



KA1 P/S

Havneøen 1
7100 Vejle
CVR No. 33076339

Annual report 2021

The Annual General Meeting adopted the
annual report on 28.04.2022

Martin Deppe Mørup

Chairman of the General Meeting

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Entity details

Entity

KA1 P/S

Havneøen 1

7100 Vejle

Business Registration No.: 33076339

Registered office: Vejle

Financial year: 01.01.2021 - 31.12.2021

Board of Directors

Kim Gulstad, chairman

Martin Deppe Mørup

Andreas Færk

Bettina Winther Christensen

Executive Board

Martin Deppe Mørup, CEO

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

City Tower, Værkmestergade 2

8000 Aarhus C

Statement by Management

The Board of Directors and the Executive Board have today considered and approved the annual report of KA1 P/S for the financial year 01.01.2021 - 31.12.2021.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2021 and of the results of its operations for the financial year 01.01.2021 - 31.12.2021.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Vejle, 28.04.2022

Executive Board

Martin Deppe Mørup
CEO

Board of Directors

Kim Gulstad
chairman

Martin Deppe Mørup

Andreas Færk

Bettina Winther Christensen

Independent auditor's report

To the shareholder of KA1 P/S

Opinion

We have audited the financial statements of KA1 P/S for the financial year 01.01.2021 - 31.12.2021, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant 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 Entity's financial position at 31.12.2021 and of the results of its operations for the financial year 01.01.2021 - 31.12.2021 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 this auditor's report. We are independent of the Entity 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 responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity 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 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 ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 Entity'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 Entity'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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, 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 commentary

Management is responsible for the management commentary.

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

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary 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 commentary.

Aarhus, 28.04.2022

Deloitte

Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Søren Marquart Alsen

State Authorised Public Accountant
Identification No (MNE) mne40040

Management commentary

Primary activities

The objective of the company is to operate business within trade and industry, including aircraft leasing, and other related activities.

Description of material changes in activities and finances

The income statement of the company for 2021 shows a loss of USD 11,431,075, and at 31 december 2021 the balance sheet of the Company shows equity of 21,764,458 USD.

In December 2021 a significant customer filed for a pre-arranged Chapter 11 process in U.S. Bankruptcy Court where after payments to the company ceased.

Majority of aircrafts are being returned without any subleases. Due to the continued negative implication of covid on travel industry, then the valuation of the aircrafts has been re-asses resulting in significant impairments.

Uncertainty relating to recognition and measurement

In preparation of the Annual Report management has evaluated potential impairment of aeroplanes by estimating the values of the aeroplanes. The estimated values often depends of future events that are somewhat uncertain. The judgements, estimates and assumptions made are based on historical experience and other factors that Management consider reliable, but which by their nature are associated with uncertainty and unpredictability. COVID-19 with related implications, such as travel restrictions, are still having a huge negative impact on the airline industry thus increasing the general uncertainty and unpredictability in the accounting estimates.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Income statement for 2021

| | Notes | 2021 USD | 2020 USD |
|--|-------|---------------------|------------------|
| Gross profit/loss | | 4,395,121 | 4,453,550 |
| Depreciation, amortisation and impairment losses | 2 | (10,242,792) | (1,816,238) |
| Operating profit/loss | | (5,847,671) | 2,637,312 |
| Income from investments in associates | | (7,718) | 1,331,862 |
| Other financial income | 3 | 938,401 | 1,363,117 |
| Other financial expenses | 4 | (6,514,087) | (90,688) |
| Profit/loss for the year | | (11,431,075) | 5,241,603 |
| Proposed distribution of profit and loss | | | |
| Extraordinary dividend distributed in the financial year | | 13,881,000 | 5,540,000 |
| Retained earnings | | (25,312,075) | (298,397) |
| Proposed distribution of profit and loss | | (11,431,075) | 5,241,603 |

Balance sheet at 31.12.2021

Assets

| | Notes | 2021 USD | 2020 USD |
|--------------------------------------|-------|-------------------|-------------------|
| Aeroplanes | | 12,461,916 | 23,204,708 |
| Property, plant and equipment | | 12,461,916 | 23,204,708 |
| Investments in associates | | 0 | 4,207,718 |
| Other receivables | | 8,254,769 | 18,737,015 |
| Financial assets | | 8,254,769 | 22,944,733 |
| Fixed assets | | 20,716,685 | 46,149,441 |
| Other receivables | | 378,630 | 7,236 |
| Receivables | | 378,630 | 7,236 |
| Cash | | 675,442 | 925,902 |
| Current assets | | 1,054,072 | 933,138 |
| Assets | | 21,770,757 | 47,082,579 |

Equity and liabilities

| | Notes | 2021 USD | 2020 USD |
|---|--------------|---------------------|---------------------|
| Contributed capital | | 574,914 | 574,914 |
| Retained earnings | | 21,189,544 | 46,501,619 |
| Equity | | 21,764,458 | 47,076,533 |
| Other payables | | 6,299 | 6,046 |
| Current liabilities other than provisions | | 6,299 | 6,046 |
| Liabilities other than provisions | | 6,299 | 6,046 |
| Equity and liabilities | | 21,770,757 | 47,082,579 |
| Uncertainty relating to recognition and measurement | 1 | | |
| Group relations | 5 | | |

Statement of changes in equity for 2021

| | Contributed capital USD | Retained earnings USD | Total USD |
|-----------------------------|--|--------------------------------------|----------------------|
| Equity beginning of year | 574,914 | 46,501,619 | 47,076,533 |
| Extraordinary dividend paid | 0 | (13,881,000) | (13,881,000) |
| Profit/loss for the year | 0 | (11,431,075) | (11,431,075) |
| Equity end of year | 574,914 | 21,189,544 | 21,764,458 |

Notes

1 Uncertainty relating to recognition and measurement

In preparation of the Annual Report management has evaluated potential impairment of aeroplanes by estimating the values of the aeroplanes. The estimated values often depends of future events that are somewhat uncertain. The judgements, estimates and assumptions made are based on historical experience and other factors that Management consider reliable, but which by their nature are associated with uncertainty and unpredictability. COVID-19 with related implications, such as travel restrictions, are still having a huge negative impact on the airline industry thus increasing the general uncertainty and unpredictability in the accounting estimates.

2 Depreciation, amortisation and impairment losses

| | 2021 | 2020 |
|--|-------------------|------------------|
| | USD | USD |
| Depreciation of property, plant and equipment | 1,816,238 | 1,816,238 |
| Impairment losses on property, plant and equipment | 8,426,554 | 0 |
| | 10,242,792 | 1,816,238 |

3 Other financial income

| | 2021 | 2020 |
|---|----------------|------------------|
| | USD | USD |
| Financial income from group enterprises | 7,172 | 3,121 |
| Other interest income | 931,066 | 1,359,734 |
| Exchange rate adjustments | 163 | 262 |
| | 938,401 | 1,363,117 |

4 Other financial expenses

| | 2021 | 2020 |
|---------------------------|------------------|---------------|
| | USD | USD |
| Other interest expenses | 872 | 90,688 |
| Exchange rate adjustments | 12 | 0 |
| Other financial expenses | 6,513,203 | 0 |
| | 6,514,087 | 90,688 |

5 Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest group:

KIRK KAPITAL A/S, Vejle, Denmark

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises with addition of a few provisions for reporting class C.

The accounting policies applied to these financial statements are consistent with those applied last year.

Financial Statements for 2021 are presented in USD which is the functional currency of the company. At 31 December 2021 the USD/DKK exchange rate is 656,12. The corresponding exchange rate at 31 December 2020 was 605,76.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date, are recognised in the income statement as financial income or financial expenses.

When recognising foreign subsidiaries and associates that are independent entities, the income statements are translated at average exchange rates for the months that do not significantly deviate from the rates at the transaction date. Balance sheet items are translated using the exchange rates at the balance sheet date. Goodwill is considered belonging to the independent foreign entity and is translated using the exchange rate at the balance sheet date. Exchange differences arising out of the translation of foreign subsidiaries' equity at the beginning of the year at the balance sheet date exchange rates and out of the translation of income statements from average rates to the exchange rates at the balance sheet date are classified directly as equity.

Income statement

Gross profit or loss

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue and other external expenses.

Revenue

Revenue from the lease of aeroplanes is recognised in the income statement when when delivery and transfer of risk to buyer have been made before year end.

Cost of sales

Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for ordinary inventory writedowns.

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses related to administration.

Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses relating to property, plant and equipment comprise depreciation, amortisation and impairment losses for the financial year, and gains and losses from the sale of property, plant and equipment.

Income from investments in associates

Income from investments in associates comprises the pro rata share of the individual associates' profit/loss after pro rata elimination of intra-group profits or losses.

Other financial income

Other financial income comprise interest income, including interest income on receivables from group enterprises, net capital or exchange gains on securities, payables and transactions in foreign currencies, and amortisation of financial assets.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital or exchange losses on payables and transactions in foreign currencies, and amortisation of financial liabilities.

Balance sheet

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

| | Useful life |
|------------|--------------------|
| Aeroplanes | 9-12 years |

Estimated useful lives and residual values are reassessed annually.

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Impairment of fixed assets

The carrying amounts of property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, an impairment test is carried out to determine whether the recoverable amount is lower than the carrying amount. If so, the asset is written down to its lower recoverable amount.

The recoverable amount of the asset is calculated as the higher of net selling price and value in use. Where a recoverable amount cannot be determined for the individual asset, the assets are assessed in the smallest group of assets for which a reliable recoverable amount can be determined based on a total assessment.

Investments in associates

Investments in associates are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the associates' equity value plus unamortised goodwill and plus or minus unrealised pro rata intra-group profits and losses. Refer to the above section on business combinations for more details about the accounting policies used on acquisitions of investments in associates.

Associates with negative equity value are measured at USD 0. Any receivables from these enterprises are written down to net realisable value based on a specific assessment. If the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprise, and it is probable that such obligation will involve a loss, a provision is recognised that is measured at present value of the costs necessary to settle the obligations at the balance sheet date.

Upon distribution of profit or loss, net revaluation of investments in associates is transferred to reserve for net revaluation according to the equity method in equity.

Investments in associates are written down to the lower of recoverable amount and carrying amount.

Other fixed asset investments

Other fixed asset investments consist of leases regarding rental of aeroplanes, where the other party takes on all risks and benefits attached to the ownership, are treated as finance leases. Outstanding lease receivables are recognised in the balance sheet as receivables under fixed asset investments, and the interest share of the lease payments received is recognised in the income statement proportional with the period of the lease contract.

Investments in associates fall within the definitions of both participating interests and associates, yet in the financial statements they have been presented as investments in associates because this designation reflects more accurately the Company's involvement in the relevant entities.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value, less writedowns for bad and doubtful debts.

Cash

Cash comprises bank deposits.

Dividend

Dividend is recognised as a liability at the time of adoption at the general meeting. Proposed dividend for the financial year is disclosed as a separate item in equity. Extraordinary dividend adopted in the financial year is recognised directly in equity when distributed and disclosed as a separate item in Management's proposal for distribution of profit/loss.

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.