Air Seychelles Limited and Its Subsidiary

Consolidated Financial Statements

Year ended 31 December, 2020

Air Seychelles Limited and Its Subsidiary

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Air Seychelles Limited and Its Subsidiary

Corporate Information - Year ended 31 December, 2020

ADMINISTRATORS	: Leon Bernard Pool Suketu Patel
DIRECTORS (COMPANY AND SUBSIDIARY)	: Veronique Laporte (Chairperson) Alan Mason (Vice-Chairperson) Ralph Saminaden Egbert Laurence Daphnee Hoareau Irene Croisee
SECRETARY	: Vanessa Marie Bel Air, Mahe Seychelles
REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS	: P.O Box 386, Head Office Building Pointe Larue, Mahe Seychelles
AUDITORS	: BDO Associates Chartered Accountants Seychelles
BANKERS	: Absa Bank (Seychelles) Limited Seychelles International Mercantile Banking Corporation Limited (Nouvobanq) Absa Bank (Mauritius) Limited Banqe Francaise Commerciale Ocean Indien Citigroup Inc. Nedbank Group Limited

Air Seychelles Limited and Its Subsidiary

Directors' Report - Year ended 31 December, 2020

The Directors are pleased to submit their report together with the audited financial statements of the Air Seychelles Limited & Its Subsidiary (together referred to as "the Group") and the Company for the year ended 31 December, 2020.

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.

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 20.6 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.

3. Results

Net reported loss for the year ended 31 December, 2020 amounted to **USD 14.6 million** (2019: USD 6.7 million) for the Group and the Company. Accumulated losses for both the Group and the Company amounted to **USD 150.5 million** as at 31 December, 2020 (2019: USD 135.9 million).

4. Dividends

No dividend was proposed and paid during the year under review (2019: NIL).

5. 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, 2020.

6. Directors and their interests

The Directors of Air Seychelles Limited and those of Its Subsidiary since the date of the last statement of financial position date and the date of this report are:

Air Seychelles Limited and its subsidiary, Airport Equipment Services Limited

Veronique Laporte (Chairperson)
Alan Mason (Vice-Chairperson)
Ralph Saminaden
Egbert Laurence
Daphnee Hoareau
Irene Croisee

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

7. Administrators

Appointed effective 4 October 2021
Leon Bernard Pool
Suketu Patel

7. Administrators (continued)

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;
- End its reorganization and be wound up

None of the Administrators has any direct or indirect interest in the shares of the Company or of the subsidiary.

8. Going Concern

There is a material uncertainty related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern and these have been described below.

The Group and the Company incurred a net loss of **USD 14.6 million** (2019: USD 6.7 million) during the year ended December 31, 2020, had accumulated losses of **USD 150.5 million** (2019: USD 135.9 million) and, as of that date, the Group's and the Company's current liabilities exceeded its current assets by **USD 126.2 million** and **USD 128.5 million** respectively (2019: USD 69.8 million and USD 72.0 million respectively) and total liabilities exceeded total assets of the Group and the Company by **USD 77.9 million (**2019: USD 63.3 million).

At 31 December, 2020 total borrowings of the Group and the Company reached USD 79.3 million comprising unsecured borrowings, i.e, short-term loans of USD 21.5 million due to EA Partners I B.V and USD 50.0 million due to EA Partners II B.V, the balance of USD 7.8 million of secured loans representing amount due to shareholder. The maturity dates for repayments to the loans of USD 21.5 million and USD 50.0 million were on 28 September 2020 and 1 June, 2021 respectively but the Group and the Company defaulted on both these repayments.

The above factors, coupled with the Group's and the Company's inability to honour their commitments towards repayment of loans from EA Partners I B.V. and EA Partners II B.V at maturity dates reflects deep financial difficulties facing the Group and the Company.

Following the defaults, the situation was further exacerbated by a winding up petition served by the Bondholders (representing EA Partners I B.V and EA Partner II B.V) in the Courts of Seychelles on August 24, 2021, but at the same time they sent a letter to the Company offering to withdraw their petition if both parties came to an agreement regarding settlement of the debt.

Responding to these financial woes, on 4 October 2021, the Directors placed the Company in voluntary administration, by appointing Mr Bernard Pool and Mr Suketu Patel as Administrators. This was followed on 7 December, 2021 by a meeting of creditors held in which both the Noteholder Committee of EA Partners B.V I and II and the Government of Seychelles voted in favour of a Rescue Plan.

Key terms of the Rescue Plan were that both the EA Partners B.V I and II together with the Government of Seychelles accepted 66.7% discounts on amounts due to them with the condition set by the Bondholders that payments are to be done no later than 31 March, 2022, which the Group and Company have defaulted. However, the Bondholders took note of good progress by the Group and Company to raise funds and have agreed that the winding up pertition be stayed until 11 May, 2022. The plan also mentioned that settlement of USD 27.9 million would first be made to the Bondholders and thereafter to the Government of Seychelles.

The Directors are confident on the realisation of the rescue plan proposed by the Administrators, which has also been agreed by the Representatives of the Bondholders and are of the opinion that the Group and the Company will continue to operate as a going concern. The opinion is hinged on a number of criteria with respect to the realisation of the Rescue Plan which include:

- Intensive negotiations for raising of funds to settle the debts of the Bondholders by 11 May, 2022;
- The Group and the Company applied for a loan of USD 16.5m from Nouvobanq S.I.M.B.C, which will be secured on the Group's and the Company's property as well as three domestic aircraft. Per the signed loan agreement dated 20 April, 2022, Nouvobanq S.I.M.B.C confirmed its intention to extend the credit facility to Air Seychelles. The Ministry of Finance, Economic Planning and Trade approved the application for the advance to Air Seychelles, through a letter dated 22 April 2022;

8. Going Concern (continued)

- The Government of Seychelles has, to date, made three payments of USD 0.42 million each, on 28 January 2022, 18 February, 2022 and 15 March 2022 of the amount payable to Etihad of USD 5.0 million by 2022;
- Positive net cash flow projections for the years 2022 to 2024, based on key trading assumptions reviewed and approved by the Administrators;
- By January 2022, the Group and the Company had already secured 72% of its pre-covid revenue and recovery is also to pre-covid level in line with IATA forecasts which predicts full recovery across commercial aviation by end of 2024;
- In order to settle the amounts owed by Air Seychelles under the Facility Agreements, a special purpose vehicle was incorporated as a subsidiary of Air Seychelles (the "Air Seychelles SPV") on 31 March, 2022 to purchase the loans from the Lenders by way of novation. That purchase will be funded from the bank loan proceeds and other cash resources the Group and Company have; and
- The funds for the purchase shall be placed in escrow along with a deed of waiver and release and Debt Transfer Certificate from the Noteholders Committee. The winding up petition would then be withdrawn, the funds transferred to the Noteholder Committee's appointed account, the deed of waiver and release and Debt Transfer Certificate would then be executed and thus extinguish any obligations of Air Seychelles to the Lenders under the Facility Agreements.

Based on the above, the Directors are therefore of the view that the going concern basis of preparation of the financial statements remains appropriate in the circumstances (Refer to note 2(a)).

9. 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. 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.

10. Events after reporting period

Events after reporting date are explicitly detailed under note 30 to the financial statements. To note that effective 4 October, 2021, the Group and the Company is under the responsibility of the two Administrators, Mr. B. Pool and Mr. S. Patel. The approval for signature of these financial statements for the year ended 31 December, 2020 has been granted in writing by the Administrators to the Board to enable the Directors to sign.

11. Auditors

The auditors, Messrs. BDO Associates, retire and being eligible offer themselves for reappointment.

12. Board Approval

Véronique Laporte Chairperson	**Alan Mason** Vice-Chairperson	**Ralph Saminaden** Board Member
Egbert Laurence Board Member	**Daphnee Hoareau** Board Member	**Irene Croisée** Board Member

Date: 29th April 2022
Pointe Larue, Mahe, Seychelles

BDO

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Victoria, Mahe
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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 SUBSIDIARY** (hereafter referred to as "the Group") and the Company's financial statements on pages 11 to 51 which comprise the Statements of Financial Position as at December 31, 2020, the Statement of Profit or Loss and Other Comprehensive Income, Statement 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, 2020 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 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.

Material Uncertainty Relating to Going Concern

We draw attention to Note 2(a) in the financial statements, which indicates that the Group and the Company incurred a net loss of **USD 14.6 million** (2019: USD 6.7 million) during the year ended December 31, 2020, had accumulated losses of **USD 150.5 million** (2019: USD 135.9 million) and, as of that date, the Group's and the Company's current liabilities exceeded its current assets by **USD 126.2 million** and **USD 128.5 million** respectively (2019: USD 69.8 million and USD 72.0 million respectively) and total liabilities exceeded total assets of the Group and the Company by **USD 77.9 million** (2019: USD 63.3 million).

These events along with other matters as set forth in Notes 2(a) and 30, indicate that a material uncertainty exists that may cast significant doubt on the Group's and the Company's ability to continue as a going concern.

Our opinion is not modified in respect of these matters.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter

Impairment of property and equipment, right-of-use assets and intangible assets

Refer to notes 6, 7(a) and 8 of the financial statements.

Property and equipment, right-of-use assets and intangible assets constitute a significant portion of the Group's and Company's assets, representing 65.7% of total assets as at December 31, 2020.

Functional, economic and physical obsolescence of assets are indicators of impairment. The assessment of impairment, in terms of IAS 36 involves significant use of judgement in determining the recoverable amount of the assets being impaired. In the case of the Group and the Company, judgement is involved in:

- Forecasting aircraft information such as revenue, load factors, air ticket price, cargo yields and fuel costs;
- Remaining useful lives of the assets and internal and external indicators of obsolescence;
- The discount rate; and
- Estimated disposal value at the end of their useful lives.

Due to the materiality of these assets undergoing impairment testing in the financial statements and the significant estimates and judgements applied by Management in the impairment assessment exercise, impairment of these assets was considered a Key audit matter for the purpose of our audit.

How our audit addressed the key audit matter

We performed the following procedures:
- Obtained Management's assessment of impairment of property and equipment, right-of-use assets and intangible assets and assessed whether impairment was performed in accordance with IAS 36;
- Challenged and evaluated the assumptions and critical judgements made by Management in their assessment with reference to historical trends and our expectations based on the Group's and the Company's long term strategic plans, including approved budgets and our knowledge of the business and the airline industry as a whole;
- Confirmed the accuracy of historical data and compared assumptions used in the forecasts against actual results;
- Challenged Management's determination of market values of the underlying assets;
- Assessed reasonableness of the residual values used in the impairment exercise by benchmarking against externally derived data; and
- Assessed whether reported disclosures in notes 6, 7 and 8 are consistent with the requirements of IFRS.

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 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.

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

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 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

BDO ASSOCIATES
Chartered Accountants

Dated: 29 APR 2022
Victoria, Seychelles

Air Seychelles Limited and Its Subsidiary

Statements of Financial Position - as at 31 December, 2020

Figures in USD '000	*Notes*	THE GROUP		THE COMPANY	
Assets					
		2020	2019	**2020**	2019
Non-current assets					
Property and equipment	*6*	**37,950**	40,139	**37,950**	40,139
Right-of-use assets	*7(a)*	**54,859**	35,007	**54,859**	35,007
Intangible assets	*8*	**120**	10,557	**120**	10,557
Investment in subsidiary	*9*	**-**	-	**2,227**	2,227
Deposits	*10*	**7,924**	7,804	**7,924**	7,804
Receivables from related parties	*11*	**2,470**	3,616	**2,470**	3,616
Total non-current assets		**103,323**	97,123	**105,550**	99,350
Current assets					
Inventories	*12*	**11,900**	11,291	**11,900**	11,291
Trade and other receivables	*13*	**10,743**	12,549	**10,743**	12,549
Receivables from related parties	*11*	**3,139**	7,740	**3,139**	7,740
Cash and cash equivalents	*14*	**11,343**	9,418	**11,343**	9,418
Assets held for sale	*15*	**960**	874	**960**	874
Total current assets		**38,085**	41,872	**38,085**	41,872
Total assets		**141,408**	138,995	**143,635**	141,222
Shareholders' deficit/Equity					
Shareholders' deficit/Equity					
Share capital	*16*	**72,617**	72,617	**72,617**	72,617
Accumulated losses		**(150,503)**	(135,929)	**(150,503)**	(135,929)
Total deficit		**(77,886)**	(63,312)	**(77,886)**	(63,312)
Liabilities					
Non-current liabilities					
Provision for end of service benefits	*17*	**2,110**	3,482	**2,110**	3,482
Borrowings	*18*	**6,729**	57,358	**6,729**	57,358
Lease liabilities	*7(b)*	**46,144**	29,838	**46,144**	29,838
Total non-current liabilities		**54,983**	90,678	**54,983**	90,678
Current liabilities					
Trade and other payables	*19*	**14,278**	21,777	**16,505**	24,004
Borrowings	*18*	**72,618**	22,618	**72,618**	22,618
Lease liabilities	*7(b)*	**7,486**	4,467	**7,486**	4,467
Amounts due to related parties	*20*	**63,836**	52,445	**63,836**	52,445
Contract liabilities	*21*	**6,093**	10,322	**6,093**	10,322
Total current liabilities		**164,311**	111,629	**166,538**	113,856
Total liabilities		**219,294**	202,307	**221,521**	204,534
Total equity and liabilities		**141,408**	138,995	**143,635**	141,222

Air Seychelles Limited and Its Subsidiary

Statements of financial position - as at 31 December, 2020 (continued)

These financial statements were approved and authorised for issue by Board of Directors on 29th April 2022 and signed on their behalf by:

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

Date: 29th April 2022
Pointe Larue
Mahe, Seychelles

The notes set out on pages 15 to 51 form an integral part of these consolidated financial statements.
The independent auditor's report is set out on pages 7 to 10.

Air Seychelles Limited & Its Subsidiary

Statements of Profit or Loss and Other Comprehensive Income - for the year ended 31 December, 2020

Figures in USD '000	***Notes***	**THE GROUP & THE COMPANY**	
		2020	2019
Revenue from contracts with customers	*22*	**34,807**	79,669
Other income	*23*	**13,468**	9,126
Direct operating costs	*24*	**(36,981)**	(73,931)
Administrative and marketing expenses	*25*	**(19,974)**	(11,845)
Reversal / (charge) of allowance for credit losses	*4(a)*	**3,038**	(3,493)
Operating profit / (loss)		**(5,642)**	(474)
Finance income	*26*	**236**	293
Finance costs	*26*	**(9,168)**	(6,549)
Net finance costs		**(8,932)**	(6,256)
Loss for the year and Total comprehensive expense for the year		**(14,574)**	(6,730)
Loss and Total comprehensive expense attributable to:			
Owners of the parent		**(14,574)**	(6,730)
Non-controlling interest		**-**	-
		(14,574)	(6,730)

The notes set out on pages 15 to 51 form an integral part of these consolidated financial statements.
The independent auditor's report is set out on pages 7 to 10.

Air Seychelles Limited & Its Subsidiary

Statement of Changes in Equity - for the year ended 31 December, 2020

Figures in USD '000

THE GROUP & THE COMPANY	Attributable to owners of the parent		Non-controlling Interest	Total Equity
THE GROUP & THE COMPANY	Share Capital	Accumulated losses		
At 1 January, 2019	72,617	(129,199)	-	(56,582)
Total comprehensive expense for the year	-	(6,730)	-	(6,730)
At 31 December, 2019	72,617	(135,929)	-	(63,312)
At 1 January, 2020	**72,617**	**(135,929)**	**-**	**(63,312)**
Total comprehensive expense for the year	**-**	**(14,574)**	**-**	**(14,574)**
At 31 December, 2020	**72,617**	**(150,503)**	**-**	**(77,886)**

The notes set out on pages 15 to 51 form an integral part of these consolidated financial statements.
The independent auditor's report is set out on pages 7 to 10.

Air Seychelles Limited & Its Subsidiary

Statement of cash flows - for the year ended 31 December, 2020

Figures in USD '000	*Notes*	THE GROUP & THE COMPANY	
Cash flows from operating activities			
		2020	**2019**
Net loss for the year		**(14,574)**	(6,730)
Adjustments for:			
-Depreciation	*6*	**2,692**	3,400
-Amortisation	*8*	**1,637**	1,660
-Amortisation - Right-of-use of assets	*7(a)*	**7,116**	4,364
-Gain on disposal of property and equipment	*23*	**(178)**	(28)
-Write off adjustment - property and equipment	*6*	**445**	-
-Write off adjustment - intangible assets	*8*	**8,922**	-
-Impairment of non-current assets held for sale	*15*	**-**	123
-Staff terminal benefits during the year - charge	*17*	**718**	901
-Finance costs	*26*	**9,168**	6,549
-Finance income	*26*	**(236)**	(293)
-Increase in inventory provision	*12*	**316**	104
-Impairment of receivables	*4(a)*	**(3,038)**	3,493
-Currency translation differences		**736**	(410)
		13,724	13,133
Changes in:			
-Inventories	*12*	**(925)**	(1,470)
-Trade and other receivables	*13*	**4,844**	5,934
-Amounts due from related parties	*11*	**5,747**	(3,771)
-Trade and other payables	*19*	**(7,499)**	(11,122)
-Amounts due to related parties	*20*	**11,391**	7,115
-Contract liability	*21*	**(4,229)**	(1,471)
Cash generated from operating activities		**23,053**	8,348
Staff terminal benefits paid	*17*	**(2,090)**	(670)
Net cash generated from operating activities		**20,963**	7,678
Cash flows from investing activities			
Acquisition of property and equipment	*6*	**(963)**	(2,944)
Acquisition of software	*8*	**(122)**	-
Reclassifications to Right-of-use asset (pre-delivery costs)	*7(a)(i)*	**(483)**	(875)
Proceeds from disposal of property and equipment	*23*	**193**	44
Non-current assets reclassified to assets held for sale	*6 & 15*	**(86)**	(246)
Deposits	*10*	**(120)**	2,467
Interest received	*26*	**236**	293
Net cash used in investing activities		**(1,345)**	(1,261)
Cash flows from finance activities			
Payment of borrowings	*18*	**(629)**	(835)
Deposits	*10*	**-**	-
Finance costs paid	*26*	**(7,262)**	(6,549)
Repayment of principal portion of lease liabilities	*7(b)*	**(9,158)**	(4,191)
Net cash used in financing activities		**(17,049)**	(11,575)
Net increase / (decrease) in cash and cash equivalents		**2,569**	(5,158)
Movement in cash and cash equivalents			
At 1 January		**9,418**	14,166
Net increase / (decrease)		**2,569**	(5,158)
Currency translation differences		**(644)**	410
At 31 December	*14*	**11,343**	9,418

The notes set out on pages 15 to 51 form an integral part of these consolidated financial statements.
The independent auditor's report is set out on pages 7 to 10.

Notes to the consolidated financial statements - Year ended 31 December, 2020

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 main Shareholder of the Group. The other activities have remained unchanged during the year.

On the 18th of October, 2018, the Company acquired 100% of Airport Equipment Services Ltd (AES), hence AES become a wholly owned subsidiary of the Company.

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 provides handling and lounge services to other carriers at the Seychelles International Airport in Mahé and Praslin Domestic Airport.

These consolidated financial statements include the financial position and financial performance of the Company and Its subsidiary (together referred to as "the Group"). These 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

There is a material uncertainty related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern and these have been described below.

These financial statements have been prepared on a going concern basis, which assumes that the Group and Company will continue to operate and honour its obligations for the foreseeable future, notwithstanding that as at 31 December 2020, the Group and Company incurred a net loss of **USD 14.6 million** (2019: USD 6.7 million), had accumulated losses of **USD 150.5 million** (2019: USD 135.9 million) and, as of that date, the Group's and Company's current liabilities exceeded its current assets by **USD 126.2 million** and **USD 128.5 million** respectively (2019: USD 69.8 million and USD 72.0 million respectively) and total liabilities exceeded total assets of the Group and the Company by **USD 77.9 million** (2019: USD 63.3 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.

(i) Debt restructuring and rescue plan

At 31 December, 2020 total borrowings of the Group and Company reached USD 79.3 million comprising a short-term loan of USD 21.5 million due to EA Partners I B.V and a non current amount of USD 50.0 million due to EA Partners II B.V, the balance of USD 7.8 million representing other amount due to shareholder. The maturity dates for repayments to the loans of USD 21.5 million and USD 50.0 million were on 28 September 2020 and 1 June, 2021 and the Group and Company defaulted on both these repayments.

2. Basis of preparation (continued)

(a) Going concern (continued)

(i) Debt restructuring and rescue plan (Continued)

The Group's and the Company's inability to honour their matured loans from EA Partners I B.V. of USD 21.5 million and EA Partners II B.V of USD 50.0 million reflects deep financial difficulties the Group is going through. The situation was further exacerbated by a winding up petition served by Bondholders (representing EA Partners I B.V and EA Partner II B.V) in the Courts of Seychelles on August 24, 2021, but at the same time sent a letter to the Company offering to withdraw the petition if both parties came to an agreement regarding settlement of the debt.

In response to the above, on 4 October 2021, the Directors placed the Company in voluntary administration, by appointing Mr Bernard Pool and Mr Suketu Patel as Administrators. This was followed by a meeting held in which both the Noteholder Committee of EA Partners B.V I and II and the Government of Seychelles voted in favour of a rescue plan on December 7, 2021. Key terms of the rescue plan were both the EA Partners B.V I and II together with the Government of Seychelles accepted a 66.7% discount on their amounts due from the Group and Company if payment of USD 27.9 million is done no later than 31 March, 2022, which the Group and Company defauted. However, the Bondholders took note of good progress by the Group and Company to raise funds and have agreed that the winding up pertition be stayed until 11 May, 2022.

The Group and the Company also have unsecured and secured debt of USD 62.2 million due to Etihad Group. In financial year 2018, USD 30.0 million of the Group's and the Company's debt (from the unsecured balance of USD 62.2 million) owed to Etihad Group was to be converted into preference shares on the condition that Etihad Group receives a guarantee from the Government of Seychelles for the equivalent amount which, however, did not materialize. However, in April 2021 the Government of Seychelles, the Company, EAGIHC and Etihad Airways agreed for the Government of Seychelles to assume:

- the unsecured debt along with other of the Group's and Company's unsecured net debt balances as of 20 April, 2021 due to Etihad Group totalling USD 62.0 million. The parties agreed to reduce the Government of Seychelles' unsecured debt obligations to EAGIHC and Etihad Airways by 82%, and the repayment of this balance to commence from 15 January 2022 (if such day is not a business day, then the next business day);
- the Group's and the Company's secured debt obligation to EAGIHC and Etihad Airways in January 2024 (totalling USD 8.0 million). The parties agreed to reduce the Government of Seychelles' secured debt obligation by 79%, subject to the settlement of the above unsecured debt in accordance with the agreed repayment schedule. The repayment of this balance will be effective in January 2024. This debt is secured against two of the Group's and Company's domestic aircraft; and
- Effective April 2021, EAGIHC's also agreed to transfer its equity interest in the Company at USD 1.

(ii) Contributions / grants from the Government

The Government of Seychelles entered into an IMF programme in July 2021 which prevents it from any direct injecting of funds into the Group and the Company during this programme.

(iii) Negative effects of COVID-19

The outbreak of the Covid-19 pandemic had a significant impact on the travel and tourism sector, which was also acutely felt by Seychelles and the Group and Company were not spared. In January 2022, the Group recovered 72% of its pre-Covid revenue, and forecasts for continued recovery to pre-Covid levels is in line with IATA forecasts, which predicts full recovery across the commercial aviation sector by the end of 2024.

2. Basis of preparation (continued)

(a) Going concern (continued)

(iv) Realisation of the rescue plan

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

The Group and Company have reached the following stages in realising the Rescue Plan:

- Intensive negotiations for raising of funds to settle the debts of the Bondholders by 11 May, 2022;
- The Group and the Company applied for a loan of USD 16.5m from Nouvobanq S.I.M.B.C, which will be secured on the Group's and the Company's property as well as three domestic aircraft. Per the signed loan agreement dated 20 April, 2022, Nouvobanq S.I.M.B.C confirmed its intention to extend the credit facility to Air Seychelles. The Ministry of Finance, Economic Planning and Trade approved the application for the advance to Air Seychelles, through a letter dated 22 April 2022.
- Positive net cash flow projections for the years 2022 to 2024, based on key trading assumptions reviewed and approved by the Administrators;
- By January 2022, the Group and the Company had already secured 72% of its pre-covid revenue and recovery is also to pre-covid level in line with IATA forecasts which predicts full recovery across commercial aviation by end of 2024;
- The Government of Seychelles has, to date, made three payments of USD 0.42 million each, on 28 January 2022, 18 February, 2022 and 15 March 2022 of the amount payable to Etihad of USD 5.0 million by 2022;
- In order to settle the amounts owed by Air Seychelles under the Facility Agreements, a special purpose vehicle was incorporated as a subsidiary of Air Seychelles (the "Air Seychelles SPV") on 31 March, 2022 to purchase the loans from the Lenders by way of novation. That purchase will be funded from the bank loan proceeds and other cash resources the Group and Company have; and
- The funds for the purchase shall be placed in escrow along with a deed of waiver and release and Debt Transfer Certificate from the Noteholders Committee. The winding up petition would then be withdrawn, the funds transferred to the Noteholder Committee's appointed account, the deed of waiver and release and Debt Transfer Certificate would then be executed and thus extinguish any obligations of Air Seychelles to the Lenders under the Facility Agreements.

(v) Positive cashflow forecasts

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

- That the Rescue Plan as agreed is realised and the winding up petition lodged by the Bondholders in the Seychelles court is formally withdrawn;
- That the travel restrictions resulting from the pandemic and the general impact of the pandemic on businesses and society, including the markets served by the Group and Company, do not deteriorate significantly from the current environment assumed in the cash flow forecasts.

2. Basis of preparation (continued)

(a) Going concern (continued)

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

Accordingly, the Directors conclude that the Group and the Company have adequate resources to continue in operational existence for a period of at least 12 months from the date of the approval of these financial statements and therefore 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 Act, 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.

3. Significant accounting policies

(a) Amendments to published Standards effective in the reporting period

- Definition of a Business (Amendments to IFRS 3) clarifies the definition of a business to help determine whether a transaction should be accounted for as a business combination or an asset acquisition and permits, in certain circumstances, a simplified assessment that an acquired set of activities and assets is not a business. *The amendments have no impact on the Group's and Company's financial statements.*
- Definition of Material (Amendments to IAS 1 and IAS 8) clarifies the definition of material and aligns the definitions used across IFRSs and other IASB publications. *The amendments have no impact on the Group's and Company's financial statements.*
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7) provides relief from certain hedge accounting requirements in order to avoid unnecessary discontinuation of existing hedge relationships during the period before the replacement of an existing interest rate benchmark with an alternative interest rate. *The amendments have no impact on the Group's and Company's financial statements.*

3. Significant accounting policies (continued)

(a) *Amendments to published Standards effective in the reporting period (continued)*

- Effective 1 June 2020, IFRS 16 was amended to provide a practical expedient for lessees accounting for rent concessions that arise as a direct consequence of the COVID-19 pandemic and satisfy the following criteria:
  (i) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
  (ii) The reduction in lease payments affects only payments originally due on or before 30 June 2021; and
  (iii) There is no substantive change to other terms and conditions of the lease. Rent concessions that satisfy these criteria may be accounted for in accordance with the practical expedient, which means the lessee does not assess whether the rent concession meets the definition of a lease modification. Lessees apply other requirements in IFRS 16 in accounting for the concession.

  The Group and Company applied the practical expedient to IFRS 16. Refer to note 7(b).

- Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4) extends the temporary exemption to accounting periods beginning before January 01, 2023. *The amendments have no impact on the Group's and the Company's financial statements.*

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

Certain standards, amendments to published standards and interpretations have been issued that are mandatory for accounting periods beginning on or after January 1, 2021 or later periods, but which the Group and Company have not early adopted.

At the reporting date of these financial statements, the following were in issue but not yet effective:

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28);
- IFRS 17 Insurance Contracts;
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1);
- Annual Improvements 2018–2020;
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
- Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37);
- Reference to the Conceptual Framework (Amendments to IFRS 3);
- Amendments to IFRS 17; and
- Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16).

Where relevant, the Group and the Company are still evaluating the effect of these Standards, Amendments to published Standards and Interpretations issued but not yet effective, on the presentation of its financial statements.

(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

Notes to the consolidated financial statements - Year ended 31 December, 2020

3. Significant accounting policies (continued)

(c) *Property and equipment (continued)*

- 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.

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 comparatives 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.

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 subsidiary

(i) Separate financial statements of the investor

In the separate financial statements of the investor, investment in a subsidiary company is 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.

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.

3. Significant accounting policies (continued)

(e) Investment in subsidiary (continued)

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 the 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 subsidiary 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.

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.

3. Significant accounting policies (continued)

(f) Financial assets and liabilities (continued)

Derecognition (continued)
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.

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.

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

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

All other financial assets are measured subsequently at fair value through profit or loss (FVTPL). The Group 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.

3. Significant accounting policies (continued)

(f) Financial assets and liabilities (continued)

Classification (Continued)

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 both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all financial assets other than trade receivables, the Group 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.

Definition of default

The Group and the Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- When there is a breach of financial covenants by the debtor; or
- Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group and the Company, in full (without taking into account any collateral held by the Group).

Irrespective of the above analysis, the Group and the Company considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

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.

3. Significant accounting policies (continued)

(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.

(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 business 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. 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) Other post employment benefits

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.

3. Significant accounting policies (continued)

(k) Employee benefits (continued)

(iii) Short-term employee benefits (continued)

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

Items included in the financial statements are measure 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 subsidiary are presented in USD, which is the Group's and the Company's functional and presentation currency.

Foreign currency transactions

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

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

(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;
(5) Recognise revenue.

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

3. Significant accounting policies (continued)

(n) Revenue recognition (continued)

(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.

(ii) Liquidated damages

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

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

(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) Loyalty points

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

So, when a guest who is a loyalty programme member buys an air ticket, he has a right to travel on the airline, and also a right to acquire miles and later redeem them to benefit from a range of services. Prior to the application of IFRS 15, sale and redemption of miles were recorded in the books of HM as follows:

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

3. Significant accounting policies (continued)

(n) Revenue recognition (continued)

(iv) Loyalty points (continued)

Application of IFRS 15:

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

The Group and Company discontinued this service as from 30 October 2020.

(v) Travel vouchers

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

3. Significant accounting policies (continued)

(p) Leases (continued)

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(d).

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.

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 recognise 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

4. Financial risk management (continued)

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.

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. Although geographically there is no significant concentration of risk, at the reporting date, majority of the Group's and Company's non paying customers were domiciled domestically.

(i) The table below 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	
	2020	2019	**2020**	2019	**2020**	2019
Figures in USD '000	**December**	December	**December**	December	**December**	December
Local	**1,540**	2,170	**(1,054)**	(1,412)	**486**	758
International	**10,585**	15,403	**(5,752)**	(8,432)	**4,833**	6,971
Total	**12,125**	17,573	**(6,806)**	(9,844)	**5,319**	7,729

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.

Notes to the consolidated financial statements - Year ended 31 December, 2020

4. Financial risk management (continued)

(a) Credit risk (continued)

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.

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.

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:

		THE GROUP & THE COMPANY	
Figures in USD '000	***Note***	**2020 December**	2019 December
Deposits (non-current)	***10***	**7,924**	7,804
Receivable from Shareholder and related parties	***11***	**5,609**	11,356
Trade and other receivables	***13***	**8,506**	9,971
Cash at cash equivalents	***14***	**11,285**	9,359
		33,324	38,490

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

The Group and the 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 both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. 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.

Notes to the consolidated financial statements - Year ended 31 December, 2020

4. Financial risk management (continued)

(a) Credit risk (continued)

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

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

Figures in USD '000	THE GROUP AND THE COMPANY	
	2020	2019
At 1 January,	**9,844**	6,351
(Reversal) /charge for the year (page 14)	**(3,038)**	3,493
At 31 December,	**6,806**	9,844

The ageing of trade receivables at the reporting date was:

Figures in USD '000	THE GROUP AND THE COMPANY					
	31 December 2020			31 December 2019		
	Gross	**Loss rates %**	**Impairment**	Gross	Loss rates %	Impairment
Current	**4,880**	**2.93**	**143**	1,714	5.72	98
Past due 1-30 days	**398**	**13.07**	**52**	2,200	7.59	167
Past due 31-60 days	**239**	**18.41**	**44**	2,436	7.72	188
Past due 61-90 days	**68**	**39.71**	**27**	803	12.58	101
Past due 91-120 days	**-**	**-**	**-**	581	40.45	235
Past due 121-180 days	**-**	**-**	**-**	1,576	75.19	1,185
Past due 181-365 days	**719**	**100.00**	**719**	1,188	73.74	876
Above 365 days	**5,821**	**100.00**	**5,821**	7,075	98.86	6,994
	12,125		**6,806**	17,573		9,844

No impairment was recognised for cash and cash equivalents, deposits, related party balances and other receivables (refer to note 13).

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

On 7 December 2021, a Rescue plan was been approved whereby the Bondholders, EA Partners B.V. I and II accepted to take a haircut of two thirds of the amount owed to them by the Group and Company. The Group and Company are expected to be in a position to negotiate the required funding to meet the payment of this commitment. Refer to notes 2(a) and 30.

4. Financial risk management (continued)

(b) Liquidity risk (continued)

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

31 December, 2020 **THE GROUP**	**Carrying amount**	**Contractual cash flows**	**1 year or less**	**2 - 5 years**	**More than 5 years**
Borrowings	**(79,347)**	**(82,780)**	**(76,026)**	**(4,316)**	**(2,438)**
Trade and other payables	**(14,278)**	**(14,278)**	**(14,278)**	**-**	**-**
Amounts due to related parties	**(63,836)**	**(63,836)**	**(63,836)**	**-**	**-**
Lease liabilities	**(53,630)**	**(75,618)**	**(11,352)**	**(32,757)**	**(31,509)**
	(211,091)	**(236,512)**	**(165,492)**	**(37,073)**	**(33,947)**

31 December, 2019	Carrying amount	Contractual cash flows	1 year or less	2 - 5 years	More than 5 years
Borrowings	(79,976)	(88,334)	(27,289)	(55,787)	(5,258)
Trade and other payables	(21,777)	(21,777)	(21,777)	-	-
Amounts due to related parties	(52,445)	(52,445)	(52,445)	-	-
Lease liabilities	(34,305)	(48,623)	(6,382)	(16,111)	(26,130)
	(188,503)	(211,179)	(107,893)	(71,898)	(31,388)

31 December, 2020 **THE COMPANY**	**Carrying amount**	**Contractual cash flows**	**1 year or less**	**2 - 5 years**	**More than 5 years**
Borrowings	**(79,347)**	**(82,780)**	**(76,026)**	**(4,316)**	**(2,438)**
Trade and other payables	**(16,505)**	**(16,505)**	**(16,505)**	**-**	**-**
Amounts due to related parties	**(63,836)**	**(63,836)**	**(63,836)**	**-**	**-**
Lease liabilities	**(53,630)**	**(75,618)**	**(11,352)**	**(32,757)**	**(31,509)**
	(213,318)	**(238,739)**	**(167,719)**	**(37,073)**	**(33,947)**

31 December, 2019	Carrying amount	Contractual cash flows	1 year or less	2 - 5 years	More than 5 years
Borrowings	(79,976)	(88,334)	(27,289)	(55,787)	(5,258)
Trade and other payables	(24,004)	(24,004)	(24,004)	-	-
Amounts due to related parties	(52,445)	(52,445)	(52,445)	-	-
Lease liabilities	(34,305)	(48,623)	(6,382)	(16,111)	(26,130)
	(190,730)	(213,406)	(110,120)	(71,898)	(31,388)

(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.

4. Financial risk management (continued)

(c) *Market risk (Cont'd)*

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:

Figures in thousands of currency units

	31 December, 2020			31 December, 2019		
	SCR	ZAR	EUR	SCR	ZAR	EUR
Trade and other receivables	40,302	8,807	2,993	26,486	10,281	3,460
Cash and cash equivalents	45,270	6,460	981	17,882	8,357	235
Trade and other payables	(10,190)	(863)	(149)	(18,753)	(1,748)	(42)
Total of currency units	75,382	14,404	3,825	25,615	16,890	3,653
USD equivalent	3,555	979	4,673	1,870	1,204	4,083

The following significant exchange rates applied during the year:

USD	Average rates		Reporting date spot rates	
	2020 December	2019 December	**2020 December**	2019 December
SCR 1	**0.060**	0.074	**0.047**	0.073
EUR 1	**1.170**	1.131	**1.222**	1.118
ZAR 1	**0.070**	0.070	**0.068**	0.071

Sensitivity analysis

A strengthening/(weakening) of USD against SCR, EUR and ZAR at 31 December 2020 would have (decreased)/increased profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group 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 2019.

Effect on profit or loss in thousands of USD	Strengthening	Weakening
31 December, 2020		
SCR (1% movement)	(36)	36
EUR (1% movement)	(47)	47
ZAR (1% movement)	(10)	10
31 December, 2019		
SCR (1% movement)	(19)	19
EUR (1% movement)	(41)	41
ZAR (1% movement)	(12)	12

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.

Notes to the consolidated financial statements - Year ended 31 December, 2020

4. Financial risk management (continued)

(c) Market risk (continued)

Commodity price risk (continued)

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. 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.

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. 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**	
	2020 December	2019 December
Borrowings	**79,347**	79,976
Less: Cash and cash equivalents	**(11,343)**	(9,418)
Net debt	**68,004**	70,558
Share capital	**72,617**	72,617
Total capital and net debt	**140,621**	143,175

(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.

4. Financial risk management (continued)

(d) Accounting classifications and fair values (continued)

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

There are material uncertainties related to events or conditions that may cast significant doubt on the Group's and Company's ability to continue as a going concern. These are detailed under notes 2(a) and 30.

(b) Passenger and cargo revenue recognition

Passenger and cargo sales are recognised when each performance obligation for the transportation is fulfilled. 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 was 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. Refer to note 3(a)(i).

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 forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

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.

5. Significant accounting estimates and judgements (Continued)

(d) Calculation of expected credit losses (continued)

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 expectations of future conditions. Refer to note 4(a).

(e) Impairment of non-financial assets

Property and equipment, right of use assets and intangible assets 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.

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) Length of service

The amendments to the Seychelles Employment Act in the year 1999 entitled one day wage for each completed month of service provided the employee has completed five years continuous service. The Company accrues this liability on a current basis and carries it to a provision account for payments to be made as and when they occur. The Directors have estimated that the amount of the liability provided will not be materially different had it been computed by an external Actuary.

(i) 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, 2020

6. Property and equipment

THE GROUP & THE COMPANY
Figures in USD '000

	Land & buildings	Aircraft, engines, accessories & technical	Aircraft and engine overhaul	Operating equipment	Furniture & fittings	Computers & office equipment	Motor vehicles	Capital work in progress	Total
COST									
At 1 January 2019	6,043	40,032	1,321	5,863	1,517	1,412	1,196	1,145	58,529
Additions	-	1,094	881	400	7	12	67	483	2,944
Disposals adjustment	-	(15)	-	-	-	-	(101)	-	(116)
Transferred to assets held for sale	-	(357)	-	-	-	-	-	-	(357)
Transfers (from) / to	-	(405)	1,550	-	-	-	-	(1,145)	-
At 31 December 2019	**6,043**	**40,349**	**3,752**	**6,263**	**1,524**	**1,424**	**1,162**	**483**	**61,000**
Additions	**-**	**726**	**-**	**33**	**1**	**-**	**15**	**188**	**963**
Disposals adjustment	**-**	**(5)**	**-**	**-**	**-**	**(64)**	**(219)**	**-**	**(288)**
Adjustments	**-**	**30**	**-**	**-**	**-**	**-**	**-**	**(483)**	**(453)**
At 31 December 2020	**6,043**	**41,100**	**3,752**	**6,296**	**1,525**	**1,360**	**958**	**188**	**61,222**
ACCUMULATED DEPRECIATION									
At 1 January 2019	4,165	5,037	589	3,305	1,504	665	883	-	16,148
Charge for the year	69	1,473	1,067	413	7	248	123	-	3,400
Disposals adjustment	-	(1)	-	-	-	-	(99)	-	(100)
Transfers (from) / to	-	(122)	32	-	-	-	-	-	(90)
At 31 December 2019	**4,234**	**6,387**	**1,688**	**3,718**	**1,511**	**913**	**907**	**-**	**19,358**
Charge for the year	**69**	**1,051**	**809**	**391**	**6**	**245**	**121**	**-**	**2,692**
Disposals adjustment	**-**	**-**	**-**	**-**	**-**	**(64)**	**(209)**	**-**	**(273)**
Adjustments	**-**	**(8)**	**-**	**-**	**-**	**-**	**-**	**-**	**(8)**
At 31 December 2020	**4,303**	**7,430**	**2,497**	**4,109**	**1,517**	**1,094**	**819**	**-**	**21,769**
ACCUMULATED IMPAIRMENT LOSSES									
At 1 January 2019 and 31 December 2019 & 2020	**23**	**1,363**	**-**	**117**	**-**	**-**	**-**	**-**	**1,503**
NET BOOK VALUE									
At 31 December 2020	**1,717**	**32,307**	**1,255**	**2,070**	**8**	**266**	**139**	**188**	**37,950**
At 31 December 2019	1,786	32,599	2,064	2,428	13	511	255	483	40,139

The borrowings are secured against two Twin otter aircraft purchased using loans (refer to note 18).

Notes to the consolidated financial statements - Year ended 31 December, 2020

7. Leases

(a) Right-of-use assets

Figures in USD '000	THE GROUP AND THE COMPANY
At 1 January, 2019 – effect of adoption of IFRS 16	4,976
Additions	34,395
Amortisation charge for the year (page 24)	(4,364)
At 31 December, 2019	**35,007**
Additions	**26,968**
Amortisation charge for the year (page 24)	**(7,116)**
At 31 December, 2020	**54,859**

(i) Pre-delivery costs amounting to **USD 0.5 million** (2019: USD 0.8 million) were capitalised to right of use assets in 2020.

(b) Lease liabilities

Figures in USD '000	THE GROUP AND THE COMPANY	
	2020	2019
At 1 January,	**34,305**	4,976
Additions	**26,485**	33,520
Finance cost (note 26)	**537**	118
Payments	**(9,695)**	(4,309)
Effect of lease deferral (note 26)	**1,906**	-
Exchange loss	**92**	-
At 31 December,	**53,630**	34,305
Analysed as:		
Non-current	**46,144**	29,838
Current	**7,486**	4,467
Total lease liabilities	**53,630**	34,305

(i) Right-of-use assets primarily consists aircraft and offices space.

8. Intangible assets

Figures in USD '000	THE GROUP AND THE COMPANY	
	2020	2019
Cost		
At 1 January,	**16,626**	16,626
Additions	**122**	-
At 31 December,	**16,748**	16,626
Accumulated amortisation and impairment		
At 1 January,	**6,069**	4,409
Charge for the year	**1,637**	1,660
Impairment losses (note 25)	**8,922**	-
At 31 December,	**16,628**	6,069
Carrying amount	**120**	10,557

Notes to the consolidated financial statements - Year ended 31 December, 2020

9. Investment in Subsidiary

Figures in USD '000

	THE COMPANY
	2020 & 2019 December
Cost - unquoted	**2,227**

The subsidiary Airport Equipment Services Ltd (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, Mahe, Seychelles and its principal activity is to provide, manage and coordinate ground handling services at the Seychelles International Airport and Praslin Airport.

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

(a) Authorised and issued

5,000 shares of SCR 6,000 each

(b) Ownership:	**No of shares**	**% Shareholding 2020** & 2019
Air Seychelles Limited	**4,999**	**100%**
Government of Seychelles	**1**	**0%**
	5,000	**100%**

(c) The Subsidiary has not yet started its activities since incorporation and the Directors consider that the cost represents its fair value and no impairment is required at December 31, 2020 (2019: Nil).

10. Deposits

Figures in USD '000

	THE GROUP AND THE COMPANY	
	2020	2019
Deposit - loans	**3,595**	3,595
Deposit - others	**4,329**	4,209
At 31 December	**7,924**	7,804

As at 31 December 2020 deposits of **USD 3.6 million** *(2019: USD 3.6 million)* have been pledged with the Bank (The Bank of New York Mellon, London Branch) against loans from EA Partners I B.V. and EA Partners II B.V. as disclosed in note 18.

Deposit - others are not discounted due to immateriality of the finance costs involved.

Notes to the consolidated financial statements - Year ended 31 December, 2020

11. Receivables from related parties

Figures in USD '000	THE GROUP AND THE COMPANY	
	2020 December	2019 December
Due from shareholders (note 11(a))	**5,529**	11,264
Amounts due from government-owned entities	**80**	92
	5,609	11,356

	THE GROUP AND THE COMPANY	
	2020 December	2019 December
Analysed as:		
Non-current	**2,470**	3,616
Current	**3,139**	7,740
	5,609	11,356

(a) Amount due from Shareholders comprises grants amounting to **USD 3.6 million** from the Government of Seychelles which are amortised over 7 years at an interest rate of 5% (in 2019: a grant of USD 5m was also received as reimbursement for operating expenses incurred).

12. Inventories

Figures in USD '000	THE GROUP AND THE COMPANY	
	2020 December	2019 December
Aircraft spares	**11,116**	10,222
Inflight consumables & others	**1,601**	1,570
Less allowance for slow-moving / obsolete inventories	**(817)**	(501)
	11,900	11,291

Inflight consumables include **USD 0.2 million** (2019: USD 0.4 million) relating to items which are not expected to be consumed within 12 months after the reporting period.

Amount in provision for slow moving stocks of **USD 0.3 million** (2019: USD 0.1 million) has been included in 'Other administrative expenses. Refer to note 25.

13. Trade and other receivables

Figures in USD '000	THE GROUP AND THE COMPANY	
	2020 December	2019 December
Trade receivables (notes 4(a)(i) & 13(a))	**5,319**	7,729
Deposits and advances	**2,237**	2,578
Other receivables	**3,187**	2,242
	10,743	12,549

Notes to the consolidated financial statements - Year ended 31 December, 2020

13. Trade and other receivables (continued)

(a) Trade receivables are stated net of allowance for Expected Credit Losses (ECL) amounting to **USD 6.8 million** *(2019: USD 9.8 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	
	2020 December	2019 December
Cash at bank		
- in call accounts	**581**	580
- in current accounts	**10,704**	8,779
Cash in hand	**58**	59
Cash and cash equivalents	**11,343**	9,418

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

As at 31 December 2020, the Group and the Company are committed to sell certain assets and accordingly these assets have been presented as held for sale. These transactions are expected to be finalised within the next 12 months. The movements in the balance as follows:

Figures in USD '000	THE GROUP AND THE COMPANY	
	2020	2019
At 1 January	**874**	484
Transferred from non-current assets	**-**	608
Adjustments	**86**	-
Impairment	**-**	(123)
Disposal	**-**	(95)
At 31 December	**960**	874

16. Share capital

***(a)* Authorised and issued (31 December 2020 and 2019)**

650,000 shares of SCR 1,000 each	THE GROUP AND THE COMPANY	
***(b)* Ownership:**	**SCR '000**	**USD '000**
Government of Seychelles	**390,000**	52,001
Etihad Airways PJSC	**260,000**	20,616
	650,000	72,617

Notes to the consolidated financial statements - Year ended 31 December, 2020

16. Share capital (continued)

(d) 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. Provision for end of service benefits

Figures in USD '000	THE GROUP AND THE COMPANY	
	2020 December	2019 December
Non current		
Provision for end of service benefits	**2,110**	3,482

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

Figures in USD '000	THE GROUP AND THE COMPANY	
	2020 December	2019 December
At 1 January	**3,482**	3,251
Charge for the year (included in note 25(a))	**718**	901
Payments made during the year	**(2,090)**	(670)
At 31 December	**2,110**	3,482

18. Borrowings

Figures in USD '000	THE GROUP AND THE COMPANY	
	2020 December	2019 December
Loan from shareholder	**6,729**	7,358
Loan from EA Partners II B.V.	**-**	50,000
Non-current portion of borrowings	**6,729**	57,358
Loan from shareholder	**1,079**	1,079
Loan from EA Partners I B.V.	**21,539**	21,539
Loan from EA Partners II B.V.	**50,000**	
Current portion of borrowings	**72,618**	22,618
	79,347	79,976

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

Counterparty	Etihad Airways PJSC	EA Partners II B.V.	EA Partners I B.V.
Facility amount (USD '000)	25,000	21,539	50,000
Date of drawdown	27 February 2014	28 September 2015	26 May 2016
Final maturity date	30 October 2026	28 September 2020	1 June 2021
Interest per annum	5%	7.06%	7.06%
Repayment	Quarterly	On maturity	On maturity
Balance at reporting date (USD '000)	7,808	21,539	50,000
Security	Domestic Aircraft financed from loans injected by Etihad Airways PJSC	None	None

Notes to the consolidated financial statements - Year ended 31 December, 2020

18. Borrowings (continued)

Figures in USD '000

Movement on borrowings

	THE GROUP AND THE COMPANY	
	2020	2019
At 1 January	**79,976**	80,811
Repayments	**(629)**	(835)
At 31 December	**79,347**	79,976

19. Trade and other payables

Figures in USD '000

	THE GROUP		THE COMPANY	
	2020 December	2019 December	**2020 December**	2019 December
Current				
Trade payables	**2,877**	1,321	**2,877**	1,321
Accruals and other payables	**11,400**	20,130	**13,627**	22,357
Accruals for staff annual leave	**1**	326	**1**	326
	14,278	21,777	**16,505**	24,004

20. Amount due to related parties

Figures in USD '000

		THE GROUP AND THE COMPANY	
		2020 December	2019 December
Amounts due to shareholders :	Etihad Airways PJSC	**62,972**	51,186
	Government of Seychelles	**280**	148
Amounts due to Government-owned entities		**584**	1,111
		63,836	52,445

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 were issued.

Figures in USD '000

	THE GROUP AND THE COMPANY	
	2020 December	2019 December
Forward Sales Passenger and Cargo	**5,552**	9,033
Tax collected on tickets	**541**	1,289
	6,093	10,322

(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.

Notes to the consolidated financial statements - Year ended 31 December, 2020

22. Revenue from contracts with customers

Figures in USD '000

	THE GROUP AND THE COMPANY	
	2020 December	2019 December
Passenger services	**18,786**	53,009
Cargo services	**3,894**	4,352
Charter services	**3,526**	2,854
Ground handling services	**8,601**	19,454
	34,807	79,669

23. Other income

Figures in USD '000

	THE GROUP AND THE COMPANY	
	2020 December	2019 December
Government grants	**8,726**	6,000
Gain on sale of property and equipment	**178**	28
Others	**4,564**	3,098
	13,468	9,126

24. Direct operating costs

Figures in USD '000

	THE GROUP AND THE COMPANY	
	2020 December	2019 December
Fuel and oil	**5,065**	16,325
Aircraft and engine maintenance	**4,516**	13,896
Aircraft and engine operating leases	**-**	2,350
Landing and parking	**441**	1,183
Overflying	**809**	1,896
Staff costs (note 25(a))	**10,784**	16,519
In-flight consumables	**1,295**	4,241
Handling	**1,445**	2,052
Crew layover	**768**	1,836
Commission and incentives	**431**	1,486
Depreciation and amortisation (notes 6 and 8) (note 24(a))	**2,257**	2,959
Amortisation of Right-of-use assets (note 7(a))	**7,116**	4,364
Aircraft insurance	**794**	620
Other direct operating costs	**1,260**	4,204
	36,981	73,931

(a) Depreciation and amortisation charge for the year (notes 6 & 7) has been allocated between 'Direct operating costs' and 'Administrative and marketing expenses'.

Notes to the consolidated financial statements - Year ended 31 December, 2020

25. Administrative and marketing expenses

Figures in USD '000

	THE GROUP AND THE COMPANY	
	2020 December	2019 December
Staff costs (note 25(a))	**1,333**	2,042
Rent and utilities	**413**	758
Communications	**1,239**	1,774
Transport and vehicle	**86**	163
General repairs and maintenance	**88**	383
Legal and professional	**1,587**	1,304
Advertisement and promotion	**119**	319
Depreciation and amortisation (notes 6 and 8)	**2,072**	2,101
Other administrative and marketing expenses	**4,115**	3,001
Impairment losses (note 8)	**8,922**	-
	19,974	11,845

USD 8.9 million relates to impairment losses recognised on the Sabre Passenger Service System (Sabre PSS) software following the implementation of a new Passenger Service System, Hitit, in November 2020. Since the cut over, the Sabre system has been laid idle and Management has no intention to use this system in the future. Currently, Sabre PSS is not yet decommissioned, but it has been fully impaired.

25.(a) Related staff costs

Figures in USD '000

	THE GROUP AND THE COMPANY	
	2020 December	2019 December
Salaries and allowances	**9,970**	13,226
Other staff related costs	**2,147**	5,335
	12,117	18,561

26. Finance income and finance costs

Figures in USD '000

	THE GROUP AND THE COMPANY	
	2020 December	2019 December
Finance income - grant	**236**	293
Finance costs		
Interest expense: Borrowings	**5,868**	6,169
Lease liabilities (note 7(b))	**537**	118
Effect of lease deferral (notes 7(b) & 26(a))	**1,906**	-
Net foreign exchange loss	**857**	262
	9,168	6,549

(a) As a direct result of effect of Covid - 19, 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 negotiation, 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. 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 Statement of Profit and Loss as finance costs.

Notes to the consolidated financial statements - Year ended 31 December, 2020

27. 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. 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	
		2020 December	2019 December
	Government-owned entity		
Aviation fuel	Seychelles Petroleum Company Limited	**2,747**	7,415
Landing and parking	Seychelles Civil Aviation Authority	**110**	426
Overflying	Seychelles Civil Aviation Authority	**178**	388
Operating lease of land and buildings	Seychelles Civil Aviation Authority	**298**	462

Transactions with shareholders

Figures in USD '000

	THE GROUP AND THE COMPANY	
	2020 December	2019 December
Government grant (reimbursements)	**8,726**	6,000
Interest on loan from shareholder	**404**	362
Operating lease expenses for aicraft - Etihad Airways PJSC	**807**	4,762

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	
	2020 December	2019 December
Short term employee benefits	**1,340**	1,292
Post-retirement benefits	**113**	115
	1,453	1,407

Notes to the consolidated financial statements - Year ended 31 December, 2020

27. Related party transactions and balances (continued)

Directors' emoluments

None of the Directors of the Group and Company received any emoluments from the Company during the year (*2019: nil*)

Related parties balances

Figures in USD '000

	THE GROUP AND THE COMPANY	
	2020 December	2019 December
Amounts due to:		
Government ministries	**280**	148
Government - owned entities	**584**	1,111
Shareholders	**70,780**	59,623
EA Partners B.V I and II	**71,539**	71,539
	143,183	132,421
Amounts due from:		
Government ministries	**5,529**	11,264
Government -owned entities	**80**	92
	5,609	11,356

28. Commitments

Figures in USD '000

	THE GROUP AND THE COMPANY	
	2020 December	2019 December
Capital commitments	**4,789**	4,774

29. Contingent liabilities

Figures in USD '000

	THE GROUP AND THE COMPANY	
	2020 December	2019 December
Letters of guarantee	**1,256**	917

Notes to the consolidated financial statements - Year ended 31 December, 2020

30. Events after the reporting period

IAS 10 - Events After the Reporting Period

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

(a) Non-adjusting events

Major non-adjusting events which occurred from date of reporting period to date of approval of these financial statements:

A: In 2021

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

2 For 2021, the Government thus proposed a salary support package of USD 5.7 million to the Group and the Company (SCR 103 million, equivalent of nine months' salary for 2021) which was ultimately approved by the National Assembly and by end of October 2021, this salary support package had been fully disbursed.

3 On 25 March 2021, with the Seychelles International Airport resuming its normal operations after the suspension of normal activities due to the Covid-19 pandemic, the Group and the Company resumed their flights to Tel Aviv, starting with one weekly flight. Other airlines (Emirates and Qatar), slowly resumed their flights back to the Seychelles and are also gradually bringing in increased revenue for scheduled flight ground handling.

4 Significant cost cutting measures implemented in 2021 were as follows:

- Salary cuts for employees earning over SCR 1.7 thousand will continue until March 2022 thereafter a structural reduction is anticipated to be implemented;
- Temporary salary cuts on domestic pilots (equivalent to the cut envisaged for this group long-term) implemented from 1 July 2021 and this was more aggressive than the temporary cuts previously applied in July 2020. Decrease in salary for pilots is approximately 40%; and
- Voluntary redundancies initiated from the end of March 2021 which saw the departure of 80 staff members. Compulsory redundancies of 11 pilot posts was also applied for but has been rejected by the Ministry of Employment.

5 In April 2021, an agreement was reached between the Shareholders for GOS to buy out secured and unsecured liabilities due by the Group and the Company to EAGIHC and Etihad Airways amounting to USD 62.2 million of liabilities and USD 8.0 million of secured shareholder loans at a 79% discount, terminate avrious agreements including the Investment and Management contracts and put in place a transition period for management until 30 June 2021, and transfer all of Etihad's shares in Air Seychelles to GOS for USD 1. The unsecured liabilities of USD 62.2 million included commercial invoices for services rendered by Etihad to the Company. The final reconciliation to bring the balance for Etihad trade payables on par with this agreement was performed in December 2020 and resulted in an adjustment of USD 0.5 million to the Statement of Profit and Loss for that period (refer to note 2a).

6 The Group and Company defaulted on their debt obligations to EA Partners I B.V and EA Partners II B.V. The maturity profile of these debts required principal payments of USD 21.5 million to EA Partners I B.V in Sept 2020 and USD 50.0 million to EA Partners II B.V. at the beginning of June 2021. Furthermore, interest and deposit payments totalling USD 4.3 million for EA Partners I B.V. up to the date of maturity of the bonds were also defaulted on.

7 The Bondholders served a winding up petition dated 24 August 2021 against Air Seychelles in the Courts of Seychelles. The Bondholders followed up by sending a letter the same day to the Company offering to withdraw the petition if both parties could engage and come to an agreement regarding the settlement of the debt. In the third quarter of 2020 GOS had agreed to provide USD 20.0 million to the Group and the Company to settle all outstanding debts due to the EA Partners, which represented a 72% discount on their face value, however, this was not accepted by the steering committee of the Bondholders.

Notes to the consolidated financial statements - Year ended 31 December, 2020

30. Events after the reporting period (continued)

(a) Non-adjusting events (Cont'd)

A: In 2021 (Cont'd)

The Bondholders insisted on a high rate of recovery in anticipation that GOS would inject the necessary funds. However, since the initial USD 20.0 million offer by the GOS, it entered into an IMF programme in July 2021 which prevents GOS directly injecting any funds into the airline during this programme. Hence, restructuring and repayment of the debt to the Bondholders would have to be borne by the Group and the Company.

8 In October 2021, USD 2.5 million was deposited with IATA as a security against unflown sales.

9 On 4 October 2021, the Board of the Group and the Company placed the Group and the Company in voluntary administration due to financial difficulties as it failed to repay debts mainly to Bondholders and one major creditor, Etihad. Mr. Bernard Pool and Mr. Suketu Patel were appointed as Administrators. The Bondholders representatives and Air Seychelles agreed in court in November, 2021 that the winding up petition be stayed while a solution is sought through the Administration process.

10 A first Creditors' meeting was held on 28 October 2021 whereby the choice of Administrators and their remuneration were validated by all parties and a Statement of Affairs prepared by the Administrators of the Group and the Company were provided that same day.

11 On 7 December 2021 both the Bondholder of EA Partners B.V. I and II and the Government of Seychelles voted in favor of a rescue plan in their capacity as creditors as per section 231 of the Seychelles Insolvency Act 2013 (refer to note 2 (a)).

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

B In 2022

1 The following events regarding the realisation of the Rescue Plan took place:

- Intensive negotiations for raising of funds to settle the debts of the Bondholders by 11 May, 2022;
- The Group and the Company applied for a loan of USD 16.5m from Nouvobanq S.I.M.B.C, which will be secured on the Group's and the Company's property as well as three domestic aircraft. Per the signed loan agreement dated 20 April, 2022, Nouvobanq S.I.M.B.C confirmed its intention to extend the credit facility to Air Seychelles. The Ministry of Finance, Economic Planning and Trade approved the application for the advance to Air Seychelles, through a letter dated 22 April 2022;
- Positive net cash flow projections for the years 2022 to 2024, based on key trading assumptions reviewed and approved by the Administrators; and
- The Government of Seychelles has, to date, made three payments of USD 0.42 million each, on 28 January 2022, 18 February, 2022 and 15 March 2022 of the amount payable to Etihad of USD 5.0 million by 2022;
- In order to settle the amounts owed by Air Seychelles under the Facility Agreements, a special purpose vehicle was incorporated as a subsidiary of Air Seychelles (the "Air Seychelles SPV") on 31 March, 2022 to purchase the loans from the Lenders by way of novation. That purchase will be funded from the bank loan proceeds and other cash resources the Group and Company have;

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

3 On 28 February 2022, Air Seychelles signed a 3 months wet lease contract with a fixed minimum revenue of USD 0.7m per month whereby one A320 NEO would be fully utilized under the contract.

Notes to the consolidated financial statements - Year ended 31 December, 2020

31. Five-year finanical summary

Figures in USD '000

	THE GROUP AND THE COMPANY				
		Restated			
	2020	2019	2018	2017	2016
(Loss) / Profit for the year	**(14,574)**	(6,730)	(42,805)	(14,287)	425
Revenue deficit brought forward	**(135,929)**	(129,199)	(78,567)	(61,416)	(61,841)
Prior year adjustment to revenue deficit for 2017	**-**	-	-	(2,826)	-
Prior adjustment to profit for the year for 2017	**-**	-	-	(38)	-
Adjustment on initial application of IFRS 15	**-**	-	(3,182)	-	-
Adjustment on initial application of IFRS 9	**-**	-	(4,645)	-	-
Revenue deficit carried forward	**(150,503)**	(135,929)	(129,199)	(78,567)	(61,416)
Capital & reserves					
Share capital	**72,617**	72,617	72,617	72,617	72,617
Revenue deficit	**(150,503)**	(135,929)	(129,199)	(78,567)	(61,416)
Owner's interest	**(77,886)**	(63,312)	(56,582)	(5,950)	11,201
Non-controlling interest	**-**	-	-	-	-
Total equity	**(77,886)**	(63,312)	(56,582)	(5,950)	11,201