

Air Seychelles Limited and Its Subsidiaries

Consolidated Financial Statements

Year ended 31 December, 2022



Air Seychelles Limited and Its Subsidiaries

Table of Contents - Year ended 31 December, 2022

	<i>Pages</i>
Contents	2
Corporate Information	3
Directors' Report	4 -9
Independent Auditor's Report	10-12
Statements of Financial Position	13-14
Statements of Profit or Loss and Other Comprehensive Income	15
Statements of Changes in Equity	16
Statements of Cash Flows	17
Notes to the Financial Statements	18-54

Air Seychelles Limited and Its Subsidiaries

Corporate Information - Year ended 31 December, 2022

DIRECTORS (COMPANY AND SUBSIDIARIES)	: Veronique Laporte (Chairperson) Alan Mason (Vice-Chairperson) Egbert Laurence Daphnee Hoareau Irene Croisee Ralph Saminaden (<i>Resigned effective 2 September 2022</i>)
ADMINISTRATORS	: <i>Appointed effective 4 October 2021 and retired effective 14 November 2022</i> Leon Bernard Pool Suketu Patel
SECRETARY	: Vanessa Marie Bel Air, Mahé Seychelles
REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS	: Head Office Building International Airport Pointe Larue, Mahé Seychelles
INDEPENDENT AUDITORS	: BDO Associates Chartered Accountants Seychelles
BANKERS	: Absa Bank (Seychelles) Limited Seychelles International Mercantile Banking Corporation Limited (Nouvobanq) Absa Bank (Mauritius) Limited Citibank N.A. Nedbank Group Limited

Air Seychelles Limited and Its Subsidiaries

Directors' Report - Year ended 31 December, 2022

The Directors are pleased to submit their report together with the audited financial statements of the Air Seychelles Limited & Its Subsidiaries (together referred to as "the Group") for the year ended 31 December, 2022.

1. Principal activities

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

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 and the Company for consideration of USD 20.0 million. As part of this agreement Etihad also committed to provide a shareholder loan facility of USD 25.0 million to the Group and the Company for managing its working capital and the GOS agreed to settle certain liabilities existing prior to the date of this agreement. The GOS held the remaining 60% equity stake.

In April 2021, an agreement was reached between the Shareholders (GOS 60% and Etihad 40%) for GOS to buy out liabilities owed by the Group and the Company to EAGIHC and Etihad Airways amounting to USD 62.2 million (unsecured liabilities) and USD 8.0 million (secured shareholder loans) at a discount (82% for unsecured debt and 79% for secured debt), terminate various agreements including the Investment and Management contracts, and put in place a transition period for management until 30 June 2021. The 40% equity stake held by Etihad was transferred to GOS for a consideration of USD 1 on 20 April 2021, making the GOS the ultimate shareholder.

3. Significant current year events

Withdrawal of winding up petition

The Group and Company defaulted on debt obligations to EA Partners I B.V of USD 21.5 million in September 2020, and again in June 2021 for principal payment of USD 50.0 million due to EA Partners II B.V. The Bondholders served a winding up petition dated 19 August 2021 against the Company in the Courts of Seychelles.

In April 2021 the Government of Seychelles, Air Seychelles Limited, EAG Investment Holding Company Limited and Etihad Airways entered into a sale and purchase agreement, whereby GOS was to assume unsecured net debt balances at a discount of 82% and secured debt balances at a discount of 79%, bringing the payable to Etihad Airways PJSC to USD 13.0 million.

By September 2022, GOS had made payments totaling USD 13.0 million to Etihad Airways PJSC, and as a result the aircraft which served as security were released. The release documents for the two DHC6-400 Twin Otter aircraft secured to Etihad were dated 27 September 2022 and discharge documents were dated in October 2022.

Air Seychelles Limited agreed with the Noteholder Committee of EA Partners B.V. I and II to finalise the settlement of the owed bonds at a haircut of two thirds by 11 May 2022, which was a delay from the original settlement date of 31 March 2022. The winding up petition was therefore stayed until 11 May 2022 and the final agreed settlement amount was USD 28.2 million.

The final amount due as agreed was duly paid to the Noteholders' representatives. The liquidation case was withdrawn accordingly on 11 May 2022.

Air Seychelles Limited and Its Subsidiaries

Directors' Report - Year ended 31 December, 2022 (continued)

3. Significant current year events (continued)

Extinguishment of debt and release of aircraft

On 7 December 2021, both the Bondholders of EA Partner B.V I and II and the Government of Seychelles voted in favour of a rescue plan in their capacity as Creditors as per section 231 of the Seychelles Insolvency Act 2013.

Key terms of the original rescue plan, as approved, were that both the EA Partners B.V I and II together with the GOS accepted 66.7% discounts on amounts due to them with the condition set by the Bondholders that payments were to be done no later than 31 March 2022. Following the purchase of the liabilities by GOS in April 2021 of USD 62.2 million (unsecured) and USD 8.0 million (secured) owed by the Group and Company to Etihad Airways and EAGIHC at a discount of 81.5%, similar discounts were now given to the Group and Company by GOS. This resulted in an extinguishment of USD 55.0 million of the liability payable to GOS by the Group and Company.

The Company had drawn down a loan of USD 14.7 million in 2014 from the Shareholders for the purchase of the twin otter aircraft (the twin otters were held as security to the loan). At the date of the rescue plan, the loan stood at USD 8.0 million. The secured shareholder loan of USD 8.0 million was drawn down in 2014 for the purchase of two twin-otter aircraft which were held as security against the loan. Following the sale and purchase agreement between Government of Seychelles (GOS), Air Seychelles Limited, EAG Investment Holding company Limited and Etihad Airways in April 2021 for the purchase of the Group's and Company's secured and unsecured debt obligations to EAGIHC and Etihad Airways, GOS had made payments totaling to USD 13.0 million to Etihad Airways PJSC by September 2022. As a result, the aircraft which served as security were released.

Acquisition of subsidiary - AS SPV Limited

The subsidiary AS SPV Limited was incorporated on the 31st March 2022 as an International Business Company with 1 share and authorised share capital of USD 1. It is a wholly owned subsidiary of Air Seychelles Ltd. The purpose of the subsidiary was to novate the bondholders debt. Its registered office is located at the Air Seychelles Head Office Building, Seychelles International Airport, Pointe Larue, Mahé, Seychelles.

Final rescue plan and removal of the Group and Company from administration

Air Seychelles Limited agreed with the Noteholder Committee of EA Partners B.V. I and II to finalise the settlement of the owed bonds at a haircut of two thirds by 11 May 2022, which was a delay from the original settlement date of 31 March 2022. The winding up petition was therefore stayed until 11 May 2022. The final agreed settlement amount of USD 28.2 million was duly paid to the Noteholders' representatives on 11 May 2022, financed partly through in-house cash and a bank loan from Nouvobanq S.I.M.B.C. The liquidation case was withdrawn accordingly on 11 May 2022.

On 25 October 2022, a final creditors meeting was held whereby the Administrators presented the Final Rescue plan. The Creditors unanimously approved the rescue plan. The Final Rescue Plan was executed by the Board of Directors on 8 November 2022 and as a result, Air Seychelles Limited exited Administration successfully.

The administrators retired effective 14 November 2022.

Company position and performance

The Group and Company position and performance for 2022 was far more positive with the exception of January and February which were deeply affected by cancellations brought by the Omicron variant of Covid-19. Revenue was 18 per cent below 2019 levels in the first half of the year but exceeded 2019 levels by 3 per cent in the second half of 2022, showing how sharp the recovery was. The total revenue generated from scheduled flights in 2022 was USD 45.2 million.

Air Seychelles Limited and Its Subsidiaries

Directors' Report - Year ended 31 December, 2022 (continued)

3. Significant current year events (continued)

Company position and performance (continued)

Air Seychelles operated on average the following flights:

- Two flights per week to Mauritius;
- One flight per week to Mumbai;
- Three flights per week to Johannesburg; and
- Between two to three flights per week to Tel Aviv.

This resulted in increased revenue for the Group and Company, which operated 152 scheduled revenue rotations in the first half of the year compared to 199 in the second half.

One A320 NEO aircraft was placed on wet lease in 2022, which has been extended up to end of September 2023 with possibility of further extension. This route generated an income of USD 6.3 million which represents 8% of total revenue generated in 2022.

Overall, The Group's 2022 operational profit is significantly ahead of its 2025 forecast in its Five Year Plan.

4. Results

Net reported profit for the year ended 31 December, 2022, excluding the extinguishment of debt, amounted to **USD 8.4 million** (2021: net loss USD 22.7 million) for the Group and the Company. After the extinguishment of debt, net operating profit for the year amounted to **USD 119.6 million** (2021: net loss USD 22.7 million). Accumulated losses for both the Group and the Company amounted to **USD 53.7 million** as at 31 December, 2022 (2021: USD 173.2 million).

5. Dividends

No dividend was proposed nor paid during the year under review (2021: Nil).

6. Property and equipment

The property and equipment of the Group and the Company and the movements therein are detailed in note 6 to the financial statements.

The Directors are of the opinion that the fair value of property and equipment does not differ materially from their carrying amount as at 31 December, 2022.

7. Directors and their interests

The Directors of Air Seychelles Limited and those of Its Subsidiaries since the date of the last Statement of Financial Position date and the date of this report are:

Veronique Laporte (Chairperson)
Alan Mason (Vice-Chairperson)
Egbert Laurence
Daphnee Hoareau
Irene Croisee
Ralph Saminaden (*Resigned effective 2 September 2022*)

Air Seychelles Limited and Its Subsidiaries

Directors' Report - Year ended 31 December, 2022 (continued)

7. Directors and their interests (continued)

None of the Directors held any direct or indirect interest in the shares of the Company or of the Subsidiaries.

8. Administrators

On 4 October 2021, the Board of Directors appointed Leon Bernard Pool and Suketu Patel as joint Administrators. The Administrators retired effective 14 November 2022.

In accordance with section 213(1) of the Insolvency Act 2013, the Administrators were required to:

- (a) Take control of the Group and Company and Investigate the Group's and the Company's affairs and circumstances; and
- (b) Opine whether it would be in the creditors' interest for the Group and the Company to:
 - Execute a rescue plan; and
 - End its reorganisation and be wound up.

None of the Administrators had any direct or indirect interest in the shares of the Company or of the subsidiaries.

The Final Rescue Plan was executed by the Board of Directors on 8 November 2022 allowing Air Seychelles Limited to exit from Administration successfully.

9. Going Concern

The Group and the Company generated a net profit of **USD 8.4 million** (2021: net loss USD 22.7 million) during the year ended December 31, 2022, before the extinguishment of debt. After the extinguishment of debt, net operating profit for the year amounted to **USD 119.6 million** (2021: net loss USD 22.7 million).

The Group and Company had accumulated losses of **USD 53.7 million** (2021: USD 173.2 million) and, as of that date, the Group's and the Company's current assets exceeded its current liabilities by **USD 10.3 million** and **USD 8.1 million** respectively (2021: current liabilities exceed current assets by USD 67.9 million and USD 70.1 million respectively) and total assets exceeded total liabilities of the Group and the Company by **USD 19.0 million** (2021: total liabilities exceeded total assets by USD 100.6 million).

The Group's and Company's Directors have made an assessment of the Group's and the Company's ability to continue as a going concern and are satisfied that the Group and Company have resources to continue in business for the foreseeable future based on the following:

Transfer of Ground Handling Equipment

In the Original Rescue plan of November 2021, the Government of Seychelles debt was to be discounted by 66.67%, and would not be due until the Noteholders' claims, also discounted by 66.67%, had been settled in full. The Government of Seychelles completed the purchase of the Etihad loan in September 2022, through a loan borrowed from the Trade Development Bank of Africa.

The Ground Handling activities at the Seychelles International Airport are considered by the Government of Seychelles as an important national asset and remain the sole property of the Government of Seychelles. As a result, Air Seychelles will surrender the ownership of its Ground Handling assets at the Seychelles International Airport to the Government of Seychelles, through its wholly owned entity, Seychelles Civil Aviation Authority (SCAA).

Air Seychelles Limited and Its Subsidiaries

Directors' Report - Year ended 31 December, 2022 (continued)

9. Going Concern (continued)

Transfer of Ground Handling Equipment (continued)

Air Seychelles will transfer the ownership of all the assets owned by it and used for the operation of the Ground Handling activities, including IT properties attributable thereto, to the Government of Seychelles at a market value to be ascertained by an independent qualified person or firm.

The value attributable to such assets shall be paid for by the Government of Seychelles as part of the repayment of the discounted loan mentioned above. The actual date of the transfer of the assets was to be agreed upon between an SCAA entity to be incorporated specifically for the purpose, and Air Seychelles, taking into account such conditions as date of expiry of licenses, nature of assets, and so on.

The GOS, through its wholly owned entity, SCAA, irrevocably agreed to enter into a written agreement with Air Seychelles on several terms and conditions.

Even though the Ground Handling Equipment will be transferred to GOS, the total revenue generated from the operation of the Ground Handling activities shall accrue wholly to Air Seychelles, which shall, inter alia, be responsible for settling all costs attributable to operating the said activities, including but not limited to insurance, staff costs, utilities, rents, maintenance of equipment and lease costs of equipment provided by the Government or its affiliates for the purpose of running such activities.

The Government, through its SCAA, shall grant an exclusive right of operating the Ground Handling activities at the Seychelles International Airport to Air Seychelles for an initial period of not less than six years from the date of the final rescue plan, and the exclusivity right shall be renewable.

The agreement entered into above can only be terminated at the sole discretion of the Government of Seychelles or its SCAA entity in the event that Air Seychelles is successfully put into liquidation by its creditor/s or grossly fails to honour its obligations to discharge the duties of managing the Ground Handling activities; such obligations shall be fully and reasonably defined in the agreement to be entered into as aforementioned.

Air Seychelles subsequently transferred all the Ground Handling Equipment to the GOS on the 15 March 2023.

Risk assessment by creditors

In October 2021, the International Air Transport Association (IATA) requested through an agreement that the Group and Company, which had entered administration, provide a security deposit of USD 2.5 million to IATA in order to avoid suspension of the airline from the IATA Participating Systems, which include Billing and Settlement Plans (BSP), Cargo Accounts Settlement Systems, and IATA Clearing House.

USD 1.5 million of the deposit was refunded by IATA in February 2023, following the execution of the Final Rescue Plan in October 2022, and the Group and Company exiting Administration in November 2022. This is as a result of the IATA risk assessment with perceived Air Seychelles at a much lower risk level than before.

Company position and performance, and future outlook

Air Seychelles continued to lease one of its two A320 NEO aircraft out under a fixed revenue Aircraft Crew Maintenance Insurance (ACMI) contract in 2022. The contract has been extended up to 30 September 2023 and negotiations are underway for further extensions but have not yet been finalised.

Air Seychelles Limited and Its Subsidiaries

Directors' Report - Year ended 31 December, 2022 (continued)

9. Going Concern (continued)

Company position and performance, and future outlook (continued)

The Group and Company operated the new Kazakhstan route in December 2022 and this route was seasonal up to April 2023. The Group and Company will also be launching flights to Colombo, Sri Lanka in June 2023, with codeshare agreements with Sri Lankan Airlines to other destinations beyond Colombo, including Bangkok, Kuala Lumpur and Singapore.

The Group and Company prepared 2023 cash flow forecasts for Budget purposes and this was approved by the Board on 27 January 2023. The cash profit budgeted was USD 2.3m.

10. Statement of Directors' responsibilities

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

The Board is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, in compliance with the Seychelles Companies Act, 1972 and Public Enterprise Monitoring Commission (PEMC) Act, 2013.

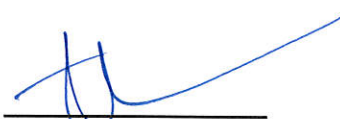
This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. The Directors have the general responsibility of safeguarding the assets, both owned by the Group and the Company and those that are held in trust and used by the Group and the Company.

The Directors consider they have met their aforesaid responsibilities.

11. Auditors

The auditors, Messrs. BDO Associates, retire and the next Auditors will be appointed by the Board of Directors and ratified at the Annual General Meeting.

12. Board Approval


Veronique Laporte
Chairperson
Alan Mason
Vice-Chairperson
Irene Croisee
Board Member
Egbert Laurence
Board Member
Daphnee Hoareau
Board Member

Date: 28 JUN 2023
Pointe Larue
Mahé, Seychelles

AIR SEYCHELLES LIMITED AND ITS SUBSIDIARIES

10

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS

Report on the audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of **AIR SEYCHELLES LIMITED AND ITS SUBSIDIARIES** (hereafter referred to as "the Group") and the Company's financial statements on pages 13 to 54 which comprise the Statements of Financial Position as at December 31, 2022, the Statements of Profit or Loss and Other Comprehensive Income, Statements of Changes in Equity and the Statement of Cash Flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at December 31, 2022 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Seychelles Companies Act, 1972 and Public Enterprise Monitoring Commission Act, 2013.

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 *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group and of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Seychelles, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS (CONT'D)**Responsibilities of Directors for the preparation of Financial Statements**

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and in compliance with the Seychelles Companies Act, 1972, and for such internal control as the Directors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group and the Company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's and the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Directors.
- Conclude on the appropriateness of Directors' 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 and on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and Company to cease to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS (CONT'D)

Auditor's Responsibilities for the Audit of the Financial Statements (Cont'd)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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 and the Company 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

Seychelles Companies Act, 1972

We have no relationship with, or interests in, the Group and the Company, other than in our capacity as auditors and dealings in the ordinary course of business.

We have obtained all information and explanations we have required.

In our opinion, proper accounting records have been kept by the Group and the Company as far as it appears from our examination of those records.

Public Enterprise Monitoring Commission Act, 2013

In our opinion, proper accounting records have been kept by the Group and the Company as far as it appears from our examination of those records.

We have obtained all the information necessary for the purpose of our audit and are satisfied with the information received.

Other matter

This report is made solely to the members of the Group and the Company, as a body, in accordance with the Seychelles Companies Act 1972. Our audit work has been undertaken so that we might state to the Group's and Company's members those matters which we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group or the Group's members as a body, for our audit work, for this report, or for the opinions we have formed.


BDO ASSOCIATES
Chartered Accountants

Dated: 28 JUN 2023
Victoria, Seychelles

Air Seychelles Limited and Its Subsidiaries

Statements of Financial Position - as at 31 December, 2022

Figures in USD '000	Notes	THE GROUP		THE COMPANY	
Assets					
		2022	2021	2022	2021
Non-current assets					
Property and equipment	6	33,781	35,354	33,781	35,354
Right-of-use assets	7(a)	41,802	48,184	41,802	48,184
Intangible assets	8	337	397	337	397
Investments in subsidiaries	9	-	-	2,227	2,227
Deposits	10	2,050	2,050	2,050	2,050
Receivables from related parties	11	-	1,265	-	1,265
Total non-current assets		77,970	87,250	80,197	89,477
Current assets					
Inventories	12	12,561	13,031	12,561	13,031
Trade and other receivables	13	13,644	12,115	13,644	12,115
Receivables from related parties	11	1,688	2,675	1,688	2,675
Cash and cash equivalents	14	12,464	12,051	12,464	12,051
		40,357	39,872	40,357	39,872
Assets classified as held for sale	15	2,145	926	2,145	926
		42,502	40,798	42,502	40,798
Total assets		120,472	128,048	122,699	130,275
Shareholders' equity/(deficit)					
Shareholders' equity					
Share capital	16	72,617	72,617	72,617	72,617
Accumulated losses		(53,654)	(173,209)	(53,654)	(173,209)
Total equity/(deficit)		18,963	(100,592)	18,963	(100,592)
Liabilities					
Non-current liabilities					
Lease liabilities	7(b)	40,113	47,031	40,113	47,031
Long-term employee benefits	17	2,823	2,888	2,823	2,888
Borrowings	18	13,390	7,808	13,390	7,808
Amounts due to related parties	19	13,000	62,217	13,000	62,217
Total non-current liabilities		69,326	119,944	69,326	119,944
Current liabilities					
Lease liabilities	7(b)	7,695	5,162	7,695	5,162
Borrowings	18	2,340	71,539	2,340	71,539
Amounts due to related parties	19	4,303	1,333	4,303	1,333
Trade and other payables	20	11,260	23,601	13,487	25,828
Contract liabilities	21	6,585	7,061	6,585	7,061
Total current liabilities		32,183	108,696	34,410	110,923
Total liabilities		101,509	228,640	103,736	230,867
Total equity and liabilities		120,472	128,048	122,699	130,275

Air Seychelles Limited and Its Subsidiaries

Statements of financial position - as at 31 December, 2022 (continued)

These financial statements were approved and authorised for issue by Board of Directors on 28 JUN 2023 :


Veronique Laporte
Chairperson
Alan Mason
Vice-Chairperson
Irene Croisee
Board Member
Egbert Laurence
Board Member
Daphnee Hoareau
Board Member

The notes set out on pages 18 to 54 form an integral part of these consolidated financial statements.
The independent auditor's report is set out on pages 10 to 12.

Air Seychelles Limited & Its Subsidiaries

Statements of Profit or Loss and Other Comprehensive Income - for the year ended 31 December, 2022

Figures in USD '000

	Notes	THE GROUP & THE COMPANY	
		2022	2021
Revenue from contracts with customers	22	76,166	37,413
Other income	23	1,657	7,454
Direct operating costs	24	(53,319)	(38,682)
Administrative and marketing expenses	25	(7,341)	(19,531)
(Charge)/Reversal of allowance for credit losses	4(a)(ii)	(1,211)	1,787
Operating profit/(loss)		15,952	(11,559)
Finance income	26(a)	109	167
Finance costs	26(b)	(7,615)	(11,314)
Net finance costs		(7,506)	(11,147)
Profit/(Loss) before extinguishment of debt		8,446	(22,706)
Gain on extinguishment of debt	27	111,109	-
Profit and Total comprehensive income/(expense) for the year		119,555	(22,706)
Profit/(Loss) and Total comprehensive income/(expense) attributable to:			
Owners of the parent		119,555	(22,706)
Non-controlling interest		-	-
		119,555	(22,706)

The notes set out on pages 18 to 54 form an integral part of these consolidated financial statements.
The independent auditor's report is set out on pages 10 to 12.

Air Seychelles Limited & Its Subsidiaries

Statement of Changes in Equity - for the year ended 31 December, 2022

Figures in USD '000

THE GROUP & THE COMPANY	Attributable to owners of the parent		Non-controlling Interest	Total Equity
	Share Capital	Accumulated losses		
At 1 January 2021	72,617	(150,503)	-	(77,886)
Total comprehensive expense for the year	-	(22,706)	-	(22,706)
At 31 December 2021	72,617	(173,209)	-	(100,592)
At 1 January 2022	72,617	(173,209)	-	(100,592)
Total comprehensive income for the year	-	119,555	-	119,555
At 31 December 2022	72,617	(53,654)	-	18,963

The notes set out on pages 18 to 54 form an integral part of these consolidated financial statements.
The independent auditor's report is set out on pages 10 to 12.

Air Seychelles Limited & Its Subsidiaries

Statement of cash flows - for the year ended 31 December, 2022

Figures in USD '000

Figures in USD '000	Notes	THE GROUP & THE COMPANY	
Cash flows from operating activities			
		2022	2021
Net profit/(loss) for the year		119,555	(22,706)
Adjustments for:			
-Depreciation - Property and equipment	6	2,594	2,725
-Amortisation - Right-of-use of assets	7(a)	6,382	6,675
-Amortisation - Intangible assets	8	86	71
-Gain on disposal of property and equipment	23	(254)	(94)
-Reversal of impairment - property and equipment	6	(1,503)	-
-Staff terminal benefits during the year - charge	17	483	1,120
-Finance costs	26	7,459	11,205
-Finance income	26	(109)	(167)
-Increase/(Decrease) in inventory provision	12	323	(764)
-Allowance for credit losses	4(a)	1,211	(1,787)
-Extinguishment of debt		(111,109)	5,874
-Currency translation differences		(153)	(196)
		24,965	1,956
Changes in:			
-Amounts due from related parties	11	2,252	1,669
-Inventories	12	147	(367)
-Trade and other receivables	13	(2,740)	415
-Trade and other payables	20	(12,341)	9,323
-Contract liability	21	(476)	968
Cash generated from operating activities		11,807	13,964
Staff terminal benefits paid	17	(548)	(342)
Net cash generated from operating activities		11,259	13,622
Cash flows from investing activities			
Acquisition of property and equipment	6	(1,063)	(364)
Acquisition of software (net of transfers)	8	(11)	(151)
Proceeds on disposal of non-current assets held for sale	15	38	34
Proceeds from disposal of property and equipment		527	132
Interest received	26	109	167
Net cash used in investing activities		(400)	(182)
Cash flows from finance activities			
Proceeds from loans and borrowings	18(a)	16,500	-
Payment of borrowings	18(a)	(24,406)	-
Amounts due to related parties	19	9,151	(286)
Finance costs paid (excluding modification)	26 & 7(b)	(7,451)	(11,314)
Repayment of principal portion of lease liabilities	7(b)	(4,393)	(1,328)
Net cash used in financing activities		(10,599)	(12,928)
Net increase in cash and cash equivalents		260	512
Movement in cash and cash equivalents			
At 1 January		12,051	11,343
Net increase		260	512
Currency translation differences		153	196
At 31 December	14	12,464	12,051

The notes set out on pages 18 to 54 form an integral part of these consolidated financial statements.

The independent auditor's report is set out on pages 10 to 12.

Air Seychelles Limited and Its Subsidiaries

Notes to the consolidated financial statements - Year ended 31 December, 2022

1. Legal status and principal activities

Air Seychelles Limited is a limited liability company, incorporated and domiciled in the Republic of Seychelles. The registered office of the Group and Company is located at Head Office Building, Pointe 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 Shareholder of the Group.

On the 18th of October, 2018, the Company incorporated Airport Equipment Services Ltd (AES), a wholly owned subsidiary of the Company.

On the 31st of March, 2022, the Company incorporated AS SPV Limited, a wholly owned subsidiary of the Company.

The principal activities of the Group and Company are as stated on page 4. These activities remained unchanged during the year under review.

These consolidated financial statements include the financial position and financial performance of the Company and its subsidiaries (together referred to as "the Group"). These separate and consolidated financial statements will be submitted for consideration and approval at the forthcoming Annual General Meeting of Shareholders of the Group and Company.

2. Basis of preparation

(a) Going concern

The Group and the Company generated a net profit of **USD 8.4 million** (2021: net loss USD 22.7 million) during the year ended December 31, 2022, before the extinguishment of debt. After the extinguishment of debt, net operating profit for the year amounted to **USD 119.6 million** (2021: net loss USD 22.7 million). The Group and Company had accumulated losses of **USD 53.7 million** (2021: USD 173.2 million) and, as of that date, the Group's and the Company's current assets exceeded its current liabilities by **USD 10.3 million** and **USD 8.1 million** respectively (2021: current liabilities exceed current assets by USD 67.9 million and USD 70.1 million respectively) and total assets exceeded total liabilities of the Group and the Company by **USD 19.0 million** (2021: total liabilities exceeded total assets by USD 100.6 million).

The Group's and Company's Directors have made an assessment of the Group's and the Company's ability to continue as a going concern and are satisfied that the Group and Company have resources to continue in business for the foreseeable future. Post year end, several events took place and measures were implemented by Management to ensure business continuity, including the following:

Transfer of Ground Handling Equipment

As mentioned in the Original Rescue plan of November 2021, the Government of Seychelles debt was to be discounted by 66.67%, and would not be due until the Noteholders' claims, also discounted by 66.67%, had been settled in full. The Government of Seychelles completed the purchase of the Etihad loan in September 2022, through a loan borrowed from the Trade Development Bank of Africa.

Air Seychelles Limited and Its Subsidiaries

Notes to the consolidated financial statements - Year ended 31 December, 2022

2. Basis of preparation (continued)

(a) Going concern (continued)

Transfer of Ground Handling Equipment (continued)

The Ground Handling activities at the Seychelles International Airport are considered by the Government of Seychelles as an important national asset and remain the sole property of the Government of Seychelles. As a result, Air Seychelles will surrender the ownership of its Ground Handling assets at the Seychelles International Airport to the Government of Seychelles, through its wholly owned entity, Seychelles Civil Aviation Authority (SCAA).

Air Seychelles will transfer the ownership of all the assets owned by it and used for the operation of the Ground Handling activities, including IT properties attributable thereto, to the Government of Seychelles at a market value to be ascertained by an independent qualified person or firm.

The value attributable to such assets shall be paid for by the Government of Seychelles as part of the repayment of the discounted loan mentioned above. The actual date of the transfer of the assets was to be agreed upon between an SCAA entity to be incorporated specifically for the purpose, and Air Seychelles, taking into account such conditions as date of expiry of licenses, nature of assets, and so on.

The GOS, through its wholly owned entity, SCAA, irrevocably agreed to enter into a written agreement with Air Seychelles on several terms and conditions.

Although the Ground Handling Equipment will be transferred to GOS, the total revenue derived from the operation of the Ground Handling activities shall accrue wholly to Air Seychelles, which shall, inter alia, be responsible for settling all costs attributable to operating the said activities, including but not limited to insurance, staff costs, utilities, rents, maintenance of equipment and lease costs of equipment provided by the Government or its affiliates for the purpose of running such activities.

The Government, through its SCAA, shall grant an exclusive right of operating the Ground Handling activities at the Seychelles International Airport to Air Seychelles for an initial period of not less than six years from the date of the final rescue plan, and the exclusivity right shall be renewable.

The agreement entered into above can only be terminated at the sole discretion of the Government of Seychelles or its SCAA entity in the event that Air Seychelles is successfully put into liquidation by its creditor/s or grossly fails to honour its obligations to discharge the duties of managing the Ground Handling activities, such obligations shall be fully and reasonably defined in the agreement to be entered into as aforementioned.

Air Seychelles subsequently transferred all the Ground Handling Equipment to the GOS on the 15 March 2023.

Risk assessment by creditors

In October 2021, with the Group and the Company placed in administration, the International Air Transport Association (IATA) requested through an agreement that the former provide a security deposit of USD 2.5 million to IATA in order to avoid suspension of the airline from the IATA Participating Systems, which include Billing and Settlement Plans (BSP), Cargo Accounts Settlement Systems, and IATA Clearing House.

With the execution of the Final Rescue Plan and the Group and Company exiting Administration, USD 1.5 million of the deposit was refunded by IATA in February 2023. This is as a result of the IATA risk assessment with perceived Air Seychelles at a much lower risk level than before.

Air Seychelles Limited and Its Subsidiaries

Notes to the consolidated financial statements - Year ended 31 December, 2022

2. Basis of preparation (continued)

(a) *Going concern (continued)*

Company position and performance, and future outlook

In 2022, Air Seychelles continued to lease one of its two A320 NEO aircraft out under a fixed revenue Aircraft Crew Maintenance Insurance (ACMI) contract. The contract has been extended up to 30 September 2023 and negotiations are underway for further extensions but have not yet been finalised.

In December 2022, the Group and Company operated the new Kazakhstan route which was seasonal up to April 2023. The Group and Company will also be launching flights to Colombo, Sri Lanka in June 2023, with codeshare agreements with Sri Lankan Airlines to other destinations beyond Colombo, including Bangkok, Kuala Lumpur and Singapore.

The Group and Company prepared 2023 cash flow forecasts for Budget purposes and this was approved by the Board on 27 January 2023. The cash profit budgeted was USD 2.3m. For 2023, the Group and Company has budgeted a profit of USD 5.4 million, which has been approved by the Board of Directors.

Based on the positive net asset position, 2022 profit achieved and the 2023 budget and cash flow forecasts, the directors are satisfied that the Company has 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, it is appropriate to continue to adopt the going concern basis in preparing these financial statements.

(b) *Statement of compliance*

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS and are in compliance with the Seychelles Companies Act, 1972 and the Public Enterprise Monitoring Commission, 2013.

(c) *Basis of measurement*

The financial statements have been prepared under the historical cost convention as modified by the application of fair value measurements required or allowed by relevant accounting standards. Where necessary, comparative figures have been amended to conform with the change in presentation in the current period.

All amounts are presented in thousands of US Dollars (USD'000).

(d) *Use of estimates and judgements*

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.

Air Seychelles Limited and Its Subsidiaries

Notes to the consolidated financial statements - Year ended 31 December, 2022

3. Significant accounting policies

(a) New and amended standards and interpretations

The following amendments to various International Financial Reporting Standards (IFRS) are mandatorily effective for reporting periods beginning on or after January 1, 2022:

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
- Annual Improvements to IFRS 2018-2020 (Amendments to IFRS 1, IFRS 9 and IFRS 16); and
- References to Conceptual Framework (Amendments to IFRS 3).

(i) Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)

IAS 37 defines an onerous contract as a contract in which the unavoidable costs (costs that the Group has committed pursuant to the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

The amendments to IAS 37.68A clarify that the costs relating directly to the contract consist of both:

- The incremental costs of fulfilling that contract - e.g., direct labour and material; and
- An allocation of other costs that relate directly to fulfilling the contract: e.g., allocation of depreciation charge on property, plant and equipment used in fulfilling the contract.

This resulted in accounting policy change for performing an onerous contract assessment. Previously, the Group included only incremental costs to fulfil a contract when determining whether that contract was onerous. The revised policy includes both incremental costs and an allocation of other costs incurred to fulfil the agreement.

The amendments apply prospectively to contracts existing at the date when the amendments are first applied. The Group analysed contracts existing on January 1, 2022, and determined that none of them would be identified as onerous applying the revised accounting policy – i.e. there was no impact on opening equity balance as at January 1, 2022 as a result of the change.

(ii) Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)

The amendment to IAS 16 prohibits an entity deducting from the cost of an item of property, plant and equipment any proceeds received from selling items produced whilst the entity is preparing the asset for its intended use (for example, the proceeds from selling samples produced during the testing phase of a manufacturing facility after construction but before commencement of commercial production). The proceeds from selling such samples, together with the costs of producing them, are now recognised in Statement of Profit or Loss.

These amendments had no impact on the year-end financial statements of the Group as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

(iii) Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9 & IAS 41)

- IFRS 1: Subsidiary as a First-time Adopter (FTA);
- IFRS 9: Fees in the '10 per cent' Test for Derecognition of Financial liabilities; and
- IAS 41: Taxation in Fair Value Measurements.

Air Seychelles Limited and Its Subsidiaries

Notes to the consolidated financial statements - Year ended 31 December, 2022

3. Significant accounting policies (continued)

(a) New and amended standards and interpretations (continued)

(iii) Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9 & IAS 41) (continued)

None of the amendments had an impact on the financial statements of the Group as it was neither a first-time adopter, nor had modifications to the financial instruments during the period nor had assets under IAS 41 as at the reporting date.

(iv) References to Conceptual Framework

In May 2020, the IASB issued amendments to IFRS 3, which updated a reference to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.

These amendments had no impact on the Group's financial statements as there were no contingent assets, liabilities or contingent liabilities within the scope of these amendments that arose during the year.

(b) Standards, Amendments to published Standards and Interpretations issued but not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Group has decided not to adopt early.

(i) The following amendments are effective for the period beginning January 1, 2023:

- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2);
- Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12);
- Definition of Accounting Estimates (Amendments to IAS 8); and
- IFRS 17 Insurance Contracts (effective January 1, 2023) - In June 2020, the IASB issued amendments to IFRS 17, including a deferral of its effective date to January 1, 2023.

(ii) The following amendments are effective for the period beginning January 1, 2024:

- IFRS 16 Leases (Amendment – Liability in a Sale and Leaseback);
- IAS 1 Presentation of Financial Statements (Amendment – Classification of Liabilities as Current or Non-current); and
- IAS 1 Presentation of Financial Statements (Amendment – Non-current Liabilities with Covenants).

(c) 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 and Company have an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which assets are located.

Air Seychelles Limited and Its Subsidiaries

Notes to the consolidated financial statements - Year ended 31 December, 2022

3. Significant accounting policies (continued)

(c) Property and equipment (continued)

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.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. 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 the Statements of 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 and Company. Ongoing repairs and maintenance are expensed as incurred.

Depreciation

Items of property and equipment are depreciated on a straight-line basis 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 and Company will obtain ownership by the end of the lease term. Land is not depreciated. 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 estimated useful lives for items of property and equipment in the current year and comparative periods are as follows:

	Years
Land and buildings	20
Aircraft, accessories and technical spares	10 - 30
Aircraft engines overhaul	4 - 5
Operating equipment	5 - 10
Furniture and fittings	5
Computers and office equipment	5
Motor vehicles	4

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 depreciated 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.

Air Seychelles Limited and Its Subsidiaries

Notes to the consolidated financial statements - Year ended 31 December, 2022

3. Significant accounting policies (continued)

(d) *Intangible assets*

Recognition and measurement

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

Subsequent costs

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 the Statements of Profit or Loss when incurred.

Amortisation

Intangible assets are amortised on a straight-line basis in the Statements of 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.

Disposal

An intangible asset is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains and losses on derecognition are determined by comparing proceeds with the carrying amount and are recognised in the Statements of Profit or Loss.

(e) *Investment in subsidiaries*

(i) *Separate financial statements of the investor*

In the separate financial statements of the investor, investments in subsidiary companies are carried at cost. The carrying amount is reduced to recognise any impairment in the value of the investment.

(ii) *Consolidated financial statements*

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 Group accounts for business combinations using the acquisition method when control is transferred to the Group. 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 the Statements of Profit or Loss.

Air Seychelles Limited and Its Subsidiaries

Notes to the consolidated financial statements - Year ended 31 December, 2022

3. Significant accounting policies (continued)

(e) *Investment in subsidiaries (continued)*

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 the Statements of Profit or Loss.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group and Company.

(iii) *Transactions and non-controlling interests*

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiaries is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iv) *Disposal of subsidiaries*

When the Group ceases to have control, any retained interest in the entity is measured to its fair value, with the change in carrying amount recognised in the Statement of Profit or Loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset.

In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the Statements of Profit or Loss.

(f) *Financial assets and liabilities*

Non-derivative financial instruments

Recognition and initial measurement

Financial instruments are recognised in the Group's and Company's Statements of Financial Position when the Group and Company become 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 Statements of 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 Statements of Financial Position when, and only when, the Group and Company have 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.

Air Seychelles Limited and Its Subsidiaries

Notes to the consolidated financial statements - Year ended 31 December, 2022

3. Significant accounting policies (continued)

(f) Financial assets and liabilities (continued)

Non-derivative financial instruments (continued)

Derecognition

The Group and Company derecognise 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 and Company neither transfer nor retain substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group and Company recognise their retained interest in the asset and an associated liability for amounts it may have to pay. If the Group and Company retain substantially all the risks and rewards of ownership of a transferred financial asset, the Group and Company continue to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

The Group and Company derecognise financial liabilities when the Group and Company's obligations are discharged, cancelled, have expired or the Group and Company were legally released from the primary responsibility for the liability either by the process of law or by the creditor. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised as a separate line item in the Statement of Profit or loss as gain or Loss on extinguishment of debt.

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 Statements of 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

The Group and Company's financial assets include trade and other receivables, cash and cash equivalents, receivables from related party and deposits. 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.

Air Seychelles Limited and Its Subsidiaries

Notes to the consolidated financial statements - Year ended 31 December, 2022

3. Significant accounting policies (continued)

(f) Financial assets and liabilities (continued)

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.

The Group and Company's financial assets are all subsequently recorded at amortised cost and there are no financial assets recognised as FVTOCI or FTVPL.

The Group and Company recognise an impairment loss allowance for expected credit losses ('ECL') on all financial assets that are measured at amortised cost 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 and Company also recognise lifetime ECL for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group and Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of the current conditions. No forward-looking information has been incorporated in the model since management is of the opinion that historic economic factors are not significantly different to recoverability period which is within a year.

For all financial assets other than trade receivables, the Group and Company recognise 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 and Company measure 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.

The Group and Company write off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group and Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in the Statements of Profit or Loss.

Air Seychelles Limited and Its Subsidiaries

Notes to the consolidated financial statements - Year ended 31 December, 2022

3. Significant accounting policies (continued)

(f) *Financial assets and liabilities (continued)*

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. The Group's and Company's financial liabilities include trade and other payables, borrowings, contract liabilities and lease liabilities.

(g) *Share capital*

Financial instruments issued by the Group and the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. Incremental costs directly attributable to the issue of ordinary shares are shown in equity as a deduction, net of tax effects, from the proceeds.

(h) *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, hence no tax has been charged to the Statements of Profit or Loss.

(i) *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. Provisions are made for obsolete stock based on Management's appraisal.

(j) *Assets held for sale*

Non-current assets 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 are generally measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held-for-sale or held for distribution and subsequent gains and losses on remeasurement are recognised in the Statements of Profit or Loss.

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

(k) *Employee benefits*

(i) 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.

Air Seychelles Limited and Its Subsidiaries

Notes to the consolidated financial statements - Year ended 31 December, 2022

3. Significant accounting policies (continued)

(k) Employee benefits

(i) Defined contribution plans (continued)

Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in the Statements Profit or Loss in the periods during which services are rendered by employees.

Monthly pension contributions are made in respect of Seychellois employees, who are covered by the Seychelles Pension Fund Act No. 8 of 2005. The pension fund is administered by the Government of Seychelles.

(ii) Post employment benefit and length of service

Post employment benefit

A defined benefit plan is a post employment benefit other than a defined contribution plan. The Group and Company currently operate 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.

Length of service

Long Service - It is paid to employees who complete consecutive periods of five years with the Group and the Company. This benefit is provided for in the accounts yearly and is expensed under Staff Costs.

(iii) 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 and Company have 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.

(l) Foreign currencies

Functional and presentation currency

Items included in the financial statements are measured using US Dollars (USD), the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements of the Group and its subsidiaries are presented in USD, which is the Group's and the Company's functional and presentation currency.

Transactions and balances

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.

Air Seychelles Limited and Its Subsidiaries

Notes to the consolidated financial statements - Year ended 31 December, 2022

3. Significant accounting policies (continued)

(l) Foreign currencies (continued)

Transactions and balances (continued)

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.

(m) Impairment of non financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cashflows (cash-generating units).

(n) Revenue recognition

The Group and Company recognise 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; and
- (5) Recognise revenue.

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

(i) Air transportation services

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

Air Seychelles Limited and Its Subsidiaries

Notes to the consolidated financial statements - Year ended 31 December, 2022

3. Significant accounting policies (continued)

(n) Revenue recognition (continued)

(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 recognised on net basis i.e. amount collected by the Airline less the inward billing received from the operating carrier.

(iv) 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 and Company's books, management has taken a decision to continue with the current practice of recognizing the associated costs as an expense in the Statements of Profit or Loss.

(o) 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 and Company with no future related costs, are recognised in the Statements of Profit or 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 and Company for expenses to be incurred are initially recognised in the Statements 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.

(p) Leases

The Group and Company assess whether a contract is or contains a lease, at inception of the contract. Right-of-use assets are capitalised at the commencement of the lease and recognised at cost, comprising of the present value of payments to be made to the lessor, any prepayments or advance lease rentals made at inception, together with the initial direct costs incurred by the Group and Company in respect of acquiring the lease.

Right-of-use assets are depreciated over the useful life or lease term (whichever is lower), unless the underlying lease contract provides an option to the Group and Company to acquire the asset at the end of the lease term and it is highly certain that the Group and Company will exercise that option. In such cases, the right-of-use asset is depreciated over the useful life in accordance with the Group's and Company's policies with regards to Property and Equipment. Refer to note 3(c).

Air Seychelles Limited and Its Subsidiaries

Notes to the consolidated financial statements - Year ended 31 December, 2022

3. Significant accounting policies (continued)

(p) Leases (continued)

The Group and Company made use of two exemptions as permitted under IFRS 16 for not capitalising the leased asset i.e. short-term leases (with a lease term of 12 months or less) and lease contracts for which the value of the underlying asset is materially low. For these leases, the lease rental charges are recognised as an operating expense in the Statements of Profit or Loss. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the Group's and Company's incremental borrowing rates. The lease liability is presented as a separate line in the Statements of Financial Position.

(q) Finance income and finance costs

Finance income mainly comprises interest on term deposits and dividend income. Interest income is recognised in the Statements of 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 recognised in the Statements of 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.

(r) Provisions

A provision is recognised if, as a result of a past event, the Group and Company have 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 and Company 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 and Company recognize any impairment loss on the assets associated with that contract.

4. Financial risk management

Overview

The Group and Company have 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 and Company's exposure to each of the above risks, the Group's and Company's objectives, policies and processes for measuring and managing risk, and the Group's and Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

Air Seychelles Limited and Its Subsidiaries

Notes to the consolidated financial statements - Year ended 31 December, 2022

4. Financial risk management (continued)

Overview (continued)

Risk management framework

The Board of Directors (the "Board") has overall responsibility for the establishment, oversight and monitoring of the Group's and Company's risk management framework and is assisted by the Senior Management. Senior Management is responsible for designing, developing and monitoring the Group's and Company'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.

The Group's and Company's risk management policies are established to identify and analyse the risks faced by the Group and Company, 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 and Company's activities. The Group and Company, 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. The various financial risk elements are discussed below.

(a) Credit risk

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

The Group's and Company's exposure to credit risk on trade and other receivables is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's and Company'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. The following table shows the credit concentration of the Group and Company at the end of the reporting period.

	Trade Receivables at amortised cost		Provision for credit impairment		Carrying Amount	
	2022	2021	2022	2021	2022	2021
<i>Figures in USD '000</i>						
Local	1,029	2,002	(10)	(750)	1,019	1,252
International	5,969	8,075	(2,598)	(4,269)	3,371	3,806
Total	<u>6,998</u>	<u>10,077</u>	<u>(2,608)</u>	<u>(5,019)</u>	<u>4,390</u>	<u>5,058</u>

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

Air Seychelles Limited and Its Subsidiaries

Notes to the consolidated financial statements - Year ended 31 December, 2022

4. Financial 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 and Company also obtains guarantees from GSAs before transacting any business with them.

(i) Total exposure to credit risk - all financial assets

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

Figures in USD '000	Notes	THE GROUP & THE COMPANY	
		2022	2021
Deposits	10	2,050	2,050
Receivable from Shareholder and related parties	11	1,688	3,940
Trade and other receivables	13	7,222	6,855
Cash at cash equivalents	14	12,414	11,993
		<u>23,374</u>	<u>24,838</u>

(ii) Allowance for expected credit losses on financial assets (ECL)

The Group and Company recognise a loss allowance for expected credit losses on deposits, trade and other receivables, amounts due from related parties and cash and cash equivalents. 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 and Company always recognise lifetime ECL for its trade and other receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's and Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of the current conditions at the reporting date. No forward-looking information has been incorporated in the model since management is of the opinion that historic economic factors are not significantly different to recoverability period which is within a year. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument.

The Group and Company recognise an impairment loss in the Statements of Profit or Loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account. The movement in the allowance for credit losses in respect of trade receivables during the year was as follows:

Air Seychelles Limited and Its Subsidiaries

Notes to the consolidated financial statements - Year ended 31 December, 2022

4. Financial risk management (continued)

(a) Credit risk (continued)

(ii) Allowance for expected credit losses on financial assets (ECL) (continued)

Figures in USD '000

	THE GROUP AND THE COMPANY	
	2022	2021
At 1 January	5,019	6,806
Write off during the year	(3,622)	-
Charge/(reversal) for the year (page 16)	1,211	(1,787)
At 31 December	2,608	5,019

The ageing of trade receivables at the reporting date was:

	THE GROUP AND THE COMPANY					
	31 December 2022			31 December 2021		
Figures in USD '000	Gross	Loss rates %	Impairment	Gross	Loss rates %	Impairment
Current	497	0.00%	-	2,439	5.82	142
Past due 1-30 days	292	4.79%	14	130	7.69	10
Past due 31-60 days	1,451	2.62%	38	345	13.62	47
Past due 61-90 days	2,216	0.63%	14	139	19.42	27
Past due 91-120 days	-	0.00%	-	803	31.13	250
Past due 121-180 days	-	0.00%	-	180	50.00	90
Past due 181-365 days	-	0.00%	-	3,616	56.08	2,028
Above 365 days	2,542	100.00%	2,542	2,425	100.00	2,425
	6,998		2,608	10,077		5,019

No impairment was recognised for cash and cash equivalents, deposits, related party balances and other receivables. The Directors are of the opinion that the probability of default is remote.

(b) Liquidity risk

Liquidity risk is the risk that the Group and Company 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 and Company'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 and Company's reputations.

The Treasury department of the Group and Company 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 and Company monitors the level of expected cash inflows on trade and other receivables to ensure active recovery of amounts outstanding from customers.

Air Seychelles Limited and Its Subsidiaries

Notes to the consolidated financial statements - Year ended 31 December, 2022

4. Financial risk management (continued)

(b) Liquidity risk (continued)

The Group and Company are also able to negotiate better credit terms with suppliers to manage expected cash outflows on trade and other payables.

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

THE GROUP

31 December 2022

	Carrying amount	Contractual cash flows	1 year or less	2 - 5 years	More than 5 years
Borrowings	(15,730)	(18,716)	(3,260)	(15,456)	-
Trade and other payables	(11,260)	(11,260)	(11,260)	-	-
Amounts due to related parties	(17,303)	(17,303)	(17,303)	-	-
Lease liabilities	(47,808)	(58,868)	(10,443)	(38,171)	(10,254)
	<u>(92,101)</u>	<u>(106,147)</u>	<u>(42,266)</u>	<u>(53,627)</u>	<u>(10,254)</u>

31 December 2021

	Carrying amount	Contractual cash flows	1 year or less	2 - 5 years	More than 5 years
Borrowings*	(79,347)	(92,494)	(92,494)	-	-
Trade and other payables	(23,601)	(23,601)	(23,601)	-	-
Amounts due to related parties*	(63,550)	(63,550)	(63,550)	-	-
Lease liabilities	(52,193)	(66,600)	(8,254)	(34,313)	(24,033)
	<u>(218,691)</u>	<u>(246,245)</u>	<u>(187,899)</u>	<u>(34,313)</u>	<u>(24,033)</u>

THE COMPANY

31 December 2022

	Carrying amount	Contractual cash flows	1 year or less	2 - 5 years	More than 5 years
Borrowings	(15,730)	(18,716)	(3,260)	(15,456)	-
Trade and other payables	(13,487)	(13,487)	(13,487)	-	-
Amounts due to related parties	(17,303)	(17,303)	(17,303)	-	-
Lease liabilities	(47,808)	(58,868)	(10,443)	(38,171)	(10,254)
	<u>(94,328)</u>	<u>(108,374)</u>	<u>(44,493)</u>	<u>(53,627)</u>	<u>(10,254)</u>

31 December 2021

	Carrying amount	Contractual cash flows	1 year or less	2 - 5 years	More than 5 years
Borrowings*	(79,347)	(92,494)	(92,494)	-	-
Trade and other payables	(25,828)	(25,828)	(25,828)	-	-
Amounts due to related parties*	(63,550)	(63,550)	(63,550)	-	-
Lease liabilities	(52,193)	(66,600)	(8,254)	(34,313)	(24,033)
	<u>(220,918)</u>	<u>(248,472)</u>	<u>(190,126)</u>	<u>(34,313)</u>	<u>(24,033)</u>

* As at the end of the year 1, the contractual amounts for borrowings and amounts due to related parties differ from the amounts to be paid due to discounts given.

Air Seychelles Limited and Its Subsidiaries

Notes to the consolidated financial statements - Year ended 31 December, 2022

4. Financial risk management (continued)

(c) Liquidity risk (continued)

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 and Company's main objectives when managing capital are:

- to ensure that the Group and Company have 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 economic conditions; and
- to maintain an appropriate balance between debt financing vis-a-vis shareholder capital as measured by gearing ratio.

The Board regularly reviews the Group and Company's capital structure and makes adjustments to reflect future capital commitments, business strategies and economic conditions. The Group and Company are not subject to any externally imposed capital requirements. For the purposes of this capital management, capital comprises of equity, whereas net debt is calculated as total debt, as shown in the financial statements, less cash and cash equivalents.

There were no changes in the Group and Company's approach to capital management during the year.

Figures in USD '000

	THE GROUP AND THE COMPANY	
	2022	2021
Borrowings	15,730	79,347
Lease liabilities	47,808	52,193
Less: Cash and cash equivalents	(12,464)	(12,051)
Net debt	51,074	119,489
Share capital	72,617	72,617
Total capital and net debt	123,691	192,106

(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 and Company's income or the value of their 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.

Currency risk

The Group and Company operate 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 and Company aim to aggregate a net position for each currency so that natural hedging can be achieved.

Exposure to currency risk

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

Air Seychelles Limited and Its Subsidiaries

Notes to the consolidated financial statements - Year ended 31 December, 2022

4. Financial risk management (continued)

(c) Market risk (continued)

Figures in thousands of currency units

	31 December 2022			31 December 2021		
	SCR	ZAR	EUR	SCR	ZAR	EUR
Trade and other receivables	16,838	945	1,023	18,251	3,074	3,286
Cash and cash equivalents	25,515	10,494	2,747	29,678	18,740	1,061
Trade and other payables	(14,266)	(1,342)	(1,084)	(13,879)	(1,246)	(428)
Total of currency units	28,087	10,097	2,686	34,050	20,568	3,919
USD equivalent	1,917	572	2,552	2,308	1,292	3,449

The following significant exchange rates applied at the end of the year:

USD	Average rates		Reporting date spot rates	
	2022	2021	2022	2021
SCR 1	0.068	0.057	0.068	0.068
EUR 1	0.915	1.051	0.950	0.880
ZAR 1	0.060	0.065	0.057	0.063

Sensitivity analysis

This analysis is based on foreign currency exchange rate variances that the Group and Company considered to be reasonably possible at the reporting date and considers the gross Statements 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 2021.

A strengthening/(weakening) of USD against SCR, EUR and ZAR at 31 December 2022 would have (decreased)/increased profit or loss by the amounts shown as follows:

Effect on profit or loss in thousands of USD	Strengthening	Weakening
31 December 2022		
SCR (1% movement)	(19)	19
EUR (1% movement)	(26)	26
ZAR (1% movement)	(6)	6
31 December 2021		
SCR (1% movement)	(23)	23
EUR (1% movement)	(34)	34
ZAR (1% movement)	(13)	13

Commodity price risk

The Group and Company's commodity price risk relate to the purchase price of its jet fuel. The Group and Company do 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 and Company would have to look for these on the international markets.

Air Seychelles Limited and Its Subsidiaries

Notes to the consolidated financial statements - Year ended 31 December, 2022

4. Financial risk management (continued)

(c) Market risk (continued)

Commodity price risk (continued)

However, the volumes of jet fuel purchased and consumed by the Group and Company through their flying activities are not large enough to justify this process.

Interest rate risk

The Group's and Company's cash flow exposures 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 Company 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.

At the reporting date, the Group's and Company's loans and borrowings fall within the category of fixed rate instruments and therefore the Group and Company were not subject to interest rate risk.

(d) 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 Statements 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).

5. Significant accounting estimates and judgements

In the process of applying the Group and Company'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) Going concern

The Management of the Group and Company has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, Management is not aware of any material uncertainties that may cast significant doubt on the Group and Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis. The assessment made by Management is detailed under notes 2(a).

(b) Passenger and cargo revenue recognition

Passenger and cargo sales are recognised when each performance obligation for the transportation is fulfilled.

Air Seychelles Limited and Its Subsidiaries

Notes to the consolidated financial statements - Year ended 31 December, 2022

5. Significant accounting estimates and judgements (Continued)

(b) *Passenger and cargo revenue recognition (continued)*

The value of unused revenue documents is held in the Statements of Financial Position under current liabilities as passenger and cargo sales in advance within contract liabilities.

Passenger ticket related breakage is estimated based on historical trends and recognised in the Statements of Profit or Loss proportionally with each transfer of service to the customer.

(c) *Leases*

The determination of the respective discount rates

In determining the respective discount rate by the Group and the Company, the entity considered the rate of interest that it would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The Group's and Company's incremental borrowing rates were considered to be the most appropriate rate to commence with and adjusted for the profiles of the respective factors for use in the calculation on initial recognition of the respective lease liabilities.

Determining the lease terms

In determining the lease term, Management considered all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. All extension options (or periods after termination options) have been included in the lease term. There are no potential future cash outflows. All future cash outflows have been included in the lease liability. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

(d) *Calculation of expected credit losses*

When measuring ECL, the Group and Company use reasonable and supportable information. No forward-looking information has been incorporated in the model since Management is of the view that historic economic factors are not significantly different to the recoverability period which is within a year.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and other conditions. Refer to note 4(a).

(e) *Impairment of non-financial assets*

Property and equipment are considered for impairment if there is a reason to believe that impairment may be necessary. Factors taken into consideration in reaching such a decision include the economic viability of the asset itself and where it is a component of a larger economic unit, the viability of that unit itself.

Future cash flows expected to be generated by the assets or cash-generating units are projected, taking into account market conditions and the expected useful lives of the assets. The present value of these cash flows, determined using an appropriate discount rate, is compared to the current net asset value and, if lower, the assets are impaired to the present value.

Air Seychelles Limited and Its Subsidiaries

Notes to the consolidated financial statements - Year ended 31 December, 2022

5. Significant accounting estimates and judgements (continued)

(e) Impairment of non-financial assets (continued)

At the end of each reporting period, Management reviews and assesses the carrying amounts of other assets and where relevant writes them down to their recoverable amounts based on best estimates.

(f) 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.

(g) Commercial incentive for marketing services

When the Group and Company engage in any transaction with suppliers of products or services, which involves the Group and Company 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 and Company 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.

(h) Limitation of sensitivity analysis

Sensitivity analysis in respect of market risk demonstrates the effect of a change in a key assumption while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear and larger or smaller impacts should not be interpolated or extrapolated from these results. Sensitivity analysis does not take into consideration that the Group's and Company's assets and liabilities are actively managed. Other limitations include the use of hypothetical market movements to demonstrate potential risk that only represent the Group's and Company's views of possible near-term market changes that cannot be predicted with any certainty.

Notes to the consolidated financial statements - Year ended 31 December, 2022

6. Property and equipment

THE GROUP & THE COMPANY

Figures in USD '000

COST

	Land & buildings	Aircraft, engines, accessories & technical spares	Aircraft and engine overhaul	Operating equipment	Furniture & fittings	Computers & office equipment	Motor vehicles	Capital work in progress	Total
At 1 January 2021	6,043	41,100	3,752	6,296	1,525	1,360	958	188	61,222
Additions	-	305	-	-	-	35	-	24	364
Disposals	-	(44)	-	(24)	-	-	(85)	-	(153)
Transfers to intangible assets (note 8)	-	-	-	-	-	-	-	(197)	(197)
At 31 December 2021	6,043	41,361	3,752	6,272	1,525	1,395	873	15	61,236
Additions	2	139	854	4	16	48	-	-	1,063
Disposals	-	(455)	-	-	-	-	(99)	-	(554)
Transfers to intangible assets (note 8)	-	-	-	-	-	-	-	(15)	(15)
Transfers to assets held for sale (note 15)	-	-	-	(4,696)	-	-	-	-	(4,696)
At 31 December 2022	6,045	41,045	4,606	1,580	1,541	1,443	774	-	57,034

ACCUMULATED DEPRECIATION

At 1 January 2021	4,303	7,430	2,497	4,109	1,517	1,094	819	-	21,769
Charge for the year	69	1,395	615	324	4	228	90	-	2,725
Disposals adjustment	-	(6)	-	(24)	-	-	(85)	-	(115)
At 31 December 2021	4,372	8,819	3,112	4,409	1,521	1,322	824	-	24,379
Charge for the year	70	1,573	560	306	3	48	34	-	2,594
Transfers to assets held for sale (note 15)	-	-	-	(3,439)	-	-	-	-	(3,439)
Disposals adjustment	-	(183)	-	-	-	-	(98)	-	(281)
At 31 December 2022	4,442	10,209	3,672	1,276	1,524	1,370	760	-	23,253

ACCUMULATED IMPAIRMENT LOSSES

At 1 January 2021 & 31 December 2021	23	1,363	-	117	-	-	-	-	1,503
Reversal in the year	(23)	(1,363)	-	(117)	-	-	-	-	(1,503)
At 31 December 2022	-	-	-	-	-	-	-	-	-

NET BOOK VALUE

At 31 December 2022	1,603	30,836	934	304	17	73	14	-	33,781
At 31 December 2021	1,648	31,179	640	1,746	4	73	49	15	35,354

(a) The borrowings are secured by first line fixed charge on leasehold and freehold land, and three domestic aircraft (refer to note 18).

Air Seychelles Limited and Its Subsidiaries

Notes to the consolidated financial statements - Year ended 31 December, 2022

7. Leases

(a) Right-of-use assets

Figures in USD '000

	THE GROUP AND THE COMPANY	
	2022	2021
At 1 January	48,184	54,859
Amortisation charge (note 24)	(6,382)	(6,675)
At 31 December	41,802	48,184

Right-of-use assets primarily consist of aircraft.

(b) Lease liabilities

Figures in USD '000

	THE GROUP AND THE COMPANY	
	2022	2021
At 1 January	52,193	53,630
Finance cost (note 26)	3,159	3,443
Payments	(7,552)	(4,771)
Effect of lease deferral (note 26)	8	-
Exchange movements	-	(109)
At 31 December	47,808	52,193
Analysed as:		
Non-current	40,113	47,031
Current	7,695	5,162
Total lease liabilities	47,808	52,193

8. Intangible assets

Figures in USD '000

	THE GROUP AND THE COMPANY	
	2022	2021
Cost		
At 1 January	17,096	16,748
Additions	11	151
Transfer from property, plant and equipment (note 6)	15	197
At 31 December	17,122	17,096
Accumulated amortisation and impairment		
At 1 January	16,699	16,628
Charge for the year	86	71
At 31 December	16,785	16,699
Carrying amount	337	397

Air Seychelles Limited and Its Subsidiaries

Notes to the consolidated financial statements - Year ended 31 December, 2022

9. Investments in Subsidiaries

Figures in USD '000

	THE COMPANY	
	2022	2021
Cost - unquoted		
Airport Equipment Services Limited (AES) (note 9(a))	2,227	2,227
AS SPV Limited (note 9(b))	0.001	-
	<u>2,227</u>	<u>2,227</u>

(a) Airport Equipment Services Limited (AES)

The subsidiary Airport Equipment Services Limited (AES) was registered on the 18th October 2018 with 5000 shares and authorised share capital of SCR 30.0 million. Its registered office is located at the Air Seychelles Head Office Building, Seychelles International Airport, Pointe Larue, Mahé, Seychelles and its principal activity is to provide, manage and coordinate ground handling services of every description at the Seychelles International Airport and Praslin Airport. The Subsidiary has not yet started its activities since incorporation.

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

(i) Authorised and issued (2022 & 2021)

5,000 shares of SCR 6,000 each

(ii) Ownership:

	No of shares	% shareholding 2022 & 2021
Air Seychelles Limited	4,999	99.98%
Government of Seychelles	1	0.02%
	<u>5,000</u>	<u>100.00%</u>

(b) AS SPV Limited

The subsidiary AS SPV Limited was incorporated on the 31st March 2022 as an International Business Company with 1 share and authorised share capital of USD 1. It is a wholly owned subsidiary of Air Seychelles Ltd. The purpose of the subsidiary was to novate the bondholders debt. Its registered office is located at the Air Seychelles Head Office Building, Seychelles International Airport, Pointe Larue, Mahé, Seychelles.

The shareholding of AS SPV Limited is as follows:

(i) Authorised and issued (2022)

1 shares of USD 1 each

(ii) Ownership:

	No of shares	% shareholding 2022
Air Seychelles Limited	1	100.00%
	<u>1</u>	<u>100.00%</u>

Air Seychelles Limited and Its Subsidiaries

Notes to the consolidated financial statements - Year ended 31 December, 2022

10. Deposits

Figures in USD '000

	THE GROUP AND THE COMPANY	
	2022	2021
Deposit - others	2,050	2,050

Deposits - others consisted of security deposits held with the lessors for the two A320 NEOs.

11. Receivables from related parties

Figures in USD '000

	THE GROUP AND THE COMPANY	
	2022	2021
Due from shareholders (note 11(a))	1,624	3,872
Amounts due from government-owned entities	64	68
	<u>1,688</u>	<u>3,940</u>

	THE GROUP AND THE COMPANY	
	2022	2021
Analysed as:		
Non-current	-	1,265
Current	<u>1,688</u>	<u>2,675</u>
	<u>1,688</u>	<u>3,940</u>

- (a) Amount due from Shareholder includes mainly an amount of **USD 1.3 million** from the Government of Seychelles which are amortised over 7 years at an interest rate of 5% p.a.

12. Inventories

Figures in USD '000

	THE GROUP AND THE COMPANY	
	2022	2021
Aircraft spares	11,550	11,357
Inflight consumables & others	1,387	1,727
Less: allowance for slow-moving / obsolete inventories	(376)	(53)
	<u>12,561</u>	<u>13,031</u>

Movement in provision for slow-moving inventories during the year were as follows:

Figures in USD '000

	THE GROUP AND THE COMPANY	
	2022	2021
At 1 January	53	817
Charge/(reversal) for the year (included in note 25)	<u>323</u>	<u>(764)</u>
At 31 December	<u>376</u>	<u>53</u>

Air Seychelles Limited and Its Subsidiaries

Notes to the consolidated financial statements - Year ended 31 December, 2022

13. Trade and other receivables

Figures in USD '000

	THE GROUP AND THE COMPANY	
	2022	2021
Trade receivables (notes 4(a)(i) & 13(a))	4,390	5,058
Deposits and advances	6,422	5,260
Other receivables	2,832	1,797
	13,644	12,115

- (a) Trade receivables are stated net of allowance for Expected Credit Losses (ECL) amounting to **USD 2.6 million** (2021: **USD 5.0 million**). The allowance is calculated in accordance with IFRS 9 (note 4(a)(ii)).
- (b) For the purposes of calculating ECL, the Group and the Company categorise their receivables into Local and International customers, and disclosed under note 4(a).
- (c) No ECL has been recognised on deposits, advances and other receivables since the Directors are of the opinion that the risk of default is remote.

14. Cash and cash equivalents

Figures in USD '000

	THE GROUP AND THE COMPANY	
	2022	2021
Cash at bank		
- in call accounts	585	655
- in current accounts	11,829	11,338
Cash in hand	50	58
Cash and cash equivalents	12,464	12,051

No ECL has been recognised on cash and cash equivalents since the Group deals with reputable banks and the risk of default is remote.

15. Assets held for sale

Figures in USD '000

	THE GROUP AND THE COMPANY	
	2022	2021
At 1 January	926	960
Additions (notes 6 and 15(a))	1,257	-
Disposals	(38)	(34)
At 31 December	2,145	926

- (a) Additions of USD 1.26 million relates to Ground Handling Assets which will be sold to the GOS at market value of USD 1.27 million as stated in the Final Rescue plan of October 2022. The market value of these assets was determined through an evaluation of the assets in November 2022. The transfer of the assets is expected to take place within the next 12 months from the end of the reporting period.

Air Seychelles Limited and Its Subsidiaries

Notes to the consolidated financial statements - Year ended 31 December, 2022

16. Share capital

(a) **Authorised, issued and fully paid**

650,000 shares of SCR 1,000 each

THE GROUP AND THE COMPANY				
	2022		2021	
(b) Ownership:	SCR '000	USD '000	SCR '000	USD '000
Government of Seychelles	<u>650,000</u>	<u>72,617</u>	<u>650,000</u>	<u>72,617</u>

Holders of these shares are entitled to dividends as declared from time to time and are entitled to one vote per share at General Meetings of the Group and the Company.

17. Long-term employee benefits

Figures in USD '000

THE GROUP AND THE COMPANY	
	2022
	2021
Non current	
Provision for long-term employee benefits	<u>2,823</u>
	<u>2,888</u>

Movement in long-term employee benefits during the year were as follows:

THE GROUP AND THE COMPANY	
	2022
	2021
At 1 January	2,888
Charge for the year (note 25(a))	483
Payments during the year	(548)
At 31 December	<u>2,823</u>
	<u>2,888</u>

18. Borrowings

Figures in USD '000

THE GROUP AND THE COMPANY	
	2022
	2021
Non-current portion of borrowings	
Loan from Seychelles International Mercantile Bank (Nouvobanq)	13,390
Loan from shareholder - GOS	-
	<u>7,808</u>
	<u>13,390</u>
Current portion of borrowings	
Loan from Seychelles International Mercantile Bank (Nouvobanq)	2,340
Loan from EA Partners I B.V.	-
Loan from EA Partners II B.V.	-
	<u>21,539</u>
	<u>50,000</u>
	<u>2,340</u>
	<u>71,539</u>
	<u>15,730</u>
	<u>79,347</u>

Air Seychelles Limited and Its Subsidiaries

Notes to the consolidated financial statements - Year ended 31 December, 2022

18. Borrowings (continued)

The profile of borrowings as at the mentioned reporting dates was as follows:

Counterparty	Government of Seychelles	Nouvobanq S.I.M.B.C
Facility amount (USD '000)	14,274	16,500
Date of drawdown	27 February 2014	11 May 2022
Final maturity date	30 September 2022	30 August 2028
Interest per annum	0%	5.35%
Repayment	Quarterly	Monthly
Balance at reporting date (USD '000)	USD Nil (2021: USD 7,808)	USD 15,730 (2021: USD Nil)
Security	None	First line fixed charge on leasehold and freehold land, and three domestic aircraft

Counterparty	EA Partners II B.V. - 2021	EA Partners I B.V. - 2021
Facility amount (USD '000)	21,539	50,000
Date of drawdown	28 September 2015	26 May 2016
Final maturity date	28 September 2020	1 June 2021
Interest per annum	7.06%	7.06%
Repayment	On maturity	On maturity
Balance at reporting date (USD '000)	USD Nil (2021: USD 21,539)	USD Nil (2021: USD 50,000)
Security	None	None

(a) *Movement on borrowings*

Figures in USD '000

	THE GROUP AND THE COMPANY	
	2022	2021
At 1 January	79,347	79,347
Extinguishment of debt (note 18(b))	(54,227)	-
Additions	16,500	-
Repayments (note 18(c))	(24,406)	-
Reclassified to amounts due to related parties (note 18(d))	(1,484)	-
At 31 December	15,730	79,347

- (b) On 7 December 2021, both the Bondholders of EA Partner B.V I and II and the Government of Seychelles voted in favour of a rescue plan in their capacity as Creditors as per section 231 of the Seychelles Insolvency Act 2013.

Key terms of the original rescue plan, as approved, were that both the EA Partners B.V I and II together with the GOS accepted 66.7% discounts on amounts due to them.

Air Seychelles Limited and Its Subsidiaries

Notes to the consolidated financial statements - Year ended 31 December, 2022

18. Borrowings (continued)

- (b) Following the purchase of the liabilities by GOS in April 2021 of USD 8.0 million (secured) owed by the Group and Company to Etihad Airways and EAGIHC at a discount of 81.5%, the same discounts were now given to the Group and Company by GOS. This resulted in an extinguishment of USD 6.5 million of the liability payable to GOS by the Group and Company. Similarly, as per the terms of the original rescue plan the EAP Partners, accepted to extinguish USD 47.7 million of the principal amount due to them.
- (c) In September 2022, the GOS paid the total amount of the debts payable to Etihad Airways PJSC, and as a result, the two DHC6-400 Twin Otter aircraft were released from asset under security, and the loan extinguished. Of the total amount of repayments, USD 23.6 million was paid to EAP Partners B.V I and II, and USD 0.8 million of repayments were made towards the Nouvobanq S.I.M.B.C loan.
- (d) Amounts reclassified to related parties comprised a balance of USD 1.5 million, being the outstanding balance payable to GOS after applying a discount of 82% on USD 8.0 million.

19. Amount due to related parties

Figures in USD '000

	THE GROUP AND THE COMPANY	
	2022	2021
Amounts due to Shareholders : - Government of Seychelles	16,142	-
- Government ministries	380	62,588
Amounts due to Government - owned entities	781	962
	<u>17,303</u>	<u>63,550</u>
	THE GROUP AND THE COMPANY	
	2022	2021
Analysed as:		
Non-current (note 19(a))	13,000	62,217
Current (note 19(b))	4,303	1,333
	<u>17,303</u>	<u>63,550</u>

- (a) In April 2021, an agreement was reached between the Shareholders (GOS 60% and Etihad 40%) for GOS to buy out liabilities due by the Group and the Company to EAGIHC and Etihad Airways amounting to USD 62.2 million of unsecured liabilities at a discount of 82%, giving a discount of USD 48.4 million. The amount was further capped to USD 13.0 million and has been classified as non-current liability.
- (b) Current liabilities include Trade Development Bank of Africa loan interest and Ground Services Equipment transferrable to Government of Seychelles amounting to USD 1.9 million and USD 1.3 million, respectively.

Air Seychelles Limited and Its Subsidiaries

Notes to the consolidated financial statements - Year ended 31 December, 2022

20. Trade and other payables

Figures in USD '000

	THE GROUP		THE COMPANY	
	2022	2021	2022	2021
Trade payables	1,142	3,330	1,142	3,330
Accruals and other payables	10,016	20,091	12,243	22,318
Accruals for staff annual leave	102	180	102	180
	<u>11,260</u>	<u>23,601</u>	<u>13,487</u>	<u>25,828</u>

21. Contract liabilities

Passenger tickets and cargo airway bills sold but unused are classified in the Statement of Financial Position as contract liabilities and are recognised as revenue within a year from the period when the tickets are issued.

Figures in USD '000

	THE GROUP AND THE COMPANY	
	2022	2021
Forward Sales Passenger and Cargo	5,695	6,318
Tax collected on tickets	890	743
	<u>6,585</u>	<u>7,061</u>

- (a) Revenue is recognised when the Group and the Company perform their obligations for the respective transportation services. These performance obligations are expected to be fulfilled within the next year and therefore disclosed as current liabilities.

22. Revenue from contracts with customers

Figures in USD '000

	THE GROUP AND THE COMPANY	
	2022	2021
Passenger services	38,562	15,575
Cargo services	4,778	3,305
Charter services	14,922	6,244
Ground handling services	17,904	12,289
	<u>76,166</u>	<u>37,413</u>

23. Other income

Figures in USD '000

	THE GROUP AND THE COMPANY	
	2022	2021
Government grants	-	6,157
Gain on sale of property and equipment	254	94
Others	1,403	1,203
	<u>1,657</u>	<u>7,454</u>

Air Seychelles Limited and Its Subsidiaries

Notes to the consolidated financial statements - Year ended 31 December, 2022

24. Direct operating costs

Figures in USD '000

	THE GROUP AND THE COMPANY	
	2022	2021
Fuel and oil	13,225	5,892
Aircraft and engine maintenance	8,726	5,840
Aircraft and engine operating leases	1,243	251
Landing and parking	583	443
Overflying	1,231	833
Staff costs (note 25(a))	11,116	10,116
In-flight consumables	2,093	1,557
Handling	2,576	1,557
Crew layover	1,542	882
Commission and incentives	1,067	78
Depreciation of property and equipment (note 6 and 24(a))	2,439	2,334
Reversal of impairment of non-current assets (notes 6 and 24(a))	(1,480)	-
Amortisation of right-of-use assets (note 7(a))	6,382	6,675
Aircraft insurance	685	419
Other direct operating costs	1,891	1,805
	<u>53,319</u>	<u>38,682</u>

- (a) Depreciation and impairment reversal for the year (note 6) amounting to USD 2.6 million and USD 1.5 million, respectively, have been allocated between 'Direct operating costs' and 'Administrative and marketing expenses'.

25. Administrative and marketing expenses

Figures in USD '000

	THE GROUP AND THE COMPANY	
	2022	2021
Staff costs (note 25(a))	1,374	1,250
Rent and utilities	1,019	570
Communications	1,243	1,121
Transport and vehicle	21	167
General repairs and maintenance	158	249
Legal and professional	1,625	1,142
Audit fees	76	74
Advertisement and promotion charge	287	178
Depreciation of property and equipment (note 6 and 24(a))	155	391
Reversal of impairment of non-current assets (notes 6 and 24(a))	(23)	-
Amortisation of intangible assets (note 8)	86	71
Charge/(reversal) of provision for slow-moving/obsolete inventories (note 12)	323	(764)
Write-offs - Others	-	8,024
Other administrative and marketing expenses	997	7,058
	<u>7,341</u>	<u>19,531</u>

25. (a) Related staff costs

Figures in USD '000

	THE GROUP AND THE COMPANY	
	2022	2021
Salaries and allowances	7,785	8,284
Long-term employee benefits (note 17)	483	1,120
Other staff related costs	4,222	1,962
	<u>12,490</u>	<u>11,366</u>

Air Seychelles Limited and Its Subsidiaries

Notes to the consolidated financial statements - Year ended 31 December, 2022

26. Finance income and finance costs

Figures in USD '000

	THE GROUP AND THE COMPANY	
	2022	2021
(a) Finance income	109	167
(b) Finance costs		
Interest expense: Borrowings	4,292	7,242
Lease liabilities (note 7(b))	3,159	3,443
Effect of lease deferral (notes 7(b) & 26(c))	8	-
Net foreign exchange loss	156	629
	<u>7,615</u>	<u>11,314</u>

- (c) As a direct result of the effect of Covid-19 in 2020, the Group and Company negotiated for lease deferrals during 2020. These deferrals were approved by the lessor, for periods March 2020 to December 2020. Following the negotiations, the Group and Company paid lower lease premiums in 2020, which were then spread over the original lease payment terms from November 2022 to October 2028. In 2022, the repayment plan was re-negotiated and a new repayment planned was agreed on. Using the exemption conditions allowed under IFRS 16, Management remeasured the lease liability and accounted for the difference between the old and new 'lease liability' in the Statement of Profit and Loss as finance costs.

27. Gain on extinguishment of debt

Figures in USD '000

	THE GROUP AND THE COMPANY	
	2022	2021
Extinguishment of debt attributable to Noteholders (note 27(a))	56,321	-
Extinguishment of debt attributable to Government of Seychelles (note 27(b))	52,968	-
Others	1,820	-
	<u>111,109</u>	<u>-</u>

- (a) This related to a discount of USD 56.3 million (representing 66.7%) given by Noteholders to the Company on a total debt of USD 84.5 million owed to them.
- (b) The GOS purchased a total debt of USD 70.2 million from EAG Investment Holding Company Limited and Etihad Airways in 2021. Of the total debt purchased, including interests, the GOS gave a discount of USD 53.0 million to the Company.

28. Related party transactions and balances

Identification of related parties

The Group and the Company, in their 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

IAS 24, "Related Parties" (revised) requires Government owned entities to disclose transactions with other state / government owned entities. Most infrastructure related entities are owned by the Government of Seychelles and the Group and the Company necessarily enters into transaction with those entities in the normal course of business on an arm's length basis.

Air Seychelles Limited and Its Subsidiaries

Notes to the consolidated financial statements - Year ended 31 December, 2022

28. Related party transactions and balances (continued)

The Group and the Company also transacts with these entities in respect of aviation fuel, landing and parking, overflying and lease of properties (refer note 24). During the year, the Group and the Company procured the following services from government owned-entities based on list prices that are comparable to prices charged to non-government entities or market terms.

Figures in USD '000

		THE GROUP AND THE COMPANY	
		2022	2021
	Government-owned entity		
Aviation fuel	Seychelles Petroleum Company Limited	7,049	3,104
Landing and parking	Seychelles Civil Aviation Authority	212	127
Overflying	Seychelles Civil Aviation Authority	231	129
Operating lease of land and buildings	Seychelles Civil Aviation Authority	423	429

Transactions with shareholders

Figures in USD '000

		THE GROUP AND THE COMPANY	
		2022	2021
Government grant		-	6,157
Extinguishment of debt payable to GOS (EY debt transfer)		52,968	-
Interest on loan from shareholder		-	110
		52,968	6,267

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

Transactions with key management personnel

Figures in USD '000

		THE GROUP AND THE COMPANY	
		2022	2021
Short term employee benefits		1,031	957
Post-retirement benefits		38	26
		1,069	983

Directors' emoluments

None of the Directors of the Group and Company received any emoluments from the Company during the year (2021: nil).

Related parties balances

Figures in USD '000

		THE GROUP AND THE COMPANY	
		2022	2021
<i>Amounts due to:</i>			
Government ministries		380	62,588
Government - owned entities		781	962
- GOS		16,142	7,808
EA Partners B.V I and II		-	71,539
		17,303	142,897

Air Seychelles Limited and Its Subsidiaries

Notes to the consolidated financial statements - Year ended 31 December, 2022

28. Related party transactions and balances (continued)

Related parties balances

Figures in USD '000

	THE GROUP AND THE COMPANY	
	2022	2021
Amounts due from:		
Government ministries	1,624	3,872
Government - owned entities	64	68
	<u>1,688</u>	<u>3,940</u>

29. Commitments

Figures in USD '000

	THE GROUP AND THE COMPANY	
	2022	2021
Capital commitments		
Not later than one year	<u>3,767</u>	<u>3,364</u>

30. Contingent liabilities

Figures in USD '000

	THE GROUP AND THE COMPANY	
	2022	2020
Letters of guarantee	<u>628</u>	<u>568</u>

31. Five-year financial summary

Figures in USD '000

	THE GROUP AND THE COMPANY				
	2022	2021	2020	2019	Restated 2018
Profit/(Loss) for the year	119,555	(22,706)	(14,574)	(6,730)	(42,805)
Revenue deficit brought forward	(173,209)	(150,503)	(135,929)	(129,199)	(78,567)
Adjustment on initial application of IFRS 15	-	-	-	-	(3,182)
Adjustment on initial application of IFRS 9	-	-	-	-	(4,645)
Revenue deficit carried forward	<u>(53,654)</u>	<u>(173,209)</u>	<u>(150,503)</u>	<u>(135,929)</u>	<u>(129,199)</u>
Capital & reserves					
Share capital	72,617	72,617	72,617	72,617	72,617
Revenue deficit	<u>(53,654)</u>	<u>(173,209)</u>	<u>(150,503)</u>	<u>(135,929)</u>	<u>(129,199)</u>
Owner's interest	18,963	(100,592)	(77,886)	(63,312)	(56,582)
Non-controlling interest	-	-	-	-	-
Total equity	<u>18,963</u>	<u>(100,592)</u>	<u>(77,886)</u>	<u>(63,312)</u>	<u>(56,582)</u>