

Air Seychelles Limited

Consolidated Financial Statements

31st December 2018



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Directors' Report

The Directors are pleased to submit their report together with the audited consolidated financial statements of Air Seychelles Limited ("the Group") for the year ended 31 December 2018.

1. Principal activities

The principal activities of the Group are to provide commercial air transportation which includes passenger and cargo services on scheduled and charter basis. The Group also provides handling and lounge services to other carriers at the Seychelles International Airport in Mahé and Praslin Domestic Airport.

2. Equity

On 15 March 2012 the Government of Seychelles ('GOS') and Etihad Airways PJSC ('Etihad') signed an investment agreement for Etihad to acquire a 40% equity stake in the Group for consideration of USD 20,000 thousand. As part of this agreement Etihad also committed to provide a shareholder loan facility of USD 25,000 thousand to the Group for managing its working capital and the GOS agreed to settle certain liabilities existing prior to the date of this agreement. As part of the shareholder settlement agreement, Etihad's 40% share ownership was transferred to the Government of Seychelles from EAG Investment Holding Company Ltd (EAGIHC) in April 2021.

3. Results and going concern

Net loss

Net loss of the Group for the year ended 31 December 2018 amounted to USD 42.8 million (*year ended 31 December 2017: net loss of USD 14.3 million*).

On 4 October 2021, the Directors placed the Group in voluntary administration, by appointing Mr Bernard Pool and Mr Suketu Patel as Administrators. The Directors are of the opinion that the Group will be able to restructure and negotiate a settlement of the debt of USD 71,539 thousand plus unpaid interest owed to EA Partners I B.V. and EA Partners II B.V. Considering that as of November 2021, the Group is making consistent cash profits, has recovered 80% of its pre-Covid revenues, as well as the fact that on 7 December 2021 both the noteholder committee of EA Partners B.V. I and II and the Government of Seychelles voted in favour of a rescue plan, the Directors are of the opinion that the Group will continue to operate on a going concern basis for a period of at least 12 months from the date of approval of these financial statements.

4. Dividends

The Directors did not recommend any dividends for the year under review.

5. Directors

The Directors of the Group since the date of the last report and the date of this report are:

Leon Bernard Pool (as from 04 October 2021) - Administrator
Suketu Patel (as from 04 October 2021) - Administrator
Veronique Laporte (appointed chairman as from 1 July 2021) - Chairman
Alan Mason (appointed vice chairman as from 1 July 2021) - Vice Chairman
Ralph Saminaden (as from 29 April 2021)
Egbert Laurence (as from 29 April 2021)
Daphnee Hoareau (as from 29 April 2021)
Irene Croise (as from 29 April 2021)
Jean Weeling-Lee (appointed chairman as from 3 November 2016, resigned on 29 April 2021)
Robin Kamark (appointed vice chairman as from 14 June 2018, resigned on 31 December 2020)
Bassam A Al Mosa (as from 15 March 2012, resigned on 1 February 2021)
Sitna Cesar (as from 3 November 2016, resigned on 31 December 2020)
Christopher Youlten (as from 29 June 2017, resigned on 22 April 2021)
Cyril Bonnelame (as from 20 September 2018, resigned on 26 April 2021)
Oliver Bastienne (as from 21 February 2019, resigned on 29 April 2021)
Paul D'Offay (as from 20 September 2018, resigned on 12 December 2018)
John Esther (as from 3 November 2016, resigned on 20 September 2018)
Marie-Louise Potter (as from 11 May 2017, resigned on 20 September 2018)
Abdulmoshen Alsayegh (as from 29 June 2017, resigned on 14 June 2018)

None of the Directors has any direct or indirect interest in the shares of the Group.

Directors' Report (continued)

6. Statement of Directors' responsibilities

The Directors are responsible for the overall management of the affairs of the Group including the operations of the Group and making investment decisions.

The Board is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in compliance with the Companies ordinance, 1972 (as amended). This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. The Directors have the general responsibility of safeguarding the assets, both owned by the Group and those that are held in trust and used by the Group.

The Directors consider they have met their aforesaid responsibilities.

7. Auditors

BDO Associates were appointed as independent external auditors of the Group for the year ended 31 December 2019, by the Board of Directors on 9th October 2018, though this appointment was not formalized until January 2022.


8. By order of the Board

Approved by the Board of Directors on 17th January, 2022

and signed by:



Veronique Laporte
Chairman



Egbert Laurence
Board Member



Alan Mason
Vice-Chairman



Daphnee Hoareau
Board Member



Ralph Saminaden
Board Member



Irene Croise
Board Member



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Independent auditors' report

To the Shareholder of Air Seychelles Limited.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Air Seychelles Limited ("the Company") and its Subsidiary ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our ethical responsibilities in accordance with the IESBA Code together with the ethical requirements that are relevant to our audit of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to note 2(a) of the consolidated financial statements, which indicates that the Group incurred a net loss of USD 42.8 million for the year ended 31 December 2018 and, as of that date, the Group had net current liabilities amounting to USD 41.7 million and its total liabilities exceeded its total assets by USD 56.6 million. As described in note 2(a) the Group's cash flow forecasts, which form the basis of it preparing the consolidated financial statements on a going concern basis, make certain assumptions relating to the successful formalisation of the re-negotiated debt obligations due to the bondholders which requires, amongst other things, the settlement of that re-negotiated amount in full by 31 March 2022; the successful raising of funds to satisfy this obligation by successfully entering into transactions to sell and leaseback its domestic fleet to help fund the payment to the bondholders in March 2022, part of which requires either its shareholder undertaking to repay certain debts due to a related party to release these assets from encumbrance, or the Group being able to successfully secure funding from financial institutions; that the Group is able to successfully coordinate with its shareholder to ensure that the aforementioned encumbrance over two of its domestic fleet is not exercised to an extent which materially impinges on the Group's commercial use of them as assumed in the cash flow forecasts; and the continuing impact of travel and other restrictions resulting from the currently ongoing Covid-19 pandemic on its business. These events and assumptions, along with other matters as set forth in notes 2(a), 5(a) and 6(b), indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the Directors' report as set out on pages 3 and 4.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 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 consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated 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 Group's internal control.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

- 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 and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the (consolidated) financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

Report on Other Legal and Regulatory Requirements

As required by the Companies Ordinance, 1972 (as amended) and Public Enterprise Monitoring Commission Act, 2013 of Seychelles, we further confirm that we have no relationship with or interests in the Group, other than in our capacity as auditors, we have obtained all information and explanations necessary for our audit and proper financial records have been kept by the Group as it appears from our examination of reports.

KPMG Lower Gulf Limited



Abu Dhabi, United Arab Emirates

Date: 18 January 2022

Air Seychelles Limited

Consolidated statement of profit or loss and other comprehensive income

for the year ended 31st December

	Note	2018	Restated* 2017
<i>in thousands of USD</i>			
Revenue	7	95,358	127,285
Other income	8	7,075	3,760
Direct operating costs	9	(110,233)	(135,748)
Administrative and marketing expenses	10	(13,338)	(3,732)
Impairment loss / (reversal) on trade receivables	10	(1,221)	183
Early termination costs	11	(12,522)	-
Operating loss		(34,881)	(8,252)
Finance income	12	374	435
Finance costs	12	(8,298)	(6,508)
Net finance costs		(7,924)	(6,073)
Loss for the year		(42,805)	(14,325)
Other comprehensive income		-	-
Total comprehensive loss for the year		(42,805)	(14,325)

The notes set out on pages 13 to 42 form an integral part of these consolidated financial statements.
The independent auditors' report is set out on pages 5 to 7.

* The comparative information has been restated on account of error, see notes 6 and 29.

Air Seychelles Limited

Consolidated statement of financial position

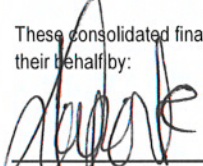
as at 31st December

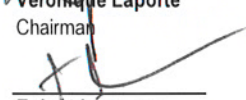
		Restated*		Restated*	
				1 January	
<i>in thousands of USD</i>	<i>Note</i>	2018	2017	2017	
Assets					
Non-current assets					
Property and equipment	13	40,878	44,162	41,191	
Intangible assets	14	12,217	14,009	15,709	
Deposits	15	10,271	8,638	6,620	
Long-term receivables from related parties	18	4,706	5,743	-	
Total non-current assets		68,072	72,552	63,520	
Current assets					
Inventories	16	9,925	8,979	8,512	
Trade and other receivables	17	21,976	32,528	45,639	
Current portion of long-term receivables from related parties	18	1,037	987	-	
Amounts due from related parties	18	1,842	2,473	11,503	
Cash and cash equivalents	19	14,166	26,174	41,042	
Assets held for sale	20	484	378	485	
Total current assets		49,430	71,519	107,181	
Total assets		117,502	144,071	170,701	
Equity and liabilities					
Equity					
Share capital	24	72,617	72,617	72,617	
Accumulated losses		(129,199)	(78,567)	(64,242)	
Total equity		(56,582)	(5,950)	8,375	
Liabilities					
Non-current liabilities					
Provision for end of service benefits	21	3,251	3,153	2,826	
Loans and borrowings	23	79,732	82,600	84,910	
Total non-current liabilities		82,983	85,753	87,736	
Current liabilities					
Trade and other payables	21	32,899	26,774	38,729	
Loans and borrowings	23	1,079	1,079	1,670	
Amounts due to related parties	18	45,330	22,360	19,494	
Contract Liability	22	11,793	14,055	14,697	
Total current liabilities		91,101	64,268	74,590	
Total liabilities		174,084	150,021	162,326	
Total equity and liabilities		117,502	144,071	170,701	

The notes set out on pages 13 to 42 form an integral part of these consolidated financial statements.

The independent auditors' report is set out on pages 5 to 7.

These consolidated financial statements were approved and authorised for issue by Board of Directors on 17th January 2022 and signed on their behalf by:


 Veronique Laporte
 Chairman


 Egbert Laurence
 Board Member


 Alan Mason
 Vice-Chairman


 Daphnee Hoareau
 Board Member


 Ralph Saminaden
 Board Member


 Irene Croise
 Board Member

* The comparative information has been restated on account of error, see notes 6 and 29.

Air Seychelles Limited

Consolidated statement of changes in equity

for the year ended 31st December

in thousands of USD

	Share capital	Accumulated losses	Total
At 1 January 2017	72,617	(61,416)	11,201
Prior year adjustment for Accounts Receivable Clearing	-	(2,826)	(2,826)
Restated balance as at 1 January 2017	72,617	(64,242)	8,375
<i>Total comprehensive income:</i>			
Loss for the year	-	(14,325)	(14,325)
Other comprehensive income	-	-	-
Total comprehensive income for the year*	-	(14,325)	(14,325)
At 31 December 2017*	72,617	(78,567)	(5,950)
At 1 January 2018	72,617	(78,567)	(5,950)
Adjustment on initial application of IFRS 15 (net of tax)	-	(3,182)	(3,182)
Adjustment on initial application of IFRS 9 (net of tax)	-	(4,645)	(4,645)
Adjusted at 1 Jan 2018	72,617	(86,394)	(13,777)
<i>Total comprehensive income:</i>			
Loss for the year	-	(42,805)	(42,805)
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	(42,805)	(42,805)
At 31 December 2018	72,617	(129,199)	(56,582)

The independent auditors' report is set out on pages 5 to 7.

* The comparative information has been restated on account of error, see notes 6 and 29.

Air Seychelles Limited

Consolidated statement of cash flows

for the year ended 31st December

<i>in thousands of USD</i>	<i>Note</i>	<i>Restated*</i> 2018	2017
Cash flows from operating activities			
Net Loss		(42,805)	(14,325)
Adjustments for:			
-Depreciation	13	3,320	2,585
-Amortisation	14	1,717	1,794
-(Gain)/Loss on disposal of property and equipment		(1,827)	190
-Impairment of non-current assets held for sale	21	67	-
-Impairment of technical spares		44	-
-Staff terminal benefits during the year - charge	21	958	970
-Finance costs	12	8,298	6,508
-Finance income	12	(374)	(435)
-Inventory provision	16	73	-
-Impairment of receivables	27	1,221	(221)
		(29,308)	(2,934)
Changes in:			
- inventories	16	(1,019)	(467)
- trade and other receivables	17	4,683	13,333
- amounts due from related parties	18	631	2,300
- trade and other payables	21	6,125	(11,955)
- amounts due to related parties	18	22,970	2,866
- unearned revenue		(5,444)	(642)
Cash generated from / (used in) operating activities		(1,361)	2,501
Staff terminal benefits paid	21	(860)	(643)
Net cash used in operating activities		(2,221)	1,858
Cash flows from investing activities			
Acquisition of property and equipment	13	(3,460)	(6,582)
Acquisition of intangible assets	14	-	(94)
Proceeds from disposal of property and equipment		5,033	943
Proceeds from disposal of assets held-for-sale		76	-
Deposits		(1,350)	
Interest received		374	435
Net cash used in investing activities		673	(5,298)

...continued

Air Seychelles Limited

Consolidated statement of cash flows (*continued*)

for the year ended 31st December

in thousands of USD

		2018	2017
Cash flows from financing activities			
Proceeds from loans and borrowings		987	-
Payment of loans and borrowings	23	(2,868)	(2,901)
Deposits		(283)	(2,018)
Interest paid - net		(8,296)	(6,509)
Net cash from / (used in) financing activities		(10,460)	(11,428)
Net decrease in cash and cash equivalents			
		(12,008)	(14,868)
Cash and cash equivalents at 1 January	19	26,174	41,042
Cash and cash equivalents at 31 December	19	14,166	26,174

The notes set out on pages 13 to 42 form an integral part of these consolidated financial statements.

The independent auditors' report is set out on pages 5 to 7.

* The comparative information has been restated on account of error, see notes 6 and 29.

Notes to the consolidated financial statements

1. Legal status and principal activities

Air Seychelles Limited ("the Group") is a limited liability company, incorporated and domiciled in the Republic of Seychelles. The registered office of the Group is located at Head Office Building, Point Larue, Mahé, Seychelles. It was first established on 15 September 1977, following the merger of Air Mahé and Inter-Island Airways and was registered as Seychelles Airlines under the Seychelles Companies Ordinance, 1972 (as amended). The present title was adopted in September 1978. In March 2012, 40% of the Group's share capital was acquired by EAG Investment Holding Company Ltd ("EAGIHC"), a Company incorporated under the laws of the United Arab Emirates. The 40% share ownership was transferred to the Government of Seychelles ("GOS") from EAGIHC in April 2021, making the GOS the sole owner of the Group. The other activities have remained unchanged during the year.

The principal activities of the Group are to provide commercial air transportation which includes passenger and cargo services on scheduled and charter basis. The Group also provides handling and lounge services to other carriers at the Seychelles International Airport in Mahé and Praslin Domestic Airport. These consolidated financial statements include the financial position and financial performance of the Company and its subsidiary (together referred as "the Group").

2. Basis of preparation

(a) Going concern

There are material uncertainties related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern as described below and, therefore, the Group may not be able to realise its assets and discharge its liabilities in the normal course of business.

These financial statements have been prepared on a going concern basis, which assumes that the Group will continue to operate and honour its obligations for the foreseeable future, notwithstanding that as at 31 December 2018 it had accumulated losses of USD 129,199 thousand (31 December 2017 restated: USD 78,567 thousand) and net current liabilities amounting to USD 41,671 thousand (31 December 2017 restated: net current assets USD 7,251 thousand), and its total liabilities exceeded its total assets by USD 56,582 thousand (31 December 2017 restated: USD 5,950 thousand) and it had net loss of USD 42,804 thousand during the year then ended (2017 restated: USD 14,326).

This conclusion has been based on cash flow forecasts that the Group has prepared for the years ending 31 December 2022 to 2024, based on trading and other key assumptions, which result in positive net cash flows for the Group during this period. The Group also performed a stress test on these cash flows by assuming a 30% to 45% decrease in revenue from its planned international routes, which showed that the Group would still be able to honour its obligations without any Government intervention. The company holds a monopoly on scheduled domestic routes as well as scheduled ground and cargo handling operations and, therefore, it did not sensitise them. These assumptions reflect developments at the Group since the balance sheet date of 31 December 2018 till date, as described below and in note 6.

In the fourth quarter of 2017 the Board of Directors approved a restructuring plan for Air Seychelles with a strategy focusing on its domestic operations, regional international network and ground and cargo handling. As per the agreed restructuring plan, EAG Investment Holding Company Ltd ("EAGIHC") provided USD 34,000 thousand of debt in FY17 to meet the immediate cash costs of the restructuring whilst the Government of Seychelles, the current sole shareholder, provided USD 6,000 thousand in FY19 as required by the agreement. The restructuring process began in January 2018 with announcements of route closures, exits of the A330-200 fleet and reduction in headcount. The network changes and new organizational structure were fully implemented by 1 July 2018.

In FY18 USD 30,000 thousand of the Group's debt owed to EAGIHC was to be converted into preference shares on the condition that EAGIHC receives a guarantee from the Government of Seychelles for the equivalent amount which, however, did not materialize. In April 2021 the Government of Seychelles, the Company, EAGIHC and Etihad Airways agreed for the Government of Seychelles to assume:

- this unsecured debt along with other of the Group's unsecured net debt balances as of this date due to EAGIHC and Etihad Airways (totalling USD 62.2 million). The parties agreed to reduce the Government of Seychelles' unsecured debt obligation to EAGIHC and Etihad Airways by 82%, and the repayment of this balance would commence from 15 January 2022 (if such day is not a business day, then the next business day);
- the Group's secured debt obligation to EAGIHC and Etihad Airways in January 2024 (totalling USD 8.0 million), The parties agreed to reduce the Government of Seychelles' secured debt obligation by 79%, subject to the settlement of the above unsecured debt in accordance with the agreed repayment schedule. The repayment of this balance is to commence from January 2024. This debt is secured against certain of the Group's domestic aircraft; and
- EAGIHC's equity interest in the Group (as a result the Government of Seychelles is sole shareholder of the Group).

Notes to the consolidated financial statements

2. Basis of preparation

(a) Going concern (continued)

The aforementioned balances between the Group and EAGIHC and Etihad Airways remain at amortised cost in these financial statements.

From FY19 to October 2021, the Government of Seychelles provided the Group with USD 22,173 thousand as support towards its operations and salary costs. The Government of Seychelles and the Board of Directors of the Group are of the opinion that as from November 2021 the Group will no longer require additional such financial support. The Government of Seychelles also entered into an IMF programme in July 2021 which prevents the Government of Seychelles from directly injecting any funds into the Group during this programme.

The Group has also considered the impact of the maturity of two debt facilities, loans from EA Partners I B.V. and EA Partners II B.V. The first one for USD 21,539 thousand matured on the 28 September 2020 and the second for USD 50,000 thousand matured on 1 June 2021. However, the Group defaulted on these obligations. The Government of Seychelles, as the current sole shareholder, had offered USD 20,000 thousand, in the third quarter of 2020 to purchase both EA Partners I B.V and EA Partners II B.V. loans from the Group and extinguish its obligations to these bondholders at a 72% discount, however, this was not accepted by the bondholders.

The bondholders served a winding up petition against Air Seychelles dated 24 August 2021 in the courts of Seychelles. The bondholders followed up by sending a letter the same day offering to withdraw the petition if both parties could engage and come to an agreement regarding the settlement of the debt. On 4 October 2021 the board of Air Seychelles placed the Group in voluntary administration. Mr. Bernard Pool and Mr. Suketu Patel were appointed as the Administrators. The bondholder representatives and Air Seychelles agreed in court around this time that the winding up petition be stayed while a solution is sought through the Administration process.

In accordance with section 220 (1) of the Insolvency Act 2013, the Administrators were required to:

- a. Investigate the company's affairs and circumstances; and
- b. Opine whether it would be in the creditors' interest for the company to:
 - i. Execute a rescue plan
 - ii. End its reorganization
 - iii. Be wound up

In their statement dated 27 November 2021 the Administrators presented the Group's financial affairs, including cash flow forecasts and concluded that the rescue plan be pursued, noting that this option will result in a higher recovery of debt by the bondholders than that estimated if the Company was wound up. The rescue plan envisages raising funds to settle the obligations to the bondholders within two years of approval of the rescue plan, with the settlement of amounts due by the Company to the Government of Seychelles being deferred till the aforementioned obligations to the bondholders are satisfied and the company be reorganized to secure its long term sustainability, without requiring financial injection from the Government of Seychelles or unsustainable borrowings.

On 7 December 2021 both the Noteholder Committee of EA Partners B.V. I and II and the Government of Seychelles voted in favor of this rescue plan in their capacity as creditors as per section 231 of the Seychelles Insolvency Act 2013.

The terms of this rescue plan are as follows:

- EA Partners B.V. I and II would accept a 66.7% discount on their claim amount up to the date of settlement, being no later than 31 March 2022, as a full and final settlement of the Group's debt obligations to them and they would have no further claim on the Group; and
- The Government of Seychelles would also accept a 66.7% discount on its claim amount and the settlement of its claim be after settlement of the claim of EA Partners B.V. I and II.

The Company and the Administrators expect this rescue plan to be formalised into contractual arrangements and be formally approved by the creditors in February 2022, immediately after which the bondholders winding up petition lodged in the Seychelles court is expected by the Company and the Administrators to be formally withdrawn.

Based on ongoing discussions with various stakeholders, including the shareholder, aircraft financing institutions and banks, the Group and the Administrators are of the opinion that Air Seychelles will be able to secure funding for the negotiated settlement with the EA Partners I B.V. and EA Partners II B.V. Based on the current strategy and financial performance, the Group concludes that it can offer the bondholders far more than they would obtain if the Group was to be liquidated, which gives the Group confidence that it can find a solution to its debt obligations in the Administration process and continue as a going concern for the foreseeable future.

With respect to the Group' secured debt obligations to EAGIHC and Etihad Airways the Company and the Administrator acknowledge that the Company's current Administration process protects it from EAGIHC and Etihad Airways enforcing their claim on the secured two domestic aircraft and, based on their ongoing discussions with the Government of Seychelles, expect this and all the unsecured debt described above to be settled prior to the Company emerging from Administration and in a manner which prevents such enforcement.

As described in note 6 the outbreak of the Covid-19 pandemic had a significant impact on the travel and tourism sector, which was also acutely felt by the Republic of Seychelles and the Group. In November 2021, The Group recovered 80% of its pre-Covid revenue, and it forecasts continued recovery to pre-Covid levels in line with IATA forecasts, which predicts full recovery across the commercial aviation sector by the end of 2024.

Notes to the consolidated financial statements

2. Basis of preparation

(a) Going concern (continued)

As part of its going concern assessment, the Group has prepared cash flow forecasts for the three years ending 31 December 2022 to 2024, which have been reviewed and approved by the Administrators. These forecasts reflect the Group's current best estimates of revenues and costs based on its current route network and operational strategy, that the debts due to the shareholder described above are not called for settlement by the shareholder in the foreseeable future and the following critical assumptions and material uncertainties:

- That the rescue plan as agreed in principle amongst the parties is duly formally approved and the winding up petition lodged by the bondholders in the Seychelles court is formally withdrawn;
- That through the Administration process the Group will successfully be able to raise the necessary funds to settle the amount due to EA Partners I B.V. and EA Partners II B.V. by 31 March 2022 as per the terms of the rescue plan. This includes the Group being able to successfully enter into transactions to sell and leaseback its domestic fleet to help fund the payment to the bondholders in March 2022 which requires its shareholder undertaking to repay all debts due to EAGIHC and Etihad Airways described above to release these assets from encumbrance (refer note 23);
- If the above assumption of the EAGIHC and Etihad Airways early debt settlement does not materialise, then the Group expects to be able to successfully bridge any gap in funding with bank financing secured on a floating charge on its assets;
- That the Group is able to successfully coordinate with its shareholder to ensure that the aforementioned encumbrance over two of its domestic fleet is not exercised to an extent which materially impinges on the Group's commercial use of them as assumed in the cash flow forecasts; and
- That the travel restrictions resulting from the pandemic and the general impact of the pandemic on businesses and society, including the markets served by the Group, do not deteriorate from the current environment assumed in the cash flow forecasts.

Airbus SE, the provider of technical services and aircraft spares for the Group's A320NEOs aircraft has requested that the Group provides it with audited financial statements up to the year ended December 2020 by 31 January 2022 in order for it to complete its 'Know Your Customer' requirements. Failure of the Group to do so will mean that Airbus SE ceases to provide paid services to the Group, creating a risk of grounding its Airbus aircraft. The Directors are of the opinion that the Group will meet this deadline.

Based on review and approval of the Group's cash flow forecasts, which reflect a continued recovery in its financial performance, and the formal approval of the rescue plan by the Noteholder Committee of EA Partners B.V. I and II and the Government of Seychelles as described above, the Directors are satisfied that the Group will have access to sufficient cash facilities to meet its obligations for the foreseeable future, and for a period of at least 12 months from the date of approval of these financial statements. Accordingly, these financial statements have been prepared on a going concern basis.

(b) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), and comply where appropriate, with the applicable provisions of the Seychelles Companies Ordinance 1972 (as amended).

(c) Basis of measurement

The financial statements have been prepared on the historical cost basis, except for available-for-sale financial assets, which are measured at fair value.

(d) Use of estimates and judgments

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have a significant effect on the amounts recognised in the financial statements are described in note 5.

3. Significant accounting policies

The Group has consistently applied the following accounting policies to all periods presented in these financial statements except for the new standards and interpretations that became applicable and were adopted during the year.

Notes to the consolidated financial statements

3. Significant accounting policies (continued)

(a) Basis of Consolidation

(i) Business Combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group (see (a) (ii)). The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets that definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards), then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based measure of the replacement awards compared with the market-based measure of the acquiree's awards and the extent to which the replacement awards related to the pre-combination

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group 'controls' an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

The subsidiary Airport Equipment Services Ltd (AES) was registered on the 18 December 2018 with 5000 shares and authorised share capital of SCR 30,000 thousand. The subsidiary's registered office is located at the Air Seychelles Head Office Building, Seychelles International Airport, Pointe Larue, Mahe, Seychelles. Its principal activity is to provide, manage and coordinate ground handling services of every description at the Seychelles International Airport and Praslin Airport.

The shareholding of Airport Equipment Services Ltd (AES) are as follows:

(a) Authorised and issued (2018)

5,000 shares of SCR 6,000 each

(b) Ownership:

No of shares

Air Seychelles Limited	4,999
Government of Seychelles	1
	<u>5,000</u>

(iii) Transactions eliminated on consolidation

There were no intra-group balances or transactions as at and for the year ended 31 December 2018.

(a) Revenue Recognition

The Group recognises revenue in accordance with IFRS 15. The standard requires the application of a five-step model to determine when to recognise revenue and at what amount. The five steps are as follows:

- (1) Identify the contract;
- (2) Identify the performance obligations;
- (3) Determine the transaction price;
- (4) Allocate the transaction price to the performance obligations;
- (5) Recognize revenue.

The Group's revenue recognition accounting policies are as follows:

(i) Air Transportation Services

The Group recognises revenue when or as it transfers control of goods or services to a customer at the amount to which the Group expects to be entitled. Passenger and cargo sales including charter are recognised as revenue when the transportation service is provided.

Notes to the consolidated financial statements

3. Significant accounting policies (continued)

(i) Air Transportation Services (continued)

Passenger tickets and cargo airway bills sold but unused are classified in the statement of financial position under current liabilities as contract liability. Unused coupons are recognised as revenue based on the terms and conditions of the ticket. Revenue from ground handling services is recognised when the services are rendered in accordance with the terms of agreement.

Commission costs are recognised in the same period as the revenue to which they relate is recognised, and are included in direct operating costs.

(ii) Liquidated damages

Income from liquidated damages is recognised in profit or loss when a contractual entitlement exists, amounts can be reliably measured and receipt is virtually certain. When such claims do not relate to a compensation for loss of income or towards incremental operating costs, the amounts are taken to the statement of financial position and recorded as a reduction in the cost of the related asset.

Please refer note 3 (b) (iv) for accounting policy for customer loyalty points and note 3 (c) for accounting policy on finance income.

(b) New standards and interpretations adopted - IFRS 15 Revenue from Contracts with Customers

The Group has applied IFRS 15 Revenue from Contracts with Customers as of 1 January 2018, without restatement of comparative period amounts. The cumulative effect of initially applying the new standard was recorded as an adjustment to the opening balance of retained earnings at 1 January 2018. Prior to 1 January 2018, the Group recognised revenue in accordance with IAS 18 Revenue. IFRS 15 has been applied to all contracts at the date of initial application. A description of the key accounting policies applied prior to and after adoption of IFRS 15 are as follows.

(i) Passenger Revenue - Change Fees

Passenger Revenue comprises revenue from flown passenger ticket sales, including change fees. These fees were recorded as revenue on sales basis under the previous standard. Under IFRS 15, change fee is not considered distinct because the customer cannot benefit from the service without taking the flight. As a result, it is recognized as revenue together with the ticket upon its utilization.

(ii) Passenger Revenue - Breakage

Breakage refers to the tickets which are sold by the airline and which remain unused upon its expiry date. Prior to the adoption of IFRS 15, the Group used to recognize a breakage of 3% on its forward sales balance irrespective of whether the ticket was refundable or not. The key test in recognizing ticket breakage revenue is whether it is highly probable that doing so will not result in a significant revenue reversal in the future (IFRS 15 : 56-57). Based on this criteria, the Group has discontinued breakage under IFRS 15 given that the standard recommends that only the non-refundable portion of tickets sold are considered for this purpose. HM continues to adopt the 12 month forward sales ageing policy and the actual write back is recorded only upon expiry of the tickets.

(iii) Interline Sales

The Airline usually sells tickets that may include flight segments to be flown on other airlines, or enters into contracts to transport cargo on another airline. In this case and as per the new standard, the airline determines whether it acts as a principal or agent in the transaction and accounts for revenue on gross or net basis. If the airline has control on the performance obligation, then it acts as Principal, whereas it acts as an agent if the control is shifted to the other airline. In this case, revenue is recognized on net basis i.e. amount collected by the Airline less the inward billing received from the operating carrier.

(iv) Loyalty Points

HM is a partner airline within the Etihad Loyalty Programme. HM guests who are members of the Loyalty Programme and who travel on any airline within the EAG Partner Airlines can earn and accumulate miles. The Guest can later redeem these miles against certain benefits including but not limited to upgrades, excess baggage, and access to lounge.

So, when a guest who is a loyalty programme member buys an air ticket, he has a right to travel on the airline, and also a right to acquire miles and later redeem them to benefit from a range of services.

Prior to the application of IFRS 15, sale and redemption of miles were recorded in the books of HM as follows:

1. When a HM guest earns miles when travelling with an HM ticket, Etihad Loyalty Programme will invoice HM for the price of the miles. HM will then recognize the invoice as an expense in Consolidated Statement of Profit and Loss and Other Comprehensive Income.
2. When a guest who is a member of the Etihad Loyalty Programme redeems his miles to benefit from HM ancillary services, HM will invoice the price of these services to Etihad Loyalty Programme and recognize corresponding revenue (Ancillary sales).
3. HM did not segregate the price of the miles from the gross price of the air ticket. The gross amount (price of ticket and price of miles) was recorded as passenger revenue whenever a ticket was flown.

Notes to the consolidated financial statements

3. Significant accounting policies (continued)

(iv) Loyalty Points (continued)

Application of IFRS 15:

- When a HM guest earns miles when travelling with an HM ticket, Etihad Loyalty Programme will invoice HM for the price of the miles. HM will then recognize the invoice as a deduction against the gross amount of ticket sales. The price of the miles is neither an expense for HM, nor revenue for HM.
- When a guest who is a member of the Etihad Loyalty Programme redeems his miles to benefit from HM ancillary services, HM will invoice the price of these services to Etihad Loyalty Programme and recognize corresponding revenue (Ancillary sales).
- HM will now recognize only the selling price of the ticket (excluding the price of miles) as revenue, in compliance with IFRS 15.

(v) Travel Vouchers

Travel vouchers are generally issued to customers as a means of compensation in the case of denied boarding, delayed or cancelled flights or loss of baggage. These compensations may be in the form of meal, hotel vouchers, free loyalty points, free air tickets or cash allowances. A travel voucher may be considered as a variable consideration or a customer option for additional goods and services. According to the new standard, in the first case, the related amount of revenue is deferred until the goods and services are redeemed while in the second, revenue of the corresponding tickets are reduced accordingly. Given that denied boarding and delayed flights compensations do not represent a material amount in the Group's books, management has taken a decision to continue with the current practice of recognizing the associated costs as an expense in its income statement.

(vi) Transitional Impact of IFRS 15

The impact of the transition to IFRS 15 on retained earnings is show below:

Retained Earnings	Adjustment USD '000
Passenger Revenue- Forward Sales Write-Back	(3,182)
Total adjustment to Retained Earnings	(3,182)

(vii) Current year impact

Statement of Financial Position as at 31 December 2018:

	As reported USD '000	Adjustment USD '000	Excluding IFRS15 USD '000
Current Liabilities			
Unearned Revenue	11,793	1,728	10,065
Equity			
Retained Earnings	(129,199)	(3,182)	(126,017)

Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2018:

	As reported USD '000	Adjustment USD '000	Excluding IFRS15 USD '000
Passenger Revenue- Forward Sales Write-Back	2,994	1,454	1,540

There was no impact on the Group's Statement of Cash Flows for the year ended 31 December 2018.

(c) New standards and interpretations adopted - IFRS 9 Financial Instruments

Air Seychelles carries a number of financial assets in its balance sheet as listed hereunder:

Prior to 1 January 2018, under IAS 39 Financial Instruments: Recognition and Measurement, the Group applied the 'Incurred Credit Loss' model. A provision for doubtful debts was recognised and bad debts were written off against the provision. The provision for doubtful debts was reassessed on an annual basis and any difference taken to Profit & loss account.

Cash and cash equivalents are risk free assets and are not subject to the impairment test under IFRS 9. Deposits are risk free and fully recoverable as per the respective agreements. Receivables from the Govt. of Seychelles are government secured debts and risk free. Receivables from related parties and airline partners are either secured by agreements, or backed by long term business relationship.

Other trade receivables are not secured by any guarantee and therefore carry an element of default risk. Therefore changes in the new IFRS 9 mostly affect non secured trade receivables which will be subject to the impairment test.

Notes to the consolidated financial statements

3. Significant accounting policies (continued)

(c) *New standards and interpretations adopted - IFRS 9 Financial Instruments (continued)*

Trade receivables in airline are mostly related to different channels of sales (BSP, GSA, clearing through IATA clearing house etc.). Settlement is done on a predefined periods (in accordance with calendar which is agreed on the beginning of the year). The policy for assessing the provision was to analyze the receivable on a case to case basis taking into account the history of the individual customers. It was also Group policy not to make any provision for associates, ICH partners, related parties and Government agencies.

As from 1 January 2018, IAS 39 was replaced with IFRS 9: Financial Instruments, whereby the Incurred Credit Loss model is replaced with the 'Expected Credit Loss' model, resulting in earlier recognition of credit losses for the Group. The Group has applied IFRS 9 using modified retrospective approach and therefore the comparative information has not been restated and continue to be reported under IAS39.

The monthly ageing for a 12-month period, with the last period being the year end month (that is, 31 December 2018 and 31 December 2017), were analyzed in terms of customer profiles and categorized as local or international. The following customer profiles were identified as risk-free or having low risk and there were not included in the calculation:

- BSP
- Bank Transfers
- Cash – ATO & CTO
- CASS
- Credit Card
- ICH AIRL – PAX
- ICH Receivables
- Local Government
- PAX - Government

The receivables balances net of the above were then categorized into age buckets of current, 01-30 days, 31-60 days, 61-90 days, 91-120 days, 121-180 days 181-365 days and 365 days plus, and an average default rate was calculated per bucket per month. This average default rate was then used to calculate the impairment loss.

The result is an adjustment of USD 4,645 thousand for an increase in the allowance for impairment of trade receivables as of 1 January 2018 (from USD 484 thousand to USD 5,130 thousand). This has been recognised as a decrease in retained earnings as at 1 January 2018. Impairment allowance for 2018 is USD 6,351 thousand.

(d) *Government grants*

Grants that are receivable for compensation of expenses or losses already incurred, or for the purpose of giving immediate financial support to the Group with no future related costs, are recognised in profit and loss in the period in which reasonable assurance is established that the entity will comply with the conditions attached to the grant and that the grant will be received.

Grants that compensate the Group for expenses to be incurred are initially recognised in the statement of financial position as a deferred income. Subsequent to initial recognition, such grants are released to profit or loss on a systematic basis over the period in which the related expenses are recognised.

(e) *Finance income and finance costs*

Finance income mainly comprises interest on term deposits and dividend income. Interest income is recognised in profit or loss as it accrues, using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated stream of future cash payments or receipts, without consideration of future credit losses, over the expected life of the financial instrument to the carrying amount of financial asset or financial liability on initial recognition.

Dividend income is recognised when the Group's right to receive dividends is established. Finance costs comprise interest expense on loans and borrowings and are recognized in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis separately within finance income / costs, either as exchange gains or losses depending on whether foreign currency movements are in a net gain or net loss position.

(f) *Leases*

Determining whether an arrangement contains a lease

At inception of an arrangement, the Group determines whether the arrangement is or contains a lease.

Notes to the consolidated financial statements

3. Significant accounting policies (continued)

(f) Leases (continued)

At inception or on reassessment of an arrangement that contains a lease, the Group separates payments and other consideration required by the arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset; subsequently, the liability is reduced as payments are made and an imputed finance cost on the liability is recognised using the Group's incremental borrowing rate.

Leased assets

Leases of property and equipment that transfer to the Group substantially all of the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognised in the Group's statement of financial position.

Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(g) Property and equipment

Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. The cost of self-constructed assets includes the following:

- the cost of materials and direct labour;
- any other costs directly attributable to bringing the assets to a working condition for their intended use; and
- when the Group has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Any gain or loss on disposal of an item of property and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss within other income.

Subsequent costs

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance are expensed as incurred.

Depreciation

Items of property and equipment are depreciated on a straight-line basis in profit or loss over the estimated useful lives of each component. Leased assets are depreciated over the shorter of the leased term and useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

Notes to the consolidated financial statements

3. Significant accounting policies (continued)

(g) Property and equipment (continued)

Items of property and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

The Group has re-assessed the useful lives of certain items of property and equipment and the changes have been applied prospectively as from 1 January 2016.

The change is applied prospectively with effect from 1 January 2014.

The estimated useful lives for items of property and equipment in the current year and comparatives periods are as follows:

	Life in years
Buildings and leasehold improvements	20
Aircraft and accessories	30
Aircraft engines	4 - 5
Technical spares	10
Operating equipment	5 - 10
Motor vehicles	4

The impact of above mentioned revision in useful lives on depreciation expense in the next 2 years is as follows:

<i>in thousands of USD</i>	2019	2020
Decrease in depreciation expense	628	628

Major modifications and improvements to property and equipment are capitalised and depreciated over the remaining useful life of the asset. Subsequent major overhaul expenditure is amortised over the period to the next major overhaul.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Capital projects

Expenditures incurred on property and equipment, which are not complete and ready for use at the reporting date are treated as capital projects. Once the asset is ready for use, the cost of such asset together with the cost directly attributable to bringing the asset ready for intended use, including borrowing cost, are transferred to the respective class of assets. No depreciation is charged on capital projects.

(h) Intangible assets

Recognition and measurement

Intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses, if any.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss when incurred.

Amortisation

Intangible assets are amortised on a straight-line basis in profit or loss over their estimated useful lives, from the date that they are available for use. The estimated useful life of software for the current and comparative periods was 5 years. Intangible assets' residual value, useful life and amortisation methods are reviewed and adjusted if appropriate, at the end of each reporting period.

(i) Financial assets and liabilities

(i) Non-derivative financial instruments

Prior to 1 January 2018, the Group recognised non-derivative financial assets and liabilities on the date that they originated.

Notes to the consolidated financial statements

3. Significant accounting policies (continued)

(i) Financial assets and liabilities (continued)

All other financial assets were recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument. The Group derecognised a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. The Group derecognised a financial liability when its contractual obligations were discharged, cancelled, or expired or the Group was legally released from the primary responsibility for the liability either by the process of law or by the creditor.

As from 1 January 2018, IAS 39 has been replaced with IFRS 9 and financial assets and liabilities are reported as follows:

Recognition and initial measurement

Financial instruments are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument and are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial instruments are recognised as follows: (i) adjusted from the fair value, if the financial instruments are measured at amortised cost; and (ii) recognised immediately in the profit or loss, if the financial instruments are measured at fair value through profit or loss.

Financial assets and financial liabilities are offset and the net amount is presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received. The Group derecognises financial liabilities when the Group's obligations are discharged, cancelled, have expired or the Group was legally released from the primary responsibility for the liability either by the process of law or by the creditor.

On derecognition of financial instruments measured at amortised cost, the difference between the carrying amount of the financial instrument and the consideration received or paid is recognised in the profit or loss.

Amortised cost and effective interest method

The amortised cost of a financial instrument is the amount at which the financial instrument is measured at initial recognition adjusted for principal payments and cumulative amortisation using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial instrument and allocation of interest over the relevant period. The effective interest rate is the rate that exactly discounts the future cash flows (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or a shorter period (where appropriate), to the amortised cost of a financial instrument. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value depending on the classification of the financial assets.

Classification

Financial assets that meet the following conditions are measured subsequently at amortised cost: (i) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI): (i) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are measured subsequently at fair value through profit or loss (FVTPL). The Group's financial assets are all subsequently recorded at amortised cost and there are no financial assets recognised as FVTOCI or FTVPL.

Notes to the consolidated financial statements

3. Significant accounting policies (continued)

(i) Financial assets and liabilities (continued)

The Group recognises an impairment loss allowance for expected credit losses ('ECL') on all financial assets that are measured at amortised cost, finance lease receivables and financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all financial assets other than trade receivables, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Financial liabilities

Financial liabilities are classified as subsequently measured at amortised cost, except for: (i) financial liabilities at fair value through profit or loss (including derivatives that are liabilities); (ii) financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies; (iii) financial guarantee contracts; and (iv) commitments to provide a loan at a below-market interest rate which are subsequently measured at fair value.

(j) Foreign currency transactions

Transactions in foreign currencies are translated to USD at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to USD at the exchange rate at that date. Foreign currency gains or losses on monetary items are the differences between the amortised cost in USD at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

(j) Foreign currency translations

Non-monetary assets and liabilities in foreign currencies that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on the translation are recognised in profit or loss. However, foreign exchange difference arising from translation of the available-for-sale financial assets are recognised in other comprehensive income.

(k) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is determined using the first in first out method, with the exception of aircraft related consumables, which are measured using specific-identification method. Cost includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Allowance for obsolete and slow moving items is made to reduce the carrying value of these items to their net realisable value. Net realisable value is the estimated selling price, in the ordinary course of business, less estimated selling expenses.

(l) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

(m) Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

Notes to the consolidated financial statements

3. Significant accounting policies (continued)

(m) Employee benefits (continued)

Defined benefit plans

A defined benefit plan is a post-employment benefit other than a defined contribution plan. The Group currently operates an unfunded scheme for employees' end of service benefits that follows relevant local regulations and is based on periods of cumulative service and levels of employees' final basic salaries. The liability for staff terminal benefits is determined as the liability that would arise if employment of all staff was to be terminated at reporting date.

An actuarial valuation is not performed on post-employment and other benefits as the net impact of the discount rate and future salary and benefits level on the present value of the benefits obligation is not expected by management to be significant.

Short-term employee benefits

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(n) Taxation

Income tax expense comprises current tax. Current tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income. Current tax is the expected tax payable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

(o) Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property or biological assets, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held-for-sale or held for distribution and subsequent gains and losses on remeasurement are recognised in statement of profit or loss and other comprehensive income.

Once classified as held-for-sale, property and equipment are no longer depreciated.

(p) Impact of new standards issued but not yet effective - IFRS 16 Leases

(i) IFRS 16 Leases

IFRS 16 replaces existing leases guidance including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases—Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 recognises a single lessee accounting model and requires that a lessee recognises a right-of-use asset, representing its right to use the underlying asset, which is depreciated in accordance with IAS 16 Property, Plant and Equipment. There are optional exemptions for short-term leases and leases of low value items. A corresponding lease liability, representing the Group's obligation to make lease payments, is recognised. Repayments of the lease liability are allocated between the principal, which reduces the lease liability, and interest, which is recognised as an expense in the consolidated statement of profit or loss and other comprehensive income.

Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of IFRS 16. The Group will apply IFRS 16 Leases as from 1st January 2019 (refer to note 3 (f) for the accounting policy applied for leases as at 31 December 2018). The Group has identified the following to be classified as leases under IFRS 16 and has completed its assessment of the quantitative impact of the standard as at 31 December 2019:

Notes to the consolidated financial statements

3. Significant accounting policies (continued)

(i) IFRS 16 Leases (continued)

in thousand of USD

<u>Right-of-Use Asset</u>	Initial Balance	Depreciation expense	Balance carried
Quadrant Office Space	187	(41)	146
SCAA Office Space	1,056	(422)	634
SIL A320 CEO Aircraft	4,259	(4,259)	-
AMI A320 CEO Aircraft	3,829	(2,703)	1,126
VEV A320 NEO Aircraft	33,521	(1,164)	32,357
	<u>42,852</u>	<u>(8,589)</u>	<u>34,263</u>

Interest expense on lease liabilities

in thousand of USD

<u>Lease Liability</u>	Interest expense
Quadrant Office Space	14
SCAA Office Space	72
SIL A320 CEO Aircraft	190
AMI A320 CEO Aircraft	182
VEV A320 NEO Aircraft	858
	<u>1,316</u>

The following short-term leases were identified and the recognition exemption was applied:

in thousands of USD

	Rent expense
English Riever Apartment	17
Eden Island Apartments	160
	<u>177</u>

(ii) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28).

The Group is currently assessing the impact from the adoption of the above new and amended standards on its financial position and performance.

4. Financial risk management

Overview

The Group has exposure to the following risks from its use of financial instruments:

- (a) Credit risk
- (b) Liquidity risk
- (c) Market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these financial statements.

Risk management framework

The Board of Directors (the "Board") has overall responsibility for the establishment, oversight and monitoring of the Group's risk management framework and is assisted by the senior management. Senior management is responsible for designing, developing and monitoring the Group's risk management policies, which are approved by the Board. Senior management reports regularly to the Board and committees of the shareholders on its risk management activities.

Notes to the consolidated financial statements

4. Financial risk management (continued)

Overview (continued)

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers, deposits, cash at banks and other receivables.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and countries in which customers operate, as these factors may have an influence on credit risk. Although geographically there is no significant concentration of risk, at the reporting date, majority of the Group's trade receivables from customers were domiciled domestically.

The Group has policies in place to ensure that sale of tickets and freight on credit are made to customers who are members of an industry accredited clearing house, which in turn has adequate securities in place. Where customers are not members of the clearing house adequate credit review procedures are undertaken for the appropriate level of commercial activity. Sales to retail customers are made only on prepayment basis.

The Group establishes an allowance for impairment and an expected credit loss that represent its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

(b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Treasury department of the Group ensures that sufficient cash is available based on rolling short-term forecasts of expected cash flows. Additionally management also ensures the availability of funding through an adequate amount of committed credit facilities. The Group monitors the level of expected cash inflows on trade and other receivables to ensure active recovery of amounts outstanding from customers. The Group is also able to negotiate better credit terms with suppliers to manage expected cash outflows on trade and other payables. During the Covid 19 pandemic, the Group was able to implement a number of measures to manage its cash inflows and outflows. These are referred to in note 2 (a) and note 6 which describes the Company's assessment to continue as a going concern and events subsequent to the balance sheet date.

On 7 December 2021, a rescue plan was been approved whereby EA Partners B.V. I and II will take a haircut of two thirds of the amount owed to them by the Group. The Group is expected to be in a position to negotiate the required funding to meet the payment of this commitment. Refer to notes 2(a) and 6.

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and commodity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Notes to the consolidated financial statements

4. Financial risk management (continued)

(c) Market risk (continued)

Currency risk

The Group operates internationally and is exposed to currency risk arising from various currency exposures that are denominated in currencies other than the functional currency. The currencies in which these transactions are primarily denominated are Euro ("EUR"), South African Rand ("ZAR") and Seychelles Rupee ("SCR"). The Group aims to aggregate a net position for each currency so that natural hedging can be achieved.

Commodity price risk

The Group's commodity price risk relates to the purchase price of its jet fuel. The Group does not use hedging to manage the risk that relates to the purchase price of jet fuel. This is mainly because securities of this nature are not offered by local banks, which means that the Group would have to look for these on the international markets. However, the volumes of jet fuel purchased and consumed by the Group through its flying activities are not large enough to justify this process.

Interest rate risk

The Group's cash flow exposure to interest rate risk arises primarily from long-term borrowings at floating rates. Market risks are thoroughly discussed in monthly management meetings. The Planning department carries out regular reviews of the market outlook for fuel prices and interest rates to analyse possible risk exposures to the Group and plan for appropriate courses of action. Market risks and strategies to combat these risks are also discussed by members at the Board of Directors' meetings.

Capital management

The Board's policy is to maintain a strong capital base designed to provide sufficient liquidity to the business, maximise shareholder value, maintain market confidence and sustain future growth of the business. The Group's main objectives when managing capital are:

- to ensure that the Group has access to capital to fund contractual obligations as they become due;
- to maintain flexibility to pursue strategic business opportunities and ensure adequate liquidity to withstand weakening
- to maintain an appropriate balance between debt financing vis-a-vis shareholder capital as measured by gearing ratio.

The Board regularly review the Group's capital structure and makes adjustments to reflect future capital commitments, business strategies and economic conditions. The Group is not subject to any externally imposed capital requirements. There were no changes in the Group's approach to capital management during the year.

<i>in thousands of USD</i>	2018 December	2017 December
Loans and borrowings	80,811	83,679
Less: Cash and cash equivalents	<u>(14,166)</u>	<u>(26,174)</u>
Net debt	66,645	57,505
Share Capital	<u>72,617</u>	72,617
Total capital and net debt	<u>139,262</u>	<u>130,122</u>

5. Significant accounting estimates and judgements

In the process of applying the Group's accounting policies, which are detailed in Note 3, management has made the following judgements that have the most significant effect on the amounts of assets and liabilities recognised in the financial statements. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Assumptions and estimation uncertainties

There are material uncertainties related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. This is given in detail in note 2 (a).

Notes to the consolidated financial statements

5. Significant accounting estimates and judgements (continued)

(b) Impairment losses on receivables

The Group's policy prior to the adoption of IFRS 9 on 1st January 2018 was to review its receivables to assess adequacy of allowance for impairment at least on an annual basis. The Group's credit risk is primarily attributable to its trade receivables. In determining whether impairment losses should be recorded in profit or loss, the Group made judgements as to whether there was any observable data indicating that there was a measurable decrease in the estimated future cash flows. Accordingly, an allowance for impairment was made where there was an identified loss event or condition which, based on previous experience, showed evidence of a reduction in the recoverability of the cash flows.

The Group has revised its policy for impairment of trade receivables, in light of the implementation of IFRS 9, effective 1st January 2018. Expected credit loss on trade receivables are now estimated based on average credit loss rate calculated based on an analysis of trade receivables ageing for a period of 12 months prior to the end of the accounting period. The Group's customers are categorised into local and international customers and average credit loss rate is calculated for each category. These rates are then applied to existing ageing for the reporting year to calculate the value of the provision required for the expected credit loss. Also refer to note 3 (i).

(c) Impairment of aircraft

A decline in the value of aircraft could have a significant effect on the amounts recognised in the financial statements. Management assesses the impairment of aircraft whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors that are considered important which could trigger an impairment review include the

- (i) Significant decline in the market value beyond that which would be expected from the passage of time or normal use.[]
- (ii) Significant changes in the technology and regulatory environments.
- (iii) Evidence from internal reporting which indicates that the economic performance of the aircraft is, or will be, worse than expected.

(d) Estimated useful lives of property and equipment

Management assigns useful lives and residual values to property and equipment based on the intended use of assets and the economic lives of those assets. Subsequent changes in circumstances such as technological advances or prospective utilisation of the assets concerned could result in the actual useful lives or residual values differing from initial estimates.

(e) Commercial incentive for marketing services

When the Group engages in any transaction with suppliers of products or services, which involves the Group undertaking marketing and advertising activities to promote those suppliers' products and services for a consideration, significant judgment is required to determine whether the income for these services is inherently linked to the purchase of assets by the Group from those suppliers. When such income is principally from the performance of marketing and advertising services and not directly linked to the purchase of products and services from the supplier, the related income is recognised in the profit or loss in the period in which such services are rendered.

(f) Government Grants

The Group receives contributions from the Government of Seychelles towards settling certain liabilities and applying it against certain expenses. Significant judgment by analysis of board minutes or letters of remittance from the Government of Seychelles is required to determine whether these contributions are in the nature of government grants or in the form of equity. Government grants covering certain operating expenses or liabilities are recognised in the statement of profit or loss and other comprehensive income. Any other receipts resulting in a corresponding increase in the shares issued to the Government of Seychelles are categorised as equity and recognized in the statement of financial position as capital contributions.

(g) Extinguishment of shareholders' liabilities

The shareholders may release and discharge the Group from all the claims which the shareholders have against the Group which arises from contractual arrangements as consummated with the respective shareholder. These transactions will be substantiated by Deed of Waiver agreements, which will confirm if the transactions are being provided in the capacity of shareholder, in which case they are recognised in statement of financial position under equity or are in the nature of extinguishment of financial liabilities, in which case they are recognised in profit or loss under other operating income for the expenses incurred in the preceding years or against the relevant cost as expensed in the current period.

Notes to the consolidated financial statements

6. Events after the reporting period

IAS 10 - Events After the Reporting Period

Since the end of the reporting period to the date of the sign off the financial statements, the following events have occurred, and they have been categorised as adjusting and non-adjusting events.

(a) Adjusting event: Correction of error

During the course of 2020 a reconciliation of account codes for certain Trade Receivables balances in the Statement of Financial Position resulted in a write-off amounting to USD 2,865 thousand. USD 2,826 thousand relates to financial years 2012 to 2016, which was adjusted in the opening accumulated losses as of 01 January 2017 and USD 39 thousand relates to the year ended 31 December 2017, which was adjusted in the Statement of Profit and Loss and other comprehensive income for the year then ended, in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (refer to note 29).

(b) Non-adjusting events

The non-adjusting events, which also occurred in 2020 and 2021, were as follows:

1. The COVID-19 global pandemic has significantly impacted air travel demand worldwide and has resulted in a reduction in airline profitability and financial position worldwide. Air Seychelles is not exempt from this harsh reality and is particularly vulnerable, as 2020 was meant to be the first cash positive year of the 5 year transformation plan. In 2020, the growing scale of the outbreak compelled Air Seychelles to suspend all scheduled services and undertake steps to minimize operating costs in order to mitigate risks to our business. The airport closure meant that ground handling activity which operated on a positive margin significantly decreased.

2. Air Seychelles continued to operate limited ad hoc international cargo flights throughout the year and restarted limited scheduled flights in Nov and Dec 2020. In FY20, aircraft utilization was down 55% on both international and domestic flights compared to the same period in FY19.

3. Air Seychelles took delivery of an A320 NEO (S7-PTI) from Air Lease Corporation (March 2020) and returned an A320CEO (S7-AMI) back to Etihad in July 2020.

4. Significant cost cutting Measures that were implemented in 2020:

4A. All employees earning over USD 1.7 thousand monthly accepted pay cuts (up to 70%) depending on the function and gross salaries (Government of Seychelles provided support for salaries up to USD 1.7 thousand monthly). The salary cuts have been extended until March 2022 until a more permanent salary restructuring is formalized.

4B. Both lessors of the Company's A320 fleet agreed a deferral of 90% of the lease rentals due from March 2020. These deferrals gradually reduced to nil by January 2021. By January 2021 accumulated deferrals totalled USD 2,400 thousand for Air Lease Corporation ("ALC") and USD 2,300 thousand for CDB Aviation ("CDB"). CDB agreed with the Company to a long term payment plan on 20 April 2021 for the payments to be scheduled between November 2022 and 2028, with USD 352 thousand being paid upfront in Q2 2021.

4C. ALC has not agreed to a long term payment plan. Given the lack of formal agreement with ALC, the Company has generally applied any agreement reached with CDB to ALC to maintain equitable treatment between the two lessors (apart from the one-off payment in Q2-2021 to CDB) in order to secure a long-term relationship with these lessors.

4D. The deferral of lease payments and the entering of the Group into Administration contractually qualifies as an event of default. However, given the depressed aviation market putting downward pressure on lease rates, and given that Air Seychelles has been paying full leases on a monthly basis since February 2021, Air Seychelles anticipates continued lessor support during this period, which has been the case so far.

4E. Local fuel suppliers agreed to increase credit terms to 60 from 30 days.

Notes to the consolidated financial statements

6. Events after the reporting period (continued)

(b) Non-adjusting events (continued)

5. Towards the end of Dec 2020, as a result of an increase in the number of Covid-19 cases in the Seychelles, the development of new strains, and an increase in Covid-19 cases in some of the Seychelle's key markets, saw a number of key markets close their borders once again as they were hit by a second wave of Covid-19.

6. Airlines which were slowly resuming flights to the Seychelles stopped their flights and the Seychelles Public Health Authority reinstated public health measures which included restrictions of entry for visitors from South Africa and Tel Aviv. Air Seychelles continued to operate charter flights as means of generating revenue.

7. Air Seychelles ascertained that it owned 115,409 EUAA Carbon trading credits in its account which was no longer operationally required as it no longer operated flights in and out of Europe. Due to inactivity, the EU required that Air Seychelles' account be shut down by October 2020. All credits were sold during 2020, which resulted in a net proceeds of EUR 2,935 thousand. The EUAA credits were not part of our asset register at the end of 2018 as they were contingent assets.

8. In January 2021, The President of the Seychelles put to task the Seychelles National Assembly to consider the future of Air Seychelles' International business unit. The National Assembly's recommendation was that the business unit remain and formally put through their recommendations to the Government.

9. For 2021, the Government then proposed a salary support package of USD 5,722 thousand (SCR 103,000 thousand, equivalent of nine months' salary for 2021) and this was ultimately approved by the National Assembly. As at end of October 2021, the salary support package had been fully disbursed.

10. On 25 March 2021, with the Seychelles International Airport resuming its normal operations, Air Seychelles resumed its flights to Tel Aviv, starting with one weekly flight. Other airlines (Emirates and Qatar), have slowly resumed their flights to the Seychelles and are gradually bringing in increased revenue for scheduled flight ground handling.

11. Other significant cost cutting measures implemented in 2021 are as follows:

11A. Salary cuts for employees earning over SCR 1.7 thousand will continue until March 2022.

11B. Temporary salary cuts on domestic pilots (equivalent to the cut envisaged for this group long-term) implemented from 1 July 2021 and this was more aggressive than the temporary cuts previously applied in July 2020. Decrease in salary for pilots is approximately 40%.

11C. Voluntary redundancies initiated from the end of March 2021 which saw the departure of 80 staff members. Compulsory redundancies of 11 pilot posts was also applied for but has been rejected by the Ministry of Employment.

12. In April 2021, an agreement was reached between the Shareholders for GOS to buy out secured and unsecured liabilities due by Air Seychelles to EAGIHC and Etihad Airways (Approximately USD 62,200 thousand of liabilities and USD 8,000 thousand of shareholder loans) at a 79% discount, terminate the Management contract and put in place a transition period for management until 30 June 2021, and transfer all of Etihad's shares in Air Seychelles to GOS for USD 1. The unsecured liabilities of USD 62,200 thousand included commercial invoices for services rendered by Etihad to the Company. The final reconciliation to bring the balance for Etihad trade payables on par with this agreement was performed in Dec 2020 and resulted in an adjustment of USD 500 thousand to the Statement of Profit and Loss for that period (refer to note 2a)

13. In the third quarter of 2020 GOS had agreed to provide USD 20,000 thousand to the Company to settle all outstanding debts due to the EA Partners, which represented a 72% discount on their face value, however, this was not accepted by the steering committee of the bondholders.

14. The Group defaulted on its debt obligations to EA Partners I B.V and EA Partners II B.V. The maturity profile of these debts required principal payments of USD 21,500 thousand to EA Partners I B.V in Sept 2020 and USD 50,000 thousand to EA Partners II B.V. at the beginning of June 2021 Furthermore, interest and deposit payments totalling USD 4,300 thousand for EA Partners I B.V. up to the date of maturity of the bonds were defaulted on.

15. The bondholders served a winding up petition dated 24 August 2021 against Air Seychelles in the courts of Seychelles. The bondholders followed up by sending a letter the same day offering to withdraw the petition if both parties could engage and come to an agreement regarding the settlement of the debt.

16. In October 2021, USD 2,500 thousand was deposited with IATA as a security against unflown sales.

Notes to the consolidated financial statements

6. Events after the reporting period (continued)

(b) Non-adjusting events (continued)

17. On 4 October 2021, the board of Air Seychelles placed the Group in voluntary administration. Mr. Bernard Pool and Mr. Suketu Patel were appointed as Administrators. The bondholder representatives and Air Seychelles agreed in court that the winding up petition be stayed while a solution is sought through the Administration process.

18. A first creditors meeting was set on 28 October 2021 whereby the choice of Administrator and their remuneration was agreed by all parties and a Statement of Affairs of the Group was provided that same day. The administrators then worked on a rescue plan to be presented at a future creditor's meeting.

19. The Company concludes that a rescue plan would be in the best interest of all the creditors and its shareholder

20. The bondholders had been insisting on a high rate of recovery in anticipation that GOS would inject the necessary funds. However, since the initial USD 20,000 thousand offer from GOS, it entered into an IMF programme in July 2021 which prevents GOS directly injecting any funds into the airline during this programme. Hence, restructuring and repayment of the debt to the bondholders would have to be borne by the Company.

21. On 7 December 2021 both the Noteholder Committee of EA Partners B.V. I and II and the Government of Seychelles voted in favor of a rescue plan in their capacity as creditors as per section 231 of the Seychelles Insolvency Act 2013 (refer to note

22. The recovery of the Company's business activity has been relatively robust since the reopening of the airport at the end of Q1 2021, whereby revenue as a percentage of 2019 levels went from 17% in Q1 2021 to 80% by November 2021. Air Seychelles has consistently been making cash profits since end of July to December 2021 (even after excluding salary support from GOS) and made an accounting profit from operations in September 2021. In October 2021 Air Seychelles received a further boost as it could now operate JNB and MRU routes to Seychelles (Mauritian Government opened the country to visitors and GOS allowed South African Nationals into Seychelles). In October 2021 Mauritius and Seychelles-Johannesburg flights resumed due to the lifting of travel restrictions and In November 2021 India travel restrictions were also lifted which will now allow Air Seychelles to begin scheduled flights to Mumbai.

23. After temporary travel restriction brought about by the Omicron Covid variant during December 2021, as at 13 January 2022 all travel restrictions on Air Seychelles' main markets are lifted, including Mauritius, South Africa, Maldives, India and

7. Revenue

<i>in thousands of USD</i>	2018 December	2017 December
Passenger services	67,345	99,812
Cargo services	5,528	7,823
Charter services	3,824	4,236
Ground handling services	18,661	15,414
	<u>95,358</u>	<u>127,285</u>

8. Other income

<i>in thousands of USD</i>	2018 December	2017 December
Government grant	1,641	-
Government grants ¹	-	-
Gain/(Loss) on sale of property and equipment	1,827	(190)
Available-for-sale financial asset - reclassified to profit or loss	-	-
Others	3,607	3,950
	<u>7,075</u>	<u>3,760</u>

Government grant relates to the refund by the Government of Seychelles of redundancy costs incurred by the Group during the restructuring exercise in 2018 (2017: Nil)

Notes to the consolidated financial statements

9. Direct operating costs

<i>in thousands of USD</i>	2018 December	2017 December
Fuel and oil	25,219	37,712
Aircraft and engine maintenance	22,192	18,951
Aircraft and engine operating leases	14,735	7,854
Landing and parking	1,577	2,817
Overflying	3,173	6,751
Staff costs	18,283	22,141
In-flight	5,778	10,646
Handling	3,336	7,289
Crew layover	4,792	7,906
Commission and incentives	2,605	4,446
Depreciation	2,841	2,421
Aircraft insurance	1,160	471
Other direct operating costs	4,542	6,343
	<u>110,233</u>	<u>135,748</u>

10. Administrative and marketing expenses

<i>in thousands of USD</i>	2018 December	2017 December
Staff costs	2,260	2,737
Rent and utilities	1,204	1,328
Communications	1,865	(11,703)
Transport and vehicle	-	21
General repairs and maintenance	536	608
Legal and professional	3,776	3,387
Advertisement and promotion	578	895
Depreciation and amortisation	2,196	2,229
Others	923	4,230
	<u>13,338</u>	<u>3,732</u>

10(a). Related staff costs

<i>in thousands of USD</i>	2018 December	2017 December
Salaries and allowances	14,308	15,235
Other staff related costs	6,234	9,642
	<u>20,542</u>	<u>24,877</u>

11. Early termination costs

The Group early terminated the lease agreements for two A330 aircrafts. The first one which was initially due to terminate in July 2020 was actually terminated in May 2018, while the second one which was due to terminate in February 2021, was actually terminated in June 2018. The resulting penalty expenses payable monthly over the remaining life of the leases have been discounted to its present value and disclosed as early termination costs in the consolidated statement of profit or loss and other comprehensive income.

12. Finance income and finance costs

<i>in thousands of USD</i>	2018 December	2017 December
Finance income	374	435
Interest expense	6,626	6,914
Net foreign exchange loss/(gain)	1,672	(406)
Finance costs	<u>8,298</u>	<u>6,508</u>

Notes to the consolidated financial statements

13. Property and equipment

Details of property and equipment are set out in Schedule I on page 42.

14. Intangible assets

in thousands of USD

	2018 December	2017 December
Cost		
At 1 January	16,961	16,867
Additions	-	94
Disposal	(335)	-
At 31 December	<u>16,626</u>	<u>16,961</u>
Accumulated amortisation		
At 1 January	2,952	1,158
Charge for the year	1,717	1,794
Disposal	(260)	-
At 31 December	<u>4,409</u>	<u>2,952</u>
Carrying amount	<u>12,217</u>	<u>14,009</u>

15. Deposits

in thousands of USD

	2018 December	2017 December
Aircraft lease deposit	3,450	3,450
Deposit - loans	3,595	3,595
Deposit - others	3,226	1,593
At 31 December	<u>10,271</u>	<u>8,638</u>

As at 31 December 2018 deposits of USD 3,595 thousand (2017: USD 3,595 thousand) have been pledged with the Bank against loans as disclosed in note 23.

16. Inventories

in thousands of USD

	2018 December	2017 December
Aircraft consumables	9,020	7,961
In-flight	744	744
Others	558	598
Less: allowance for slow-moving / obsolete inventories	(397)	(324)
	<u>9,925</u>	<u>8,979</u>

17. Trade and other receivables

in thousands of USD

	2018 December	Restated* 2017 December
Trade receivables ¹	7,367	15,992
Deposits and advances	3,064	4,097
Other receivables	11,545	12,438
	<u>21,976</u>	<u>32,527</u>

¹ Trade receivables are stated net of allowance for impairment amounting to USD 6,351 thousand (2017: USD 484 thousand). The allowance for 2017 has been recalculated as USD 5,130 thousand after the application of IFRS 9, with corresponding adjustment to opening retained earnings as at 1st January 2018.

* Other receivables have been restated on account of error, see notes 6 and 29.

Notes to the consolidated financial statements

18. Related parties

Identity of related parties

The Group, in the ordinary course of business, enters into transactions, with other business enterprises that fall within the definition of a related party contained in International Accounting Standard No. 24. Such transactions are made on terms and conditions agreed with the management of the respective related parties. The significant transactions entered into by the Group with related parties, other than those disclosed in these financial statements, are as follows:

Transactions with government-owned entities

in thousands of USD

	Government-owned entity	2018 December	2017 December
Aviation fuel	Seychelles Petroleum Company Limited	11,026	19,063
Landing and parking	Seychelles Civil Aviation Authority	544	885
Overflying	Seychelles Civil Aviation Authority	514	841
Operating lease of land and buildings	Seychelles Civil Aviation Authority	438	468

Transactions with shareholders

in thousands of USD

	2018 December	2017 December
Government grant (reimbursement for redundancy costs) from Government of Seychelles	(1,641)	-
Interest expense on loan from shareholder	591	971
Operating lease expenses for the aircraft on operating lease from Etihad Airways PJSC	14,735	7,854

Apart from the above, all other transactions are individually or collectively immaterial.

Long-term receivables due from related parties as at the reporting date were as follows:

in thousands of USD

	2018 December	2017 December
Non-current		
Long-term receivables from Government of Seychelles	4,706	5,743
	<u>4,706</u>	<u>5,743</u>
Current		
Long-term receivables from Government of Seychelles	1,037	987
	<u>1,037</u>	<u>987</u>

Current assets - amounts due from related parties as at the reporting date were as follows:

in thousands of USD

	2018 December	2017 December
Amounts due from shareholders	1,744	2,350
Amounts due from government-owned entities	98	123
	<u>1,842</u>	<u>2,473</u>

Current liabilities - amounts due to related parties as at the reporting date were as follows:

in thousands of USD

	2018 December	2017 December
Amounts due to shareholders	45,330	22,012
Amounts due to government-owned entities	-	348
	<u>45,330</u>	<u>22,360</u>

Notes to the consolidated financial statements

18. Related parties (continued)

Loans and borrowings due to related parties as at the reporting date were as follows:

in thousands of USD

	2018 December	2017 December
Non-current		
Loan from Etihad Airways PJSC	8,193	11,061
	<u>8,193</u>	<u>11,061</u>
Current		
Loan from Etihad Airways PJSC	1,079	1,079
	<u>1,079</u>	<u>1,079</u>

Loan from EA Partners B.V:

This is a form of syndicate financing negotiated by Etihad Airways PJSC. Each Etihad Airways Partner was assigned a portion of the financing based on their size. The first facility in 2015 was for an amount of USD 21,539 thousand out of USD 700,000 thousand raised. The second facility in 2016 was for an amount of USD 50,000 thousand out of USD 500,000 thousand raised. See note 23.

Interest is charged at the rate of 7.06% per annum, payable quarterly, along with an additional deposit of USD 37 thousand and USD 88 thousand for facility 1 and facility 2, respectively.

Transactions with key management personnel

in thousands of USD

	2018 December	2017 December
Short term employee benefits	1,287	1,135
Post-retirement benefits	117	62
	<u>1,404</u>	<u>1,197</u>

Directors' emoluments

None of the Directors of the Group received any emoluments from the Group during the year (2017: nil)

19. Cash and cash equivalents

in thousands of USD

	2018 December	2017 December
Cash at bank		
- in call accounts	136	136
- in current accounts	13,971	25,977
Cash in hand	59	61
Cash and cash equivalents	<u>14,166</u>	<u>26,174</u>

20. Assets held for sale

As at 31 December 2018, the Group is committed to sell certain assets and accordingly these assets have been presented as held for sale. These transactions are expected to be finalised in the next 12 months. The movement in the balance as follows:

in thousands of USD

	2018 December	2017 December
At 1 January	378	486
Transferred from non-current assets	173	-
Impaired	-	-
Sold	(67)	(108)
At 31 December	<u>484</u>	<u>378</u>

Notes to the consolidated financial statements

21. Trade and other payables

in thousands of USD

	2018 December	2017 December
Current		
Trade payables	5,379	3,269
Accruals and other payables	26,517	22,734
Accruals for staff annual leave	1,003	771
	<u>32,899</u>	<u>26,774</u>
Non current		
Provision for end of service benefits	3,251	3,153
	<u>36,150</u>	<u>29,927</u>

Movement in end of service benefits during the year were as follows:

in thousands of USD

	2018 December	2017 December
At 1 January	3,153	2,826
Charge for the year	958	970
Payments made during the year	(860)	(643)
At 31 December	<u>3,251</u>	<u>3,153</u>

22. Contract Liability

Passenger tickets and cargo airway bills sold but unused are classified in the statement of financial position under current liabilities as contract liability

in thousands of USD

	2018 December	2017 December
Forward Sales Passenger and Cargo	10,349	12,511
Tax collected on tickets	1,444	1,544
	<u>11,793</u>	<u>14,055</u>

23. Loans and borrowings

a) Loans and borrowings

in thousands of USD

	2018 December	2017 December
Loan from supplier	-	-
Loan from related party	8,193	11,061
Loan from EA Partners I B.V.	21,539	21,539
Loan from EA Partners II B.V.	50,000	50,000
Non-current portion of loans and borrowings	<u>79,732</u>	<u>82,600</u>
Loan from supplier	-	-
Loan from related party	1,079	1,079
Current portion of loans and borrowings	<u>1,079</u>	<u>1,079</u>
	<u>80,811</u>	<u>83,679</u>

Notes to the consolidated financial statements

23. Loans and borrowings (continued)

The profile of loans and borrowings as at the reporting date was as follows:

1. Loan from related party Counterparty: Etihad Airways PJSC Facility amount: USD 25,000 thousand Date of drawdown: 27 February 2014 Final maturity date: 30 October 2026 Interest: 5% per annum Repayment: Quarterly Balance at reporting date: USD 9,272 thousand (2017: USD 12,140 thousand) Security: Domestic Aircraft financed from the loans injected by Etihad Airways PJSC	3. Loan from EA Partners II B.V. Counterparty: EA Partners II B.V. Facility amount: USD 50,000 thousand Date of drawdown: 26 May 2016 Final maturity date: 1 June 2021 Interest: 7.06% per annum Repayment: On maturity Balance at reporting date: USD 50,000 thousand (2017: USD 50,000 thousand) Security: None
2. Loan from EA Partners I B.V. Counterparty: EA Partners I B.V. Facility amount: USD 21,539 thousand Date of drawdown: 28 September 2015 Final maturity date: 28 September 2020 Interest: 7.06% per annum Repayment: On maturity Balance at reporting date: USD 21,539 thousand (2017: USD 21,539 thousand) Security: None	

(b) Movement on loans and borrowings

in thousands of USD

	2018 December	2017 December
At 1 January	83,679	86,580
Payments made during the year	(2,868)	(2,901)
At 31 December	80,811	83,679

24. Share capital**(a) Authorised and issued (2018 and 2017)**

	2018 December	2017 December
650,000 shares of SCR 1,000 each		

(b) Ownership:

	SCR '000	USD '000
Government of Seychelles	390,000	52,001
EAG Investment Holding Company Ltd	260,000	20,616
	650,000	72,617

Notes to the consolidated financial statements

25. Commitments

in thousands of USD

	2018 December	2017 December
Capital commitments		
Not later than one year	-	-
Lease commitments		
<i>Leases as lessee</i>		
Not later than one year	7,580	13,553
Later than one year but not later than five years	45,992	19,601
	<u>53,572</u>	<u>33,154</u>
<i>Lease commitments as lessee represent:</i>		
Aircraft leases	52,193	30,110
Other leases	1,379	3,044
	<u>53,572</u>	<u>33,154</u>

26. Contingent liabilities

Details and estimates of amounts of contingent liabilities are as follows:

(a) Letters of guarantee

in thousands of USD

	2018 December	2017 December
Letters of guarantee	174	174

(b) Claim by certain employees

A grievance for a revenue-based allowance was lodged against the Group during the financial year 2022 by certain employees on salary cuts. Legal advice was obtained, and the Administrators have decided to keep this claim as a contingent liability for negotiation with the employees after the execution of a rescue plan.

27. Financial Instruments - fair values and risk management

(a) Credit risk

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

<i>in thousands of USD</i>	Note	2018 December	2017 December
Deposits (non-current)	15	10,271	8,638
Trade and other receivables	17	18,890	31,117
Amounts due from related parties (current and non-current)	18	7,585	9,203
Cash at cash equivalents	19	14,107	26,113
		<u>50,853</u>	<u>75,071</u>

The sale of passenger transportation mostly takes place through International Air Transport Association ("IATA") approved sales agents. These sale points are mostly connected to Billing Settlement Plans ("BSP") administered by IATA. The credit worthiness of the agents are reviewed by the clearing systems responsible. Due to the broad diversification, credit risk for the agencies is relatively low worldwide.

Notes to the consolidated financial statements

27. Financial Instruments - fair values and risk management (continued)**(a) Credit risk (continued)**

Receivables and liabilities between airlines are offset through bilateral agreements or through the IATA clearing house, insofar as the contracts underlying the services do not explicitly specify otherwise. Systematic settlement of bi-monthly receivables and liability balances significantly reduce the default risk.

Cargo sales are mostly administrated via General Sales Agents ("GSAs") contracts with cargo agents worldwide. Relationships with GSAs are closely monitored by the Accounts Receivables department. In certain cases the Group also obtains guarantees from GSAs before transacting any business with them.

The ageing of trade receivables at the reporting date was:

in thousands of USD	31 December 2018		31 December 2017	
	Gross	Impairment	Gross	Impairment
Not past due	1,819	(94)	4,777	-
Past due 1-30 days	1,322	(176)	3,971	-
Past due 31-90 days	1,933	(218)	2,170	221
Over 90 days	10,486	(5,863)	6,751	(705)
	<u>15,560</u>	<u>(6,351)</u>	<u>17,669</u>	<u>(484)</u>

Impairment losses

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

in thousands of USD	2018 December	2017 December
At beginning of the year	484	705
Adjustment on initial application of IFRS 9	4,645	-
Impairment loss / (reversal) on trade receivables	1,221	(221)
At 31 December	<u>6,351</u>	<u>484</u>

(b) Interest rate risk**Cash flow sensitivity analysis for variable rate instruments**

At the reporting date, the Group's loans and borrowings fall within the category of fixed rate instruments.

(c) Liquidity risk

Following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

31 December 2018 in thousands of USD	Carrying amount	Contractual cash flows	1 year or less	2 - 5 years	More than 5 years
Loans and borrowings	(80,811)	(94,791)	(6,130)	(81,997)	(6,664)
Trade and other payables	(32,899)	(32,899)	(32,899)	-	-
Amounts due to related parties	(45,330)	(45,330)	(45,330)	-	-
	<u>(159,040)</u>	<u>(173,020)</u>	<u>(84,359)</u>	<u>(81,997)</u>	<u>(6,664)</u>
31 December 2017 in thousands of USD	Carrying amount	Contractual cash flows	1 year or less	2 - 5 years	More than 5 years
Loans and borrowings	(83,679)	(105,385)	(5,658)	(85,159)	(14,568)
Trade and other payables	(26,774)	(26,774)	(26,774)	-	-
Amounts due to related parties	(22,360)	(22,360)	(22,360)	-	-
	<u>(132,813)</u>	<u>(154,519)</u>	<u>(54,792)</u>	<u>(85,159)</u>	<u>(14,568)</u>

Notes to the consolidated financial statements

27. Financial Instruments - fair values and risk management (continued)

(d) Currency risk

Exposure to currency risk

The Group's exposure to currency risk for major items denominated in SCR, ZAR and EUR at the reporting date was as follows:

in thousands of currency units	31 December 2018			31 December 2017		
	SCR	ZAR	EUR	SCR	ZAR	EUR
Trade and other receivables	119,729	60,433	9,002	93,662	23,604	7,268
Cash and cash equivalents	6,705	14,729	861	570	9,551	4,324
Trade and other payables	(19,192)	(1,490)	(104)	(5,651)	(343)	(424)
Gross statement of financial position exposure	<u>107,242</u>	<u>73,672</u>	<u>9,759</u>	<u>88,581</u>	<u>32,812</u>	<u>11,168</u>
In USD	<u>7,959</u>	<u>5,105</u>	<u>11,168</u>	<u>6,633</u>	<u>2,650</u>	<u>13,319</u>

The following significant exchange rates applied during the year:

USD	Average rates		Reporting date spot rates	
	2018 December	2017 December	2018 December	2017 December
SCR 1	0.075	0.075	0.074	0.075
EUR 1	1.169	1.126	1.144	1.193
ZAR 1	0.075	0.076	0.069	0.081

Sensitivity analysis

A strengthening/(weakening) of USD against SCR, EUR and ZAR at 31 December would have (decreased)/increased profit or loss by the amounts shown below.

This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the reporting date and considers the gross statement of financial position exposure shown above. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecasted sales and purchases. The analysis is performed on the same basis for December 2017.

Sensitivity analysis

Effect on profit or loss in thousands of USD	Strengthening	Weakening
31 December 2018		
SCR (1% movement)	(80)	80
EUR (1% movement)	(112)	112
ZAR (1% movement)	(51)	51
31 December 2017		
SCR (1% movement)	(66)	66
EUR (1% movement)	(133)	133
ZAR (1% movement)	(26)	26

(e) Accounting classifications and fair values

The fair values of financial assets and liabilities are not materially different from the carrying amounts shown in the consolidated statement of financial position.

Fair value hierarchy

The different levels of valuation for financial instruments carried at fair value have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e. derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

28. Taxation

In accordance with Schedule II, article 26, of the Seychelles Business Tax Act of 30 December 2009, Air Seychelles Limited is exempt from corporate tax on its income.

Notes to the consolidated financial statements

29. Comparative Numbers

Certain comparative amounts have been reclassified to conform to the current year's presentation.

(a) Reclassification of Account Balances**Extract of Statement of profit or loss and other comprehensive income**

<i>in thousands of USD</i>	As previously reported	Reclassification	As restated
Administrative and marketing expenses	(3,511)	(221)	(3,732)
Provision Impairment/(reversal) of impairment of trade receivables	-	221	221
	<u>(3,511)</u>	<u>-</u>	<u>(3,511)</u>

Provisions for impairment were previously classified as part of administrative and marketing expenses in the Statement of Profit or Loss and Other Comprehensive Income.

Extract of Statement of Financial Position

<i>in thousands of USD</i>	As previously reported	Reclassification	As restated
Current assets			
Current portion of long-term receivables from related parties	-	987	987
Amounts due from related parties	3,460	(987)	2,473
	<u>3,460</u>	<u>-</u>	<u>3,460</u>

Current portion of long-term receivables from related parties was previously classified as part of amounts due from related parties in the Statement of Financial Position

Loans and borrowings

Non-current	83,679	(1,079)	82,600
Current	-	1,079	1,079
	<u>83,679</u>	<u>-</u>	<u>83,679</u>

Current portion of loans and borrowings was previously classified as part of non-current liabilities.

(b) Prior year adjustments

The prior year adjustments relate to an adjusting event as per IAS 10. Please refer to note 6 Events after the reporting period.

<i>in thousands of USD</i>	As previously reported	31-Dec-17 Adjustments	As restated
Extract of statement of financial position			
Current assets			
Trade and other receivables	35,392	(2,864)	32,528
Equity			
Accumulated losses	(75,703)	(2,864)	(78,567)
Extract of statement of profit or loss and other comprehensive income			
Impairment loss / (reversal) on trade receivables	221	(38)	183

<i>in thousands of USD</i>	As previously reported	1-Jan-17 Adjustments	As restated
Extract of statement of financial position			
Current assets			
Trade and other receivables	48,465	(2,826)	45,639
Equity			
Accumulated losses	(61,416)	(2,826)	(64,242)

There is no material impact on the total operating, investing or financing cashflows for the year ended 31 December 2017.

Notes to the consolidated financial statements

in thousands of USD

Schedule I - Property and equipment

	Land and buildings	Aircraft, engines, accessories and technical spares	Aircraft and engine overhaul	Operating equipment	Furniture and fittings	Computers and office equipment	Motor vehicles	Capital work in progress	Total
Cost									
At 1 January 2017	6,605	30,958	2,137	5,814	2,406	2,197	1,196	12,565	63,878
Opening Bal adj	(45)	(212)	260	(43)	21	(1)	(15)	(242)	(277)
Additions	-	1,070	522	680	9	976	346	3,256	6,859
Transfers from pre-delivery	-	15,138	-	-	22	-	-	(15,160)	-
Transferred to intangibles	-	-	-	-	-	-	-	(95)	(95)
Disposals / write-offs	-	(1,631)	(1,697)	(196)	-	(18)	(223)	-	(3,765)
At 31 December 2017	6,560	45,323	1,222	6,255	2,458	3,154	1,304	324	66,600
At 1 January 2018	6,560	45,323	1,222	6,255	2,458	3,154	1,304	324	66,600
Additions	-	485	849	792	-	56	133	1,145	3,460
Transfers	-	-	324	-	-	-	-	(324)	-
Transferred to assets held for sale	-	(608)	-	-	-	-	-	-	(608)
Adjustment	-	(533)	-	-	-	-	-	-	(533)
Disposals / write-offs	(517)	(4,635)	(1,074)	(1,184)	(941)	(1,798)	(241)	-	(10,390)
At 31 December 2018	6,043	40,032	1,321	5,863	1,517	1,412	1,196	1,145	58,529
Accumulated depreciation									
At 1 January 2017	4,422	5,411	1,374	4,520	2,327	1,863	1,190	-	21,107
Opening Bal adj	(22)	267	50	(592)	47	(9)	(12)	-	(271)
Charge for the year	77	1,788	295	306	32	319	39	-	2,856
Transferred to intangibles	-	(10)	-	-	-	-	-	-	(10)
Disposals / write-offs	-	(1,248)	(1,120)	(139)	-	(18)	(222)	-	(2,747)
At 31 December 2017	4,477	6,208	599	4,095	2,406	2,155	995	-	20,935
At 1 January 2018	4,477	6,208	599	4,095	2,406	2,155	995	-	20,935
Charge for the year	76	1,892	542	370	38	295	107	-	3,320
Transferred to assets held for sale	-	(435)	-	-	-	-	-	-	(435)
Adjustment	-	(489)	-	-	-	-	-	-	(489)
Disposals / write-offs	(388)	(2,139)	(552)	(1,160)	(940)	(1,785)	(219)	-	(7,183)
At 31 December 2018	4,165	5,037	589	3,305	1,504	665	883	-	16,148
Accumulated impairment losses									
At 1 January 2017	23	1,438	-	119	-	-	-	-	1,580
Opening Bal adj	-	(6)	-	-	-	-	(2)	-	8
Charge for the year	-	(69)	-	-	-	-	-	-	69
At 31 December 2017	23	1,363	-	119	-	-	2	-	1,503
At 1 January 2018	23	1,363	-	119	-	-	2	-	1,503
Charge for the year	-	-	-	-	-	-	-	-	-
At 31 December 2018	23	1,363	-	119	-	-	2	-	1,503
Carrying amounts									
At 31 December 2017	2,060	37,752	623	2,041	52	999	311	324	44,162
At 31 December 2018	1,855	33,632	732	2,439	13	747	315	1,145	40,878

