DAC successfully completed the financial restructuring process on 1 June 2022. For the Group this resulted in a substantial modification of its loan agreements and a capital contribution from its parent Nordic Aviation Capital DAC.

The Group emerged from Chapter 11 in the second quarter of 2022 with approval from the Court of Virginia with a Court approved Plan.

The Plan is in the form of a Restructuring Support Agreement (RSA), which has the support of equity holders and lenders holding approximately 95% of the Group's debt obligations. When the financial statements for the 6-month period ended 31 December were approved, the Directors had identified events and conditions that indicated the existence of a material uncertainty that cast doubt on the Group's ability to emerge successfully from the chapter 11 proceedings.

The Group was required to satisfy certain conditions precedent to emerge. The conditions precedent generally required the Group to (I) effectuate the restructuring transactions; (II) satisfy the fees, expenses, and other related payables of certain of its creditors and lenders; and (III) remain in compliance with the RSA and the plan of reorganization. If the Group did not satisfy the conditions precedent, the Group would not emerge from chapter 11. The Group however satisfied all conditions precedent and successfully emerged from chapter 11 on 1 June 2022.

The successful emergence of the Group from the chapter 11 proceedings thereby removed the material uncertainty over the Group's ability to continue as a going concern.

## **Management's review**

### **Operating review**

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, and the Group's requirement for the Billund office and hangar facilities.

As result of the business plan of the Group in conversion part of fleet to narrow body aircrafts and the restructuring process, it was decided to cease hangar and technical activities. As a result, the building and hangar are no longer required, and the building and hangar facilities are being sold.

By end of financial year sale of the building and hangar is in ongoing process and it is expected that the need of the Company's services will not be required.

Considering the Going Concern assessment made by NAC DAC and after having considered the adequacy of the Company's operating cash flows and borrowing facilities the Directors of the Company are satisfied that the financial statements are prepared on a going concern basis and on the plans the Directors have for the business.

### **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.



## Financial statements 1 January – 31 December

### Income statement

USD	Note	1/1 2022 - 31/12 2022	1/7 2021 - 31/12 2021
<b>Revenue</b>		1,280,349	709,849
Production costs		<u>-1,995,339</u>	<u>-390,582</u>
<b>Gross profit/loss</b>		-714,990	319,267
Administrative expenses	3	<u>-1,939</u>	<u>-175,551</u>
<b>Operating profit/loss</b>		-716,929	143,716
Other operating income	4	<u>490,902</u>	<u>0</u>
<b>Profit/loss before financial income and expenses</b>		-226,027	143,716
Other financial income		187,133	120,217
Other financial expenses		<u>-54,267</u>	<u>-16,399</u>
<b>Profit/loss before tax</b>		-93,161	247,534
Tax on profit/loss for the year	5	<u>19,413</u>	<u>-51,000</u>
<b>Profit/loss for the year</b>		<u>-73,748</u>	<u>196,534</u>
<b>Proposed profit appropriation/distribution of loss</b>			
Retained earnings		<u>-73,748</u>	<u>196,534</u>

## Financial statements 1 January – 31 December

### Balance sheet

USD	Note	31/12 2022	31/12 2021
<b>ASSETS</b>			
<b>Fixed assets</b>			
<b>Property, plant and equipment</b>	6		
Land and buildings		<u>5,194,766</u>	<u>7,088,031</u>
<b>Total fixed assets</b>		<u>5,194,766</u>	<u>7,088,031</u>
<b>Current assets</b>			
<b>Receivables</b>			
Receivables from group entities		2,586,593	1,347,496
Deferred tax asset		<u>396,214</u>	<u>215,506</u>
		<u>2,982,807</u>	<u>1,563,002</u>
<b>Cash at bank and in hand</b>		<u>1,183</u>	<u>541</u>
<b>Total current assets</b>		<u>2,983,990</u>	<u>1,563,543</u>
<b>TOTAL ASSETS</b>		<u><u>8,178,756</u></u>	<u><u>8,651,574</u></u>

## Financial statements 1 January – 31 December

### Balance sheet

USD	Note	31/12 2022	31/12 2021
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Contributed capital		200,977	200,977
Revaluation reserve		81,937	81,937
Retained earnings		<u>5,776,397</u>	<u>5,850,145</u>
<b>Total equity</b>		<u>6,059,311</u>	<u>6,133,059</u>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Mortgage loans	7	0	1,518,273
Lease obligations		<u>0</u>	<u>506,226</u>
		<u>0</u>	<u>2,024,499</u>
<b>Current liabilities</b>			
Current portion of non-current liabilities	7	1,429,944	280,907
Trade payables		15,792	0
Payables to group entities		155,732	0
Corporation tax		285,392	125,490
Other payables		<u>232,585</u>	<u>87,619</u>
		<u>2,119,445</u>	<u>494,016</u>
<b>Total liabilities</b>		<u>2,119,445</u>	<u>2,518,515</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>8,178,756</u>	<u>8,651,574</u>

## Financial statements 1 January – 31 December

### Statement of changes in equity

USD	Contributed capital	Revaluation reserve	Retained earnings	Total
Equity at 1 January 2022	200,977	81,937	5,850,145	6,133,059
Transferred over the distribution of loss	<u>0</u>	<u>0</u>	<u>-73,748</u>	<u>-73,748</u>
<b>Equity at 31 December 2022</b>	<u><u>200,977</u></u>	<u><u>81,937</u></u>	<u><u>5,776,397</u></u>	<u><u>6,059,311</u></u>

## Financial statements 1 January – 31 December

### Notes

#### 1 Accounting policies

The annual report of Nordic Aviation Financing ApS for 2022 has been prepared in accordance with the provisions applying to reporting class B entities under the Danish Financial Statements Act with opt-in from higher reporting classes.

Due to a change in financial year in the NAC Group the Company has changed its financial year accordingly. The year 1 January to 31 December 2022 comprises 12 months. The comparative figures comprise the six-month period from 1 July to 31 December 2021.

#### 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 6.97. For the year 2020/21, the DKK/USD exchange rate at the balance sheet date was 6.56.

#### 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.

### Income statement

#### Revenue

Revenue consists of rental income.

#### Production costs

Production costs, which among other things comprise depreciation and maintenance, include costs incurred in generating revenue for the year. This includes direct and indirect costs of the properties.

#### Administrative expenses

Administrative expenses comprise expenses incurred during the year for the management and administration of the Group.

#### Other operating income

Other operating income comprises items secondary to the activities of the entity, including gains on the disposal of intangible assets and property, plant and equipment.

## Financial statements 1 January – 31 December

### Notes

#### 1 Accounting policies (continued)

##### Financial income and expenses

Financial income and expenses comprise interest income and expense, realised and unrealised gains and losses on securities, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on account tax scheme, etc.

##### Tax on profit/loss for the year

Nordic Aviation Financing ApS is taxed jointly with its Parent Company, Nordic Aviation Capital A/S. Current Danish corporation tax is allocated by the settlement of joint taxation contribution between the jointly taxed companies in proportion to their taxable income. In this relation, companies with tax loss carryforwards receive joint taxation contribution from companies that have used these losses to reduce their own taxable profits. The jointly taxed companies are taxed under the on-account tax scheme.

Tax for the year comprises current tax for the year and changes in deferred tax. 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

Land and buildings 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	20 years
-----------	----------

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

Land is not depreciated.

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

## Financial statements 1 January – 31 December

### Notes

#### 1 Accounting policies (continued)

##### 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 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.

##### Receivables

Receivables are measured at amortised cost. Write-down is made for bad debt losses based on an individual assessment of receivables.

##### Equity

###### *Dividends*

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

##### 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.

##### Liabilities

Financial liabilities and loan from group entities are recognised on the date of borrowing as net proceeds received less transaction costs incurred. In subsequent periods, the loans are measured at amortised cost, corresponding to the capitalised value using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement during the term of the loan.

Other financial liabilities are measured at net realisable value.

## Financial statements 1 January – 31 December

### Notes

#### 1 Accounting policies (continued)

##### Deferred income

Deferred income comprises payments received regarding income in subsequent years.

#### 2 Financial restructuring

The Group successfully completed the financial restructuring process on 1 June 2022, and completed a comprehensive restructuring of its capital by entering a modification of its pre-emergence debt and related liabilities.

In response to the unprecedented challenges faced by the Group following the outbreak of the COVID-19 pandemic, the Group, in December 2021, entered a voluntary restructuring process under chapter 11 of the U.S. Bankruptcy Code in the United States Bankruptcy Court for the Eastern District of Virginia ("chapter 11"). On 4 May 2022, when the financial statements for the 6 month period ended 31 December were approved, the Directors had identified events and conditions that indicated the existence of a material uncertainty that cast doubt on the Group's ability to emerge successfully from the chapter 11 proceedings. The Group was required to satisfy certain conditions precedent to emerge. The conditions precedent generally required the Group to (i) effectuate the restructuring transactions; (ii) satisfy the fees, expenses, and other related payables of certain of its creditors and lenders; and (iii) remain in compliance with the restructuring support agreement and the plan of reorganization. If the Group did not satisfy the conditions precedent, the Group would not emerge from chapter 11.

The Group satisfied all conditions precedent and successfully emerged from chapter 11 on 1 June 2022. The successful emergence of the Group from the chapter 11 proceedings thereby removed the material uncertainty over the Group's ability to continue as a going concern.

#### 3 Administrative expenses

In 2022, administrative expenses covered the reversal of write-down in previous periods of USD 167 thousand.

#### 4 Other operating income

Other operating income includes gains on right- of-use assets.

#### 5 Tax on profit/loss for the year

USD	1/1 2022 - 31/12 2022	1/7 2021 - 31/12 2021
Joint taxation contribution	159,896	125,490
Deferred tax for the year	-180,302	-74,490
Adjustment of deferred tax concerning previous years	993	0
	<u>-19,413</u>	<u>51,000</u>



## Financial statements 1 January – 31 December

### Notes

#### 6 Property, plant and equipment

USD	<u>Land and buildings</u>
Cost at 1 January 2022	15,339,279
Additions for the year	<u>67,985</u>
Cost at 31 December 2022	15,407,264
Revaluations at 1 January 2022	<u>105,047</u>
Revaluations at 31 December 2022	<u>105,047</u>
Depreciation and impairment losses at 1 January 2022	-8,356,295
Impairment losses for the year	-1,341,100
Depreciation for the year	<u>-620,150</u>
Depreciation and impairment losses at 31 December 2022	<u>-10,317,545</u>
<b>Carrying amount at 31 December 2022</b>	<b><u>5,194,766</u></b>

#### 7 Non-current liabilities

USD	<u>31/12 2022</u>	<u>31/12 2021</u>
Credit institutions:		
0-1 years	1,429,944	250,614
1-5 years	0	858,619
>5 years	<u>0</u>	<u>659,654</u>
	<u>1,429,944</u>	<u>1,768,887</u>
Lease obligations:		
0-1 years	0	30,293
1-5 years	0	50,650
>5 years	<u>0</u>	<u>455,575</u>
	<u>0</u>	<u>536,518</u>
<b>Total liabilities</b>	<b><u>1,429,944</u></b>	<b><u>2,305,405</u></b>

#### 8 Contractual obligations, contingencies, etc.

##### Contingent liabilities

The Company is jointly taxed with its Parent Company, Nordic Aviation Capital A/S, which serves as management company, and together with other jointly taxed group entities, the Company has joint and several liability for the payment of income taxes as well as withholding taxes on interest, royalties and dividends.

## **Financial statements 1 January – 31 December**

### **Notes**

#### **9 Mortgages and collateral**

The buildings at Stratusvej 2 and 12, title no. 2CQ Billund, at leased land with a carrying amount of USD 5,310 thousand have been provided as collateral for the Company's mortgage debt of USD 1,430 thousand.

#### **10 Related party disclosures**

Nordic Aviation Financing ApS' related parties comprise the following:

##### **Control**

Nordic Aviation Capital A/S, Stratusvej 12, 7190 Billund, Denmark.

Nordic Aviation Capital A/S, Stratusvej 12, 7190 Billund, Denmark, holds the majority of the contributed capital in the Company.

Nordic Aviation Financing ApS is part of the consolidated financial statements of Nordic Aviation Capital Designated Activity Company, Ireland, which is the smallest group in which the Company is included as a subsidiary.

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