



KPMG LLP
Restructuring
15 Canada Square
London E14 5GL
United Kingdom

Tel +44 (0) 20 7311 1000
Fax +44 (0) 207 694 3011
Email NorwegianEmployeesUK@KPMG.co.uk

To all known and potential creditors

Our ref 6.0

Contact NorwegianEmployeesUK@KPMG.co.uk

26 January 2021

Dear Sir/Madam

Norwegian Air Resources UK Limited – Proposed Creditors’ Voluntary Liquidation (“the Company”)

Further to our letter dated 21 January 2021, we now enclose a Directors’ Report to Creditors and Estimated Statement of Affairs for the Company.

Yours sincerely

David Pike
Proposed Liquidator

David John Pike and Michael Robert Pink are authorised to act as insolvency practitioners by the Institute of Chartered Accountants in England & Wales. Stuart Irwin is licenced as an insolvency practitioner by the Insolvency practitioners Association.

We are bound by the Insolvency Code of Ethics.

The Officeholders are Data Controllers of personal data as defined by the Data Protection Act 2018. Personal data will be kept secure and processed only for matters relating to the appointment. For further information, please see our Privacy policy at – home.kpmg.com/uk/en/home/misc/privacy-policy-insolvency-court-appointments.html.



Director's report to the creditors

Norwegian Air Resources UK
Limited

26 January 2021

Notice to creditors

This report has been prepared using information provided by the directors of Norwegian Air Resources UK Limited and information taken from the Company's books and records.

Please note that the accuracy of the information has not been reviewed by David Pike, Michael Pink or Stuart Irwin.

It has been produced to comply with the directors' statutory duty to deliver to the creditors a Statement of Affairs and for no other purpose.

This document contains other important information such as the directors' trading history and company financial information.

A glossary of the abbreviations used throughout this document is attached (Appendix [\[4\]](#)).

Please also note that an important legal notice about this report is attached (Appendix [\[5\]](#)).

Contents

- 1. Members' written resolutions and decision of creditors**
- 2. Prior involvement of proposed liquidators**
- 3. Directors' summary of trading history and reasons for failure**
- 4. Financial information**
- 5. Connected party transactions**
- 6. Directors' Statement of Affairs**
- 7. Deficiency Account**
- 8. Statement of Affairs**

1 Members' written resolutions and decision of creditors

This report is to make available certain information, regarding the history and financial affairs of the Company, to the creditors.

Given the strategic decision of the Norwegian Group to withdraw from Long Haul operations owing to the Covid-19 outbreak in 2020, the significant downturn in the aviation industry, as announced on 14 January 2021, the Company no longer has the financial support of the Group. As a consequence, the Company is unable to meet its liabilities in full, and the directors determined that there was no viable means of the Company returning to solvency and therefore they commenced liquidation proceedings to place the Company into Creditors' Voluntary Liquidation

David Pike, Michael Pink and Stuart Irwin were instructed by the directors on 14 January 2021 to convene the requisite meeting of members to sign the written resolutions and assist with the creditors' decision procedure for this purpose.

The Company's sole shareholder, Norwegian Air Resources Limited (Ireland) is passing the necessary resolution to place the Company into Liquidation by Written Resolution.

The proposed liquidators have consented to act.

Notices were dispatched to all known creditors on 21 January 2021 if by post and 22 January 2021 if by email. Notice of the creditors' decision procedure has been advertised in the London Gazette on 25 January 2021.

2 Prior involvement of proposed liquidators

KPMG LLP were engaged on 14 January 2021 to advise the Company on preparing for liquidation; other than that, there has been no prior involvement of the proposed Liquidators in NARUK.

however, it should be noted that Kieran Wallace from KPMG IE was appointed as Examiner by the Irish High Court pursuant to Section 509 of the (Irish) Companies Act 2014 in respect of the following companies:

- Arctic Aviation Assets Designated Activity Company,
- Norwegian Air International Limited,
- Drammensfjorden Leasing Limited,
- Torskefjorden Leasing Limited (Since removed from Examinership and placed into Liquidation)
- Lysakerfjorden Leasing Limited

These companies fall within the same structure of the Company however there is no conflict arising which prevents the proposed Liquidators from accepting the appointment.

3 Directors' summary of trading history and reasons for failure

The comments below are the sole responsibility of the directors of the Company.

Trading History

The company was incorporated on 8 December 2014 and is a wholly owned subsidiary of Norwegian Air Resources Limited, a company incorporated in Ireland. The ultimate controlling parent company is Norwegian Air Shuttle ASA.

The company provided the complete outsourcing of staff for the UK operations of Norwegian airlines long-haul routes from the Gatwick airport in the UK. The airline industry has been heavily impacted by the COVID 19 pandemic. The various restrictions which have been implemented by governments around the world have resulted in a drastic drop in demand for air travel. This has been particularly pronounced on transatlantic routes for which the Company provided staff.

Since 2016, the Group had operated a joint venture with OSM, a Cyprus-based aviation group, of which the Company was party to (under its former name, Norwegian OSM UK Limited). In July 2020, the Group ended the JV with OSM, and the Company was amongst a number of entities that were 'carved-out' of the JV and transferred 100% to NAR in Ireland,

by way of share transfer and inter-company claims assignments. The Company was renamed NARUK.

Norwegian Air Resources Ltd. ("**NAR**") and OSM Aviation Group Ltd. ("**OSMA**") entered into an agreement on 14 July 2020 for the purpose of separating the business conducted through the OSM joint venture. The agreement set out the terms and conditions for the separation and transfer of shares, which also involved a final settlement of claims between the parties.

Prior to the transaction, NAR and OSMA each held 50% of the shares in OSM Aviation Ltd. ("**OSM**"). As part of the separation of the joint venture, NAR transferred 50% of its shares in OSM Aviation Ltd. to NAR and others in the ownership of OSM. Certain companies (which includes Norwegian OSM UK Ltd), was carved-out from the joint venture and transferred to NAR.

The transfer of shares lead to a complete and full separation, meaning that following the completion, there would be no claims owed by any OSM group company towards any Carve Out Company and vice a versa. Any claims that existed between the companies prior to the separation was settled as part of a share proceed settlement. The share settlement was completed in late July.

Reasons for Failure

The Group has been and still is severely impacted by the Covid-19 pandemic. Norwegian Air Shuttle ASA reported a net loss of NOK 980 million (c£83.6m) in the third quarter financial report, published on 10 November 2020. In addition, the Group has experienced a 91% passenger decline compared to the same period last year.

The pandemic is causing a challenging situation for the Group and the market is highly uncertain due to changing travel advice from governments across Europe. As government changes its travel advice, demand is immediately impacted. Governments around Europe have taken various measures which have resulted in a reduction in already limited air traffic to, from and within their countries. In addition, low yields on the remaining traffic makes it difficult for any airline to cover the variable costs of operation. Given these external factors Norwegian air shuttle ASA made an announcement on the 14 January 2021 that it intends to cease long haul.

This means that the Company has lost its only customer and is also insolvent on a balance sheet basis as a result of liabilities created from this. As the Company does not contain any significant assets and has no prospect of continuing trading a creditors voluntary liquidation has been selected as the most cost-effective measure of liquidating the company.

The directors have informed us that no writs, statutory demands or County Court Judgements were received by the Company prior to the appointment of the Joint Liquidators.

A meeting of the Company's board of directors subsequently took place on 18 January 2021 where it was resolved that the Company was insolvent and should be wound up voluntarily.

Accordingly the Company instructed David Pike, Michael Pink and Stuart Irwin to convene the necessary meeting of members and assist with the creditors' decision procedure to place the Company into liquidation.

The directors attribute the failure of the Company to the following:

- The decision by Norwegian Air Shuttle ASA to cease long haul operations;
- The fact that Norwegian Air Shuttle ASA is no longer in a position to fund the company; and
- The impact that Covid has had upon the Aviation sector.

4 Financial information

The following financial information is attached at Appendix 2:

- summaries of audited statements of the financial activities (profit and loss) for the financial year ended 31 December 2018
- unaudited management profit and loss accounts for the year ended 31 December 2019

The Company had not finalised any accounts for the year ended 31 December 2020 yet and therefore these are not able to be provided.

5 Connected party transactions

As detailed previously in this report, there was a carve-out which separated the Group (and other group entities), and the duly appointed Liquidators will investigate any connected party transactions. The duly appointed Liquidators will also review the July 2020 Carve-out Agreement, to determine if any residual rights befall the Company as a consequence of the carve-out and subsequent liquidation

6 Directors' Statement of Affairs

The directors have provided a Statement of Affairs for the Company as at 26 January 2021 which is attached at Appendix 3

A summary of the assets and liabilities is shown below.

6.1 Assets

Amounts owing from Group Entities – Norwegian Air Resources Spain SL and Norwegian Air Resources US Inc

Whilst the accounts for the overall Group structure are still being finalised, it may be that the Company is owed the sum of c£749,000 from Norwegian Air Resources Spain SL (£629,461) and Norwegian Air Resources US Inc (£119,451). The duly appointed Liquidator will investigate and attempt to collect these monies, however, for the purpose of the Statement of Affairs the estimated to realise value has been noted as Uncertain.

Amounts owing from Group Entities – NAS Invest Inc

There is a receivable from another company, NAS Invest AS of c£10.5m. The receivable was established as part of the carve out / OSM settlement.

The estimated to realise value is highly uncertain, as NAS Invest only holds a receivable to the parent company NAS however this will be fully investigated by a duly appointed Liquidator.

Other Assets

The directors do not believe there to be any other assets and the Company has not operated its own bank account since it split off from OSM, however, a duly appointed Liquidator will investigate this after their appointment.

6.2 Liabilities

Employees

The Company's main creditor body relates to the claims of the Company's employees. As stated above, the Company's employees have been on furlough since the early stages of the pandemic in March 2020. In addition, a number of employees have been on a period of consultation since October 2020, with the remainder being advised on 14 January 2021 that the Company was ceasing to trade and had commenced steps to place the Company into CVL. The employees have various elements to their claim and therefore, until such time as their claims are crystallised upon the appointment of Liquidators, the figures below are estimates and are likely to change substantially.

If appointed, the proposed Liquidators intend to instruct a specialist employment agency to assist in expediting the processing of employees' claims into the Redundancy Payments Office

Preferential Creditors

Employees / Redundancy Payments Service

The figure which is estimated for preferential creditors as per the Statement of Affairs is estimated to be around £3,300,000 (although this figure is likely to change), and broken down as follows;

- Wages capped at £800 and for wages within four months of insolvency
- All holiday pay is classed as preferential but for the purpose of the Statement of Affairs have included this at £2,500 per employee

Employees should note that their wages and holiday pay will be met by the Redundancy Payments Service ("RPS") up to the capped statutory limit of £538 per week, and any balance owed would fall as a preferential claim in the Liquidation (up to the above preferential limits), however, as there are likely to be no assets, there is unlikely to be any dividend to be paid out to preferential creditors.

HM Revenue & Customs ("HMRC")

For insolvency procedures commencing after 1 December 2020, HMRC have regained secondary preferential status in certain of the taxes owed to them.

We have been advised that HMRC are owed the sum of £478,211 which relates to one month PAYE / NIC. If there are sufficient funds with which to make a preferential dividend payment, a duly appointed Liquidator would adjudicate on their claim accordingly.

Unsecured Creditors

Unsecured Creditors' Employees

For the reasons detailed above, the employees' non-preferential claims have not crystallised and will not do so until such time as the Company is in Liquidation, therefore the figure for this has been put in at £1 per employee – it is recognised that the actual figure is likely to be much higher but as the Company has no material assets, there is no material difference in the outcome and again, a large proportion of these claims (including those for Redundancy and Notice Pay up to the Statutory Limits) will be met by the Redundancy Payments Service (subject to approval), who will subsequently lodge their claim in the Liquidation.

Unsecured Creditors' Other

Other trade & expense creditors relate to pensions, insurance and professional services.

The figures contained in the directors' Statement of Affairs have been extracted from the Company's accounts and from information provided from the Company's directors. David Pike, Michael Pink and Stuart Irwin have not conducted an audit of this information. The figures do not take the costs of the liquidation into account.

Please note that the actual level of asset recoveries and claims against the Company may differ materially from the amounts included in the Statement of Affairs.

7 Deficiency Account

A deficiency account has not been provided within this document as it would provide no meaningful information to creditors at this stage until such time as an accurate figure for liabilities to employees can be quantified which is further referred to above.

8 Costs

Norwegian Air Shuttle, a related company, paid the sum of £96,000 (being £80,000 plus VAT) for the following and in accordance with the Engagement Letter dated 14 January 2021.

- Strategy and planning calls and meeting with Company and its advisers
- Assistance with preparing employee and other stakeholder communications

- Liaising with the relevant Unions and Job Centre representatives
- Preparing the statutory member and creditor notices
- Assisting with the drafting the Statement of Affairs and the Report to be sent to creditors

This has been paid and will be billed in accordance with the engagement letter and prior to the Decision Date.

A handwritten signature in black ink, consisting of a large loop followed by a series of smaller, connected loops and a final horizontal stroke.

David Pike

Proposed liquidator

Appendix 1 Statutory information

Company information			
Company and trading name	Norwegian Air Resources UK Limited		
Previous company name	Norwegian OSM UK LTD		
Date of incorporation	8 December 2014		
Company registration number	09346296		
Principal business	Crew Resource Company		
Trading address	First Point Buckingham Gate, Gatwick Airport, Gatwick, West Sussex, England, RH6 0NT		
Previous registered office	5 Market Yard Mews 194-204 Bermondsey Street London SE1 3TQ UK.		
Present registered office	First Point Buckingham Gate, Gatwick Airport, Gatwick, West Sussex, England, RH6 0NTIPS		
Company directors	Jarl Einar Farstad Daniel Flynn Guro Halvorsen Poulsen		
Previous directors (over last 3 years)	Name	Appointment date	Resignation date
	Espen Bjarte Hoiby	8 December 2014	18 October 2019
	Helga Bollmann Leknes	30 May 2018	
	Fredrik Grorud Oygard	30 May 2018	29 January 2020
			14 July 2020
Company secretary	Cornhill Secretaries Limited		
Shareholding	Name	Shareholding	
	Norwegian Air Resources Limited	2,000	
Total shares issued	Enter details of all classes of shares issued, eg. Ordinary 2000 £(1) shares		
Parent company	Norwegian Air Resources Limited		
Associated companies	Norwegian Air Shuttle ASA		
Auditor	RSM UK Audit LLP		
Application of EC Regulations	EC Regulations apply and these proceedings will be the Main Proceedings as defined in Article 3 of the EC Regulations.		

The Company has Three current directors, as shown above.

We have detailed the other directorships held by the directors below, all of these directorships are with related companies.

Director	Company name
Jarl Einar Farstad	Norwegian Air Resources US Ltd
	Norwegian Air Resources Spain SL
Director	Company name
Daniel Flynn	Norwegian Air

Resources US Ltd
Norwegian Air
Resources Spain SL
Norwegian Pilot
Services Norway AS
Norwegian Cabin
Services Norway AS

Director	Company name
Guro Halvorsen Poulsen	Norwegian Air
	Resources US Ltd
	Norwegian Air
	Resources Spain SL
	Norwegian Air
	Resources SSC AS
	Norwegian Air resources
	SSC US Corp
	Norwegian Training
	Academy AS
	Norwegian Air
	Resources Sweden AB

Appendix 2 Financial Information

Account type e.g. audited	Management accounts YE 31 December 19	Audited accounts FY 31 December 2018
Turnover	51,884,831	54,514,158
Net results	135,309	444,898
Directors' remuneration	Nil	Nil
Shareholders' fund	357,196	221,887
Dividends paid	Nil	(500,000)
Reserves carried forward at year end	355,196	219,887

Balance Sheet	Management accounts YE 31 December 19	Audited Abbreviated accounts FY 31 December 2018
Fixed assets	Nil	418
Current assets		
Trade and other receivables	7,002,579	7,871,271
Cash at bank and in hand	17,556	5,408
Total current assets	7,020,135	7,876,679
	(6,662,939)	(7,655,210)
Current liabilities		
		221,469
Net current assets	357,196	
Non-current liabilities	Nil	Nil
Net assets	357,196	221,887
Equity		
Called up share capital	2,000	2,000
Profit and loss account	355,196	219,887
Total equity	357,196	18,924

Appendix 3 Summary of Directors' Statement of Affairs

Attached at the end of this document

Appendix 4 Glossary

Company	Norwegian Air Resources UK Limited
Group	The Company together with; Norwegian Air Resources Limited Norwegian Air Shuttle ASA
Joint Liquidators/we/our/us	David Pike, Michael Pink and Stuart Irwin
KPMG	KPMG LLP and KPMG IE

Any references in this report to sections and rules are to Sections and Rules in the Insolvency Act 1986, and the Insolvency (England and Wales) Rules 2016 respectively.

Appendix 5 Notice: About this report

This report has been prepared by David Pike, Michael Pink and Stuart Irwin in conjunction with the directors of Norwegian Air Resources UK Limited (the 'Company'). Its purpose is to adhere to the statutory duty of the directors under Section 99 (and Rules 6.3, 6.4 and 6.5), to present to creditors a Statement of the Affairs of the Company, and for no other purpose. It is not suitable to be relied upon by any other person, or for any other purpose, or for any other purpose, or in any other context.

This report has not been prepared in contemplation of it being used, and is not suitable to be used, to inform any investment decision in relation to the debt of or any financial interest in the Company or any other company in the same group.

Any estimated outcomes for creditors included in the Statement of Affairs are illustrative only and cannot be relied upon as guidance as to the actual outcomes for creditors.

Any person that chooses to rely on this report for any purpose does so at their own risk. To the fullest extent permitted by law, David Pike, Michael Pink and Stuart Irwin do not assume any responsibility and will not accept any liability in respect of this report.

David John Pike and Michael Robert Pink are authorised to act as insolvency practitioners by the Institute of Chartered Accountants in England & Wales. Stuart Irwin is authorised to act as an insolvency practitioner by the Insolvency Practitioners association.

We are bound by the Insolvency Code of Ethics.

The Officeholders are Data Controllers of personal data as defined by the Data Protection Act 2018. Personal data will be kept secure and processed only for matters relating to the appointment. For further information, please see our Privacy policy at – home.kpmg.com/uk/en/home/misc/privacy-policy-insolvency-court-appointments.html.

www.kpmg.com

© 2021 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

For full details of our professional regulation please refer to 'Regulatory Information' at www.kpmg.com/uk

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

The KPMG name and logo are registered trademarks or trademarks of KPMG International Cooperative.

Insolvency Act 1986

Norwegian Air Resources UK Limited
Company Registered Number:

Estimated Statement Of Affairs as at 26 January 2021

	Book Value £	Estimated to Realise £
ASSETS		
Intercompany debt	749,000.00	Uncertain
Intercompany debt - NAS Invest AS	10,500,000.00	Uncertain
		<u>NIL</u>
LIABILITIES		
ORDINARY PREFERENTIAL CREDITORS:-		
Employees' wage arrears	3,300,000.00	3,300,000.00
		<u>(3,300,000.00)</u>
SECONDARY PREFERENTIAL CREDITORS:-		
PAYE income tax etc	478,211.22	478,211.22
		<u>(3,778,211.22)</u>
DEBTS SECURED BY FLOATING CHARGES PRE 15 SEPTEMBER 2003		
OTHER PRE 15 SEPTEMBER 2003 FLOATING CHARGE CREDITORS		
		<u>NIL</u>
		<u>(3,778,211.22)</u>
Estimated prescribed part of net property where applicable (to carry forward)		
		<u>NIL</u>
		<u>(3,778,211.22)</u>
DEBTS SECURED BY FLOATING CHARGES POST 14 SEPTEMBER 2003		
		<u>NIL</u>
		<u>(3,778,211.22)</u>
Estimated prescribed part of net property where applicable (brought down)		
		<u>NIL</u>
		<u>(3,778,211.22)</u>
Unsecured non-preferential claims (excluding any shortfall to floating charge holders)		
Trade & expense	59,292.00	59,292.00
		<u>59,292.00</u>
Estimated deficiency/surplus as regards non-preferential creditors		
(excluding any shortfall in respect of F.C's post 14 September 2003)		
		<u>(3,837,503.22)</u>
		<u>(3,837,503.22)</u>
Issued and called up capital		
		<u>NIL</u>
TOTAL SURPLUS/(DEFICIENCY)		<u><u>(3,837,503.22)</u></u>

KPMG LLP
Norwegian Air Resources UK Limited
B - Company Creditors

Key	Name	Address	£
CB00	BDO LLP	2 City Place, Beehive Ring Road, London, RH6 0PA	22,050.00
CE00	Employees		3,300,000.00
CE01	Employees - Non pref		1,100.00
CI00	HM Revenue & Customs	Insoveny Claims Handling Unit (ICHU), Benton Park View, Longbenton, Newcastle, NE98 1ZZ	478,211.22
CM00	Marsh Ltd	1 Tower Place West, London, EC3R BU	36,142.00
5 Entries Totalling			3,837,503.22

Signature _____