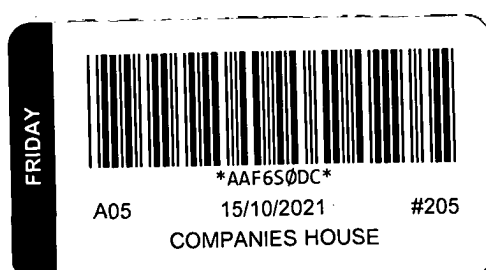


#11735085

Chorus Aviation Capital (U.K.) Limited

Annual Report and Financial Statements

For the year ended 31 December 2020



Chorus Aviation Capital (U.K.) Limited

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Chorus Aviation Capital (U.K.) Limited

Company Information

Directors

Fabio Ligi
Rory McQueen

Registered Number

11735085

Company Secretary

Throgmorton UK Limited
6th Floor
125 Wood Street
London
EC2V 7AN
England

Registered Office

Bastion House
6th Floor
140 London Wall
London
EC2Y 5DN
England

Bankers

Barclays Bank
1 Churchill Place
London E14 5HP
England

Solicitors

A&L Goodbody
IFSC
25-28 North Wall Quay
Dublin 1
Ireland

Independent Auditors

PricewaterhouseCoopers
One Spencer Dock
North Wall Quay
Dublin 1
Ireland

Chorus Aviation Capital (U.K.) Limited

Directors' Report

The Directors present their annual report on the affairs of the Company together with the audited financial statements and auditors' report, for the year ended 31 December 2020.

Directors of the company

The Directors who held office during the period is as follows:

Fabio Ligi (Director) (appointed 11 September 2020)
Rory McQueen (Director) (appointed 11 September 2020)
Steven Ridolfi (Director) (appointed 19 December 2018, resigned 11 September 2020)

Directors and secretary

The Directors who held office during the period are listed on Company information. Unless indicated otherwise, they served for the entire period.

In accordance with the Articles of Association, the Directors are not required to retire by rotation.

The Directors and Secretary of the Company who held office at 31 December 2020 had no interests in the shares in the Company or group companies during the period.

No Directors have or has had any interest in any transaction with the Company or other Group companies which is or was unusual in its nature or conditions or significant to the business of the Company or the Group within the period.

Directors' qualifying third party indemnity provisions

The Company has granted an indemnity to its directors against liability in respect of proceedings brought by third parties, subject to conditions set out in S.234 of the Companies Act 2006, and as outlined in the Company's Articles of Association. Such qualifying third party indemnity provision remains in force at the date of approving the directors' report.

Principal activities

The Company is a wholly owned subsidiary of Chorus Aviation Leasing Inc. ("CALI"), a Canadian corporation. The Company's activities include providing marketing services and raising of capital for aircraft leasing activities to its related corporations.

Future developments

The Company intends to continue its existing activities during the coming year.

Results and dividends

The result for the financial period after taxation is set out on page 8. No dividends were paid by the Company during 2020 (2019: Nil).

Principal risks and uncertainties

The Directors have identified a number of risks facing the Company and have undertaken the following approach to deal with the relevant risks:

Covid-19 infectious disease risks

The novel strain of the coronavirus ("COVID-19"), which was declared as a pandemic by the World Health Organisation on March 11, 2020, has led to worldwide economic uncertainty with companies around the globe trying to manage through the unprecedented, ever changing event. For the aviation industry, it has led to decreased passenger due to strict travel restrictions and health concerns which has impacted airlines around the world.

Chorus Aviation Capital (U.K.) Limited

Directors' Report

Principal risks and uncertainties (continued)

Airlines are currently operating with historically low passenger volumes and revenues, which is stressing their liquidity the longer the pandemic and associated travel restrictions persist. The duration and impact of the COVID-19 pandemic is unknown at this time. Any estimate of the length and severity of the pandemic is therefore subject to significant uncertainty, and accordingly estimates of the extent to which the COVID-19 pandemic may, directly or indirectly, materially and adversely affect the Company's operations, financial results and condition in future periods are also subject to significant uncertainty.

Post Balance Sheet Events

Events following the financial year are detailed in note 14, Post Balance Sheet Events.

Going Concern

The directors have a reasonable expectation that the Company will continue in operational existence for twelve months from the date of approval of the financial statements ('the period of assessment') and have prepared the financial statements on a going concern basis. The directors considered the potential impact of COVID-19 on both the industry and the Company's business including the post balance sheet events as set out in note 14.

Based on all of the information available at present and through the support of the parent company, Chorus Aviation Leasing Inc, the Directors believe that the company has sufficient liquidity to meet its obligation as they fall due and that it is appropriate to prepare the financial statements on a going concern basis.

Political and charitable donations

The Company made no political or charitable donations or incurred any political expenditure during the year.

Statement on disclosure of information to Auditors

The Directors in office as at the date of this report confirms that:

- as far as he is aware there is no relevant audit information of which the Company's auditors are unaware; and
- he has taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Independent Auditors

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office.

Chorus Aviation Capital (U.K.) Limited

Directors' Report

Statement of Directors responsibilities

The Directors are responsible for preparing and the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial period. Under that law they have prepared the financial statements in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the European Union.

Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

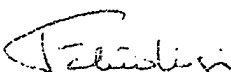
- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, including IFRS, have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify the Company's shareholders in writing about the use of disclosure exemptions, if any, of IFRS used in the preparation of financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approved by the directors on 01 October 2021.



Rory McQueen
Director



Fabio Ligi
Director



Independent auditors' report to the members of Chorus Aviation Capital (U.K.) Limited

Report on the audit of the financial statements

Opinion

In our opinion, Chorus Aviation Capital (U.K.) Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the EU; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements, which comprise:

- the statement of financial position as at 31 December 2020;
- the income statement and statement of comprehensive income for the year then ended;
- the statement of cash flows for the year then ended;
- the statement of changes in equity for the year then ended;
- the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report and Financial Statements other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. 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 based on these responsibilities.

With respect to the Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine 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, the directors are 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 unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' 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 auditors' 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 (UK) 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.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the reporting framework, International Financial Reporting Standards as adopted by the EU, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006 and relevant taxation legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements and determined that the principal risks were related to management override of control. Audit procedures performed included:



- discussions with the management and those charged with governance, in respect of risk of fraud and any known or suspected instances of non-compliance with laws and regulation and fraud and reviewing Board Minutes;
- consideration of the overall control environment in place and the processes in place in the company including procedures to achieve compliance with relevant laws and regulations;
- responding to the risk identified by designing appropriate audit procedures including testing of journal entries posted throughout the period, accounting estimates and incorporating audit tests purposely designed to introduce 'unpredictability' to the audit process; and
- maintaining professional scepticism throughout the audit.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.

Ronan Doyle (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers
Chartered Accountants and Statutory Auditors
Dublin
01 October 2021

Chorus Aviation Capital (U.K.) Limited
Statement of Income and Comprehensive Income
For the year ended 31 December 2020

(expressed in thousands of United States dollars)

	Note	Year ended 31 December 2020 \$	Period from 19 December 2018 to 31 December 2019 \$
Turnover			
Management fee income	3	1,484	961
Expenses			
Other expenses	5	1,132	1,190
Total expenses		1,132	1,190
Income / (Loss) before tax		352	(229)
Income tax (expense) / credit	4	(43)	43
Net income / (loss)		309	(186)
Total comprehensive income / (loss)		309	(186)

There were no recognised gains or losses for the year ended 31 December 2020 other than those included in the statement of income and comprehensive income.

The notes on pages 13 to 23 form an integral part of these financial statements.

Chorus Aviation Capital (U.K.) Limited

Statement of Financial Position


As at 31 December 2020

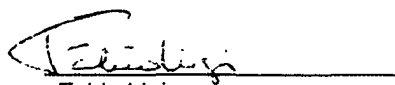
(expressed in thousands of United States dollars)

	Note	2020 \$	2019 \$
Assets			
Current assets			
Cash		63	108
Accounts receivable and other	7	697	120
Total current assets		760	228
Deferred tax asset	4	—	43
Total assets		760	271
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	8	260	305
Total current liabilities		260	305
Total liabilities		260	305
Equity			
Accumulated profit (losses)		123	(186)
Capital reserve	10	377	152
Total equity		500	(34)
Total liabilities and equity		760	271

Approved by the Board of Directors

By:


Rory McQueen
Director
01 October 2021


Fabio Ligi
Director
01 October 2021

The notes on pages 12 to 22 form an integral part of these financial statements.

Chorus Aviation Capital (U.K.) Limited

Statement of Changes in Equity For the year ended December 2020

(expressed in thousands of United States dollars)

	Share Capital	Capital Reserve	Accumulated losses	Total Equity
	\$	\$	\$	\$
Opening balance at 19 December 2018	—	—	—	—
Net loss for the period	—	—	(186)	(186)
Employee share option scheme	—	152	—	152
Total comprehensive loss for the period	—	152	(186)	(34)
At 31 December 2019	—	152	(186)	(34)

	Share Capital	Capital Reserve	Retained Earnings	Total Equity
	\$	\$	\$	\$
Opening balance at 1 January 2020		152	(186)	(34)
Net income for the year	—	—	309	309
Employee share option scheme	—	225	—	225
Total comprehensive income for the period	—	377	309	534
At 31 December 2020	—	377	123	500

The notes on pages 13 to 23 form an integral part of these financial statements.

Chorus Aviation Capital (U.K.) Limited

Statement of Cash Flows

For the year ended 31 December 2020

(expressed in thousands of United States dollars)

	Note	Year ended 31 December 2020 \$	Period from 19 December 2018 to 31 December 2019 \$
Cash provided by (used in)			
Operating activities			
Net income / (loss)		309	(186)
<i>Adjustments to reconcile net income to net cash provided by operating activities:</i>			
Income tax recovery (expense)	4	43	(43)
Funding of unit based compensation		225	152
		577	(77)
Net changes in non-cash working capital balances related to operations		(622)	185
Net cash provided by operating activities		(45)	108
Financing activities		—	—
Net cash provided by (used in) financing activities		—	—
Investing activities		—	—
Net cash provided by (used in) investing activities		—	—
Net change in cash during the period		(45)	108
Cash - Beginning of period		108	—
Cash - End of period		63	108
Cash payments of interest		—	—

The notes on pages 13 to 23 form an integral part of these financial statements.

Chorus Aviation Capital (U.K.) Limited

Notes to the Financial Statements

For the year ended 31 December 2020

(expressed in thousands of United States dollars, except shares and share prices)

1 General information

On 19 December 2018, Chorus Aviation Capital (U.K.) Limited was incorporated under the laws of England, to conduct business in providing marketing services and the raising of capital for aircraft leasing activities to its related corporations. As at 31 December 2020, Chorus Aviation Leasing Inc., ("CALI") a Canadian corporation owned 100% of the outstanding shares of the Company. Chorus Aviation Inc., a Canadian corporation is the ultimate controlling parent of the Company. The books of account of Chorus Aviation Inc. are maintained at 3 Spectacle Lake Drive, Dartmouth, Nova Scotia, Canada, B3B 1W8.

2 Accounting policies

2.1 Basis of preparation

The financial statements have been prepared on the going concern basis and in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and as adopted by the European Union, and the Companies Act 2006 ('the Act'). The financial statements have been prepared under the historical cost convention, and are stated in US dollars, which is the principal operating currency of the Company and of the aviation industry.

2.2 Turnover

Revenue is earned through management fees from related corporations from marketing and capital raising services performed by the company on their behalf. Revenue from rendering of services is recognised when the services are incurred and can be reliably measured.

2.3 Current and deferred taxation

The tax expense for the period comprises current and deferred tax. The current tax charge comprises corporation tax on profits earned.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the financial statements.

Deferred income tax is determined using tax rates that have been enacted or substantively enacted by the Statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred tax liability is settled.

A deferred tax asset is recorded where it is more likely than not to be recoverable. The recoverability of deferred tax assets is assessed annually by the Directors.

Chorus Aviation Capital (U.K.) Limited

Notes to the Financial Statements

For the year ended 31 December 2020

(expressed in thousands of United States dollars, except shares and share prices)

2 Accounting policies (continued)

2.4 Foreign currency translations

Functional and presentation currency

The Company's functional and presentation currency is USD.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

2.5 Stock based compensation

Long-term incentive plan

The long-term incentive plan (the "LTIP") is a restricted share unit ("RSU") plan under which participants receive an annual grant of RSUs that vest over a three year period if certain performance goals and service conditions, established at the time of grant by Chorus' Board of Directors, are achieved. RSUs entitle the participant to receive common shares of Chorus Aviation Inc. ("Chorus") on a one-for-one basis or an equivalent cash payout at the participant's election. Additional RSUs representing the value of dividends paid on corresponding common shares of Chorus accrue for the benefit of participants. Unvested RSUs held by participants are forfeited if performance goals or service conditions are not met. On vesting, Chorus will purchase the shares on the secondary market or settle in cash (at the election of the participant in accordance with the LTIP).

The cost of the RSU is measured at the fair value of the common shares of Chorus at the grant date and the number of RSUs expected to vest. The cost is recognized in salaries, wages and benefits expense in the statement of income from the date of grant over the vesting period with a corresponding increase in equity. Chorus revises the estimate of the number of RSUs expected to vest when necessary, if subsequent information indicates that the number of RSUs expected to vest differs from previous estimates.

Employee share ownership program

Chorus Aviation Capital UK's employee share ownership plan (the "ESOP") permits employees to buy common shares of Chorus through payroll deduction. Under the ESOP, contributions made by employees are matched to a specific percentage by Chorus Aviation Capital UK. These contributions are expensed to salaries, wages and benefits expense over the one year vesting period. The amount expected to vest is reviewed at least annually, with any change in estimate recognized immediately in salaries, wages and benefits.

Chorus Aviation Capital (U.K.) Limited

Notes to the Financial Statements

For the year ended 31 December 2020

(expressed in thousands of United States dollars, except shares and share prices)

2 Accounting policies (continued)

2.6 Financial Instruments

The standard requires financial assets to be classified into two measurement categories: amortised cost and fair value. Classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For investments in equity instruments which are not subject to control, joint control, or significant influence, on initial recognition IFRS allows an entity to irrevocably elect classification at "fair value through profit or loss" or "fair value through other comprehensive income". For financial liabilities, changes in fair value attributable to an entity's own credit risk are recorded through other comprehensive income rather than through net income.

Financial instruments are classified as follows:

- Cash and cash equivalents, restricted cash, and accounts receivable are classified as "Loans and Receivables". After their initial fair value measurement, they are measured at amortised cost using the effective interest method, less a provision for impairment, established on an account-by-account basis. based on, among other factors, prior experience and knowledge of the specific debtor and its assessment of the current economic environment.
- Accounts payable, loans from related parties, and credit facilities are classified as "Other Financial Liabilities". Other Financial Liabilities are initially recognised at fair value less transaction costs. Subsequent to initial recognition, Other Financial Liabilities are measured at amortised cost using the effective interest method.

2.7 Impairment

Impairment of financial assets

The Company assesses on forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost.

For cash and cash equivalents, the general 3-stage approach is applied. Credit loss allowance is based on 12-month expected credit loss if there is no significant increase in credit risk since initial recognition of the assets. If there is a significant increase in credit risk since initial recognition, lifetime expected credit loss will be calculated and recognised.

2.8 Creditors

Creditors are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers.

Creditors, including intercompany funding provided by the parent, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.9 Finance costs

Interest income and interest expense are recognised using the effective interest method. Accrued interest is included in the related party receivable and payable balances on the balance sheet.

Chorus Aviation Capital (U.K.) Limited

Notes to the Financial Statements

For the year ended 31 December 2020

(expressed in thousands of United States dollars, except shares and share prices)

2 Accounting policies (continued)

2.8 Finance costs (continued)

Transaction costs

Transaction costs that are incremental and directly attributable to the acquisition or issue of a financial asset or financial liability are recorded as follows:

- Financial assets or financial liabilities at fair value through profit and loss - expensed to net income as incurred; and
- Financial assets or liabilities recorded at amortised cost - included in the carrying value of the financial asset or financial liability and amortised over the expected life of the financial instrument using the effective interest method.

2.10 Investments

Investments are stated at cost less impairment provisions. The Company evaluates its investments regularly for permanent impairments in value and records adjustments to the carrying value as appropriate. Income from investments is recognised in the income statement in the period in which it is received.

2.11 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

2.12 Judgments in applying accounting policies and key sources of estimation uncertainty

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year or in the year of the revision and future years if the revision affects both current and future years.

Chorus Aviation Capital (U.K.) Limited

Notes to the Financial Statements

For the year ended 31 December 2020

(expressed in thousands of United States dollars, except shares and share prices)

3 Turnover

An analysis of turnover by class of business is as follows:

	Year ended 31 December 2020 \$	Period from 19 December 2018 to 31 December 2019 \$
Management fee income	1,484	961

4 Income taxes

Components of the net income tax credit are as follows:

	Year ended 31 December 2020 \$	Period from 19 December 2018 to 31 December 2019 \$
Net Income (loss) before tax	352	(229)
Combined statutory tax rate	19%	19%
Income tax expense (credit) at the statutory tax rate	67	(43)
Other adjustments	(24)	—
Income tax expense (credit)	43	(43)
Effective tax rate	12%	19%

Deferred tax

Components of the net deferred income tax asset (liability) are as follows:

	1 January 2020 \$	Recognized in Net Income \$	31 December 2020 \$
Deferred income tax asset			
– Loss carryforwards	43	(43)	—
Deferred income tax asset	43	(43)	—

Chorus Aviation Capital (U.K.) Limited

Notes to the Financial Statements

For the year ended 31 December 2020

(expressed in thousands of United States dollars, except shares and share prices)

5 Other expenses

	Year ended 31 December 2020	Period from 19 December 2018 to 31 December 2019
	\$	\$
Payroll and related costs	1,045	1,038
Travel	47	105
Other administrative expenses	40	47
	1,132	1,190

6 Financial instruments

The Company's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities.

Fair value of financial instruments

Financial assets and liabilities have been classified into categories that determine their basis for measurement and, for items measured at fair value, whether changes in fair value are recognised in the statement of income or comprehensive income. Those categories are: fair value through profit or loss; fair value through other comprehensive income; and amortised cost.

Financial instruments are classified as follows:

- Cash and cash equivalents, restricted cash, and accounts receivable are classified as "Loans and Receivables". After their initial fair value measurement, they are measured at amortised cost using the effective interest method, less a provision for impairment, established on an account-by-account basis, based on, among other factors, prior experience and knowledge of the specific debtor and its assessment of the current economic environment.
- Accounts payable and credit facilities are classified as "Other Financial Liabilities". Other Financial Liabilities are initially recognised at fair value less transaction costs. Subsequent to initial recognition, Other Financial Liabilities are measured at amortised cost using the effective interest method.

The carrying amounts reported in the statement of financial position for cash, accounts receivable and accounts payable and accrued liabilities approximate fair values based on the immediate or short-term maturities of these financial instruments. Assets and liabilities, such as value-added tax, that are not contractual and that arise as a result of statutory requirements imposed by governments, do not meet the definition of financial assets or financial liabilities and are therefore excluded.

Financial risk factors

The Company, through its financial assets and liabilities, has exposure to the following risks from its use of financial instruments: interest rate risk, credit risk and liquidity risk. The Company monitors risk levels and reviews risk management activities as it determines to be necessary.

Chorus Aviation Capital (U.K.) Limited

Notes to the Financial Statements

For the year ended 31 December 2020

(expressed in thousands of United States dollars, except shares and share prices)

6 Financial instruments (continued)

Financial risk factors (continued)

Interest rate risk

The Company has no loans or swaps bearing interest therefore has no interest rate risk.

Credit risk

Credit risk arises from cash and cash equivalents and credit exposure with customers, including outstanding receivables. The cash and cash equivalents are held in a bank accounts with Barclays bank plc. The maximum exposure to credit risk for cash and cash equivalents and accounts receivable approximates the amount recorded in the statement of financial position. The Company has no financial assets past due or impaired.

The Company uses the following categories of internal credit risk rating for financial assets which are subject to expected credit losses under the 3 stage general approach. These categories reflect the respective credit risk and how the loss provision is determined for each of those categories.

Category of internal credit	Definition of category	Basis for recognition of expected credit losses
Performing	Debtors have a low risk of default and a strong capacity to meet contractual cash flows	12-month expected credit losses
Under-performing	Debtors negotiating for new credit terms, default in repayment and other relevant indicators that showed debtors' deteriorating financial condition	Lifetime expected credit losses
Non-performing	Debtors with prolonged default in repayment and it is becoming probable that the debtor will enter bankruptcy or other financial reorganisation	Lifetime expected credit losses
Write-off	Debtors with no reasonable expectation of recovery	Asset is written off

Liquidity risk

The Company's objective is to maintain sufficient liquidity to meet liabilities when due. The Company monitors its cash balances and cash flows generated from aircraft leasing operations to meet its liquidity requirements.

The following table analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period from the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. The analysis is based on foreign exchange in effect at the consolidated statement of financial position date, and contractual interest rates, and includes both principal and interest cash flows for long-term debt.

Chorus Aviation Capital (U.K.) Limited

Notes to the Financial Statements
For the year ended 31 December 2020

(expressed in thousands of United States dollars, except shares and share prices)

6 Financial instruments (continued)

Liquidity risk (continued)

As at 31 December 2020	Less than three months \$	Three months to one year \$	Two - five years \$	Over five years \$
Principal				
Accounts payable and accrued liabilities	260	—	—	—
	260	—	—	—
Principal and interest				
Accounts payable and accrued liabilities	260	—	—	—
	260	—	—	—
As at 31 December 2019				
Principal				
Accounts payable and accrued liabilities	305	—	—	—
	305	—	—	—
Principal and interest				
Accounts payable and accrued liabilities	305	—	—	—
	305	—	—	—

7 Accounts receivable and other

	2020 \$	2019 \$
Accounts receivable		
Due from related parties (note 12)	697	120
	697	120

Chorus Aviation Capital (U.K.) Limited

Notes to the Financial Statements

For the year ended 31 December 2020

(expressed in thousands of United States dollars, except shares and share prices)

8 Accounts payable and accrued liabilities: Amounts falling due within one year

	2020	2019
	\$	\$
Accounts payable and accrued liabilities	260	305
	260	305

Accrued liabilities are paid at various dates in the three months following the financial year end in accordance with suppliers' usual and customary credit terms.

9 Share capital

Shares issued	Number of Shares	\$
December 19, 2018	1	—
Shares issued and outstanding 31 December 2020	1	—

Upon incorporation of the Company, 1 share was issued.

10 Capital Reserve

	2020	2019
	\$	\$
Employee share option scheme – value of employee services	377	152
	377	152

11 Commitments and contingent liabilities

The Company has no capital commitments and contingent liabilities at 31 December 2020.

Chorus Aviation Capital (U.K.) Limited

Notes to the Financial Statements

For the year ended 31 December 2020

(expressed in thousands of United States dollars, except shares and share prices)

12 Related parties

The Company is a 100% indirect subsidiary of Chorus Aviation Inc., a Canadian corporation, into which the results of the Company are consolidated. The consolidated financial statements of Chorus Aviation Inc. are publicly available at 3 Spectacle Lake Drive, Dartmouth, Nova Scotia, Canada, B3B 1W8. The transactions between the Company and its related parties are summarised as follows:

	Year ended 31 December 2020	Period from 19 December 2018 to 31 December 2019
	\$	\$
Income		
Chorus Aviation Capital (Ireland) Limited ⁽¹⁾	1,484	961

(1) Receivable balances arose from net operating expenses and management fee income charged to Chorus Aviation Capital (Ireland) Limited (CACIL). CACIL is an Irish corporation, also an 100% indirect subsidiary of Chorus Aviation Inc.

(2) Receivable balance arose from operating expenses paid by the Company on behalf of Chorus Aviation Capital Corp. (Canada) (CACC). CACC is a Canadian corporation, also an 100% indirect subsidiary of Chorus Aviation Inc.

The following balances between the Company and its related parties are included in the financial statements:

	2020	2019
	\$	\$
Accounts Receivable		
Chorus Aviation Capital (Ireland) Limited ⁽¹⁾	681	120
Chorus Aviation Capital Corp. (Canada) ⁽²⁾	16	—

All transactions are on normal commercial terms and conditions.

Chorus Aviation Capital (U.K.) Limited

Notes to the Financial Statements

For the year ended 31 December 2020

(expressed in thousands of United States dollars, except shares and share prices)

13 Statutory and other information

	2020 \$	2019 \$
Directors' emoluments:		
Directors' remuneration	—	—
Auditors' remuneration (exclusive of VAT):		
Audit of the company's financial statements	12	10
Total fees	12	10

Audit fee payable to PricewaterhouseCoopers Ireland is \$7 (2019: \$6) as the Company's statutory auditors.

	Year ended 31 December 2020 \$	Period from 19 December 2018 to 31 December 2019 \$
Staff cost		
Wages and salaries	820	886
Stock-based compensation	225	152
	1,045	1,038

The average number of persons employed by Chorus Aviation Capital UK Limited was two (2019: Two).

14 Post balance sheet events

Subsequent to year end, there were no post balance sheet events.

15 Approval of financial statements

The board of directors approved these financial statements for issue on 01 October 2021.