

Air Seychelles Limited

Financial statements

31 December 2013



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Directors' Report

The Directors are pleased to submit the report of Air Seychelles Limited together with its audited financial statements for the year ended 31 December 2013

1. Principal activities

The principal activities of the Company are to provide commercial air transportation which includes passenger and cargo services on scheduled and charter basis. The Company also provides handling and lounge services to other carriers at the Seychelles International Airport in Mahé and Praslin Domestic Airport. In 2013, the Air Seychelles VIP and Fixed Based Operations services were launched.

These other activities have remained unchanged during the year under review.

2. Equity

On 23 January 2012, a Memorandum of Understanding was signed between the Government of Seychelles ("GOS") and Etihad Airways PJSC ("Etihad"), for Etihad to acquire 40% equity stake in Air Seychelles Ltd for a consideration of USD 20 million. Etihad also committed to providing USD 25 million by way of Shareholders' Loan to support the working capital requirements of the Company. Subsequently on 15 March 2012, all three parties signed an Investment Agreement and a Management Services Agreement.

3. Results

Net profit

Net profit of the Company for the year ended 31 December 2013 amounted to US 3.078m (period ended 31 December 2012: Net profit of US 0.945m).

4. Dividends

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

5. Directors

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

Minister Joel Morgan (as from 15 March 2012)
 Maurice Loustau- Lalanne (as from 16 April 2011)
 Steve Fanny (as from 15 March 2012)
 Jean Weeling-Lee (as from 8 January 2009)
 Kevin Knight (as from 15 March 2012)
 Duncan Naysmith (as from 15 March 2012)
 Bassam A Al Mosa (as from 15 March 2012)

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

6. Statement of Directors' Responsibilities

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

The Board is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in compliance with the Companies 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 Company and those that are held in trust and used by the Company.

The Directors consider they have met their aforesaid responsibilities.

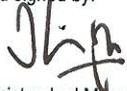
7. Auditors

KPMG were appointed as auditors of the Company by the Board of Directors on 15 March 2012.

8. By Order of the Board

Approved by the Board of Directors on

and signed by:



Minister Joel Morgan
Chairman



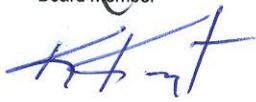
Jean Weeling-Lee
Board Member



Bassam A Al Mosa
Board Member



Maurice Lousteau-Lalanne
Board Member



Kevin Knight
Board Member



Duncan Naysmith
Board Member



Steve Fanny
Board Member



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Nation Tower 2, Corniche
Abu Dhabi
United Arab Emirates

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Website www.ae-kpmg.com

Independent Auditors' Report

The Shareholders
Air Seychelles Limited
P O Box 386
Victoria
Seychelles

Report on the Financial Statements

We have audited the accompanying financial statements of Air Seychelles Limited (the "Company"), which comprise the statement of financial position as at 31 December 2013, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

As required by the Companies Act, 1972 and Public Enterprises (Monitoring) Act, 2009 of Seychelles, we further confirm that we have no relationship with or interests in the Company, other than in our capacity as auditors, we have obtained all information and explanations necessary for our audit and proper financial records have been kept by the Company as it appears from our examination of reports.

A handwritten signature in blue ink, appearing to read 'Munther Dajani', with a long horizontal line extending to the right.

KPMG Lower Gulf Limited
Munther Dajani
Registration No.: 268

02 JUL 2014

Air Seychelles Limited

Statement of comprehensive income

for the year / period* ended

in thousands of USD

	Note	December 2013	December 2012*
Revenue			
Revenue	7	88,734	42,841
Direct operating costs	8	(88,106)	(41,600)
Other income	9	16,048	9,466
Administrative and marketing expenses	10	(12,901)	(9,061)
Results from operating activities		3,775	1,646
Finance income	12	51	786
Finance costs	12	(800)	(1,313)
Net finance costs		(749)	(527)
Profit for the year / period* before income tax		3,026	1,119
Tax expense	28	-	(3)
Profit for the year / period*		3,026	1,116
Other comprehensive income			
Items that will be reclassified to profit and loss			
Net change in fair value of available-for-sale financial asset	19	52	(171)
Other comprehensive income / (loss) for the year / period*		52	(171)
Total comprehensive income for the year / period *		3,078	945

The notes set out on pages 12 to 35 form an integral part of these financial statements

The independent auditors' report is set out on pages 5 and 6.

* for the period from 1 April 2012 to 31 December 2012

Air Seychelles Limited

Statement of financial position

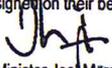
as at
in thousands of USD

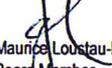
	Note	31 December 2013	31 December 2012
Assets			
Non Current Assets			
Property, plant and equipment	13	14,785	13,569
Intangible assets - software	14	211	63
Deposits	15	56	337
Total non current assets		15,052	13,969
Current assets			
Inventories	16	6,667	4,576
Trade and other receivables	17	24,745	6,460
Amounts due from related parties	18	2,019	296
Available-for-sale financial asset	19	488	436
Cash in hand and at banks	20	9,243	14,989
Total current assets		43,162	26,757
Total assets		58,214	40,726
Equity and liabilities			
Equity			
Share capital	23	72,617	72,617
Accumulated losses		(67,155)	(70,181)
Reserves	24	488	436
Total equity		5,950	2,872
Liabilities			
Non-current liabilities			
Trade and other payables	21	2,026	1,715
Loans and borrowings	22	187	244
Total non-current liabilities		2,213	1,959
Current liabilities			
Trade and other payables	21	16,934	19,407
Loans and borrowings	22	52	52
Amounts due to related parties	18	24,535	11,518
Unearned revenue		8,530	4,918
Total current liabilities		50,051	35,895
Total liabilities		52,264	37,854
Total equity and liabilities		58,214	40,726

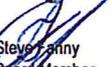
The notes set out on pages 12 to 35 form an integral part of these financial statements.

The independent auditors' report is set out on pages 5 and 6.

These financial statements were approved and authorized for issued by Board of Directors on **28 MAR 2014** and signed on their behalf by:


Minister Joel Morgan
Chairman


Maurice Loustau-Lalanne
Board Member


Steve Fanny
Board Member


Jean Weeling-Lee
Board Member


Bassam A Al Mosa
Board Member


Kevin Knight
Board Member


Duncan Naysmith
Board Member

Air Seychelles Limited

Statement of changes in equity

for the year / period*ended

in thousands of USD

	Share capital (Note 23)	Accumulated losses	Reserves (Note 24)	Total equity
At 1 April 2012	72,617	(71,297)	607	1,927
<i>Total comprehensive income:</i>				
Profit for the year / period *	-	1,116	-	1,116
Other comprehensive income	-	-	(171)	(171)
Total comprehensive income for the period	-	1,116	(171)	945
At 31 December 2012	72,617	(70,181)	436	2,872
At 1 January 2013	72,617	(70,181)	436	2,872
<i>Total comprehensive income:</i>				
Profit for the year	-	3,026	-	3,026
Other comprehensive income	-	-	52	52
Total comprehensive income for the year	-	3,026	52	3,078
At 31 December 2013	72,617	(67,155)	488	5,950

The notes set out on pages 12 to 35 form an integral part of these financial statements.

* for the period from 1 April 2012 to 31 December 2012

Air Seychelles Limited

Statement of cash flows

for the year / period* ended

in thousands of USD

	<i>Note</i>	31 December 2013	31 December 2012
Profit for the year / period* before taxes			
		3,026	1,119
Adjustments for:			
Depreciation	13	2,018	2,513
Amortisation	14	8	12
Loss / (profit) on disposal and write-offs of property plant and equipment	13	781	(242)
Loss on write-off of inventories	16	-	79
Reversal of provision for impairment of property plant and equipment	13	(283)	(370)
Reversal of provision for impairment of trade receivables	17	(560)	(748)
Reversal of provision for Impairment for obsolescence on inventories	16	(1,634)	(810)
Bad debts written off	10	23	595
Charge for staff terminal benefits during the year	21	549	240
Finance costs	12	504	1,313
Finance income	12	(51)	(32)
Grants relating to loan waivers, interest payments and reversal of provisions	9	(6,305)	(6,568)
		(1,924)	(2,899)
Changes in:			
- inventories	16	(457)	812
- trade and other receivables	17	(17,723)	(367)
- amounts due from related parties	18	(1,723)	15,812
- non-current deposits	15	281	(111)
- trade and other payables	21	3,832	(1,604)
- amounts due to related parties	18	13,017	(5,099)
- unearned revenue		3,612	(3,630)
Staff terminal benefits paid	21	(238)	(707)
Cash (used in) / from operating activities		(1,323)	2,207
Taxes paid	28	-	(3)
Net cash (used in) / from operating activities		(1,323)	2,204
Cash flows from investing activities			
Acquisition of property, plant and equipment	13	(3,831)	(1,384)
Acquisition of intangible assets	14	(156)	(50)
Proceeds from disposal of property, plant and equipment	13	75	600
Dividends received	12	42	28
Interest received	12	9	4
Net cash used in investing activities		(3,861)	(802)

Air Seychelles Limited

Statement of cash flows *(continued)*

for the year / period*ended

in thousands of USD

		31 December	31 December
		2013	2012
Cash flows from financing activities			
Net (repayment) of / proceeds from loans and borrowings	22	(57)	1,428
Interest paid	12	(504)	(1,313)
Net cash (used in) / from financing activities		(561)	115
Net (decrease) / increase in cash in hand and at banks		(5,745)	1,516
Cash in hand and at banks at beginning of the year / period*	20	14,989	13,472
Cash in hand and at banks at end of the year / period*	20	<u>9,243</u>	<u>14,989</u>

The notes set out on pages 12 to 35 form an integral part of these financial statements.

The independent auditors' report is set out on pages 5 and 6.

* for the period from 1 April 2012 to 31 December 2012

Notes to the financial statements

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 Company is located at "The Creole Spirit" building, Point Larue, Mahé, Seychelles. The Company 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 Companies Act 1972. The present title was adopted in September 1978. The Company's share capital is held by the Government of Seychelles (60%) and Etihad Airways PJSC (40%), a Company incorporated under the laws of the United Arab Emirates.

These other activities have remained unchanged during the year

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

2. Basis of preparation

(a) Going concern

These financial statements have been prepared on a going concern basis, which assumes that the Company will continue to operate, notwithstanding that at 31 December 2013, the Company had accumulated losses of USD 67,153 thousand (31 December 2012: USD 70,180 thousand) and had net current liabilities amounting to USD 6,887 (31 December 2012: USD 9,138). The shareholders have committed to provide the Company with such financial support as may be required to meet its liabilities as and when they fall due. The Company's restructuring plan was approved by the Board of Directors pursuant to the Investment agreement, which entitles the Company to draw down for USD25 million as shareholders loan. Based on review and approval of the future cash flow forecasts the directors are satisfied that the Company has access to sufficient cash facilities to meet its obligations for the foreseeable future, and for a period of at least 12 months from the date of approval of these financial statements. Accordingly, the financial statements have been prepared on the going concern basis.

(b) Statement of compliance

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

(c) Basis of measurement

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

(d) Use of estimates and judgments

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

Estimates and underlying assumptions are reviewed on an ongoing basis on historical experience and factors including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are recognized prospectively.

Information about critical accounting estimates and judgments in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in Note 6.

(e) Change in accounting period

During the previous period, the Board resolved to change the reporting date from 31 March in earlier years to 31 December, pursuant to the change in shareholding and in order to align with reporting dates of Etihad Airways PJSC. Accordingly, the 2012 financial information presented in these financial statements relates to the nine months ended 31 December 2012, and are not entirely comparable.

Notes to the financial statements

3. Significant accounting policies

Except for the changes in accounting policies described below, the Company has consistently applied the accounting policies to all periods presented in these financial statements.

IFRS 13 Fair value measurement

IFRS 13 Fair value measurement establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other IFRSs. It unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7. As a result, the Company has included additional disclosures in this regard.

In accordance with the transitional provisions of IFRS 13, the Company has applied the new fair value measurement guidance prospectively and has not provided any comparative information for new disclosures. Notwithstanding the above, the change had no significant impact on the measurements of the Company's assets and liabilities.

Presentation of Items of Other Comprehensive Income (Amendments to IAS 1)

As a result of the amendments to IAS 1, the Company has modified the presentation of terms of other comprehensive income in its statement of comprehensive income, to present separately items that would be reclassified to profit or loss from those that would never be. Comparative information has been re-presented accordingly.

(a) Revenue and other income

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 unearned revenue. 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.

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

Please refer note 3 (c) for accounting policy on finance income.

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

(b) 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 Company with no future related costs, are recognised in profit and loss in the period in which reasonable assurance is established that the entity will comply with the conditions attached to the Grant and that the Grant will be received.

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

(c) Finance income and finance costs

Finance income mainly comprises interest on term deposits and dividend income. Interest income is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised when the Company's right to receive dividends is established.

Finance costs comprise interest expense on loans and borrowings and are recognized in profit or loss using the effective interest method

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

Notes to the financial statements

3. Significant accounting policies (continued)

(d) Leases

Finance leases as lessee

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. On initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of minimum lease payments. The corresponding lease obligations are included under liabilities. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

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

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

(e) Property, plant and equipment

Recognition and measurement

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

- the cost of materials and direct labour;
- any other costs directly attributable to bringing the assets to a working condition for their intended use; and
- when the Company has 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, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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

Subsequent costs

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

Depreciation

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

Items of property, plant 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 plant and equipment in the current and comparative periods are as follows:

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

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

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at the end of each reporting period.

Notes to the financial statements

3. Significant accounting policies (continued)

(e) Property, plant and equipment (continued)

Capital projects

Expenditures incurred on property, plant and equipment, which are not complete and ready for use at the reporting date are treated as capital projects. Depreciation is not provided on such assets until they are transferred from capital projects to the appropriate category under property, plant and equipment.

(f) Intangible assets

Recognition and measurement

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

Subsequent expenditure

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

Amortisation

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

(g) Financial instruments

(i) Non-derivative financial assets

The Company initially recognises loans and receivables on the date that they are originated. All other financial assets are recognised initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

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

The non-derivative financial assets of the Company include loans and receivables and available-for-sale financial assets.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise trade receivables, deposits, other receivables, amounts due from a related party and cash in hand and at banks.

Notes to the financial statements

3. Significant accounting policies (continued)

(g) Financial instruments (continued)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the other categories of financial assets. Available-for-sale financial assets are initially recognised at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (refer Note 3(h)), are recognised in other comprehensive income and presented in reserves within equity. When these assets are derecognised, the gain or loss accumulated in equity is reclassified to profit or loss. Available-for-sale financial assets comprise equity securities.

(ii) Non-derivative financial liabilities

The Company initially recognises subordinated liabilities on the date that they are originated. All other financial liabilities are recognised initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled, expire or the Company is legally released from the primary responsibility for the liability either by the process of law or by the creditor.

The Company classifies all its financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method. Other financial liabilities of the Company comprise loans and borrowings, payables and accruals and amounts due to related parties.

(h) Impairment

(i) Non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that the loss event had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor will enter bankruptcy or adverse changes in the payment status of the debtor, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition for an investment in equity an security, a significant or prolonged decline in its fair value below cost is objective evidence of impairment.

Loans and receivables

The Company considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant loans and receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

In assessing collective impairment the Company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Notes to the financial statements

3. Significant accounting policies (continued)

(h) Impairment (continued)

(i) Non-derivative financial assets (continued)

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in reserves in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost and the current fair value, less any impairment loss recognised previously in profit or loss. Changes in cumulative impairment losses attributable to the application of effective interest method are reflected as a component of net finance costs. Any subsequent recovery in fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

(ii) Non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

(i) 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 the statement of comprehensive income.

(j) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is determined using the weighted average cost 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.

(k) Provisions

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

A provision for onerous contracts is recognised when the expected benefits to be derived by the 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 Company recognises any impairment loss on the assets associated with that contract.

Notes to the financial statements

3. Significant accounting policies *(continued)*

(l) Employee benefits

Defined contribution plans

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

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.

Defined benefit plans

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

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

Short-term employee benefits

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

(m) Taxation

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

(n) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2014, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Company, except for IFRS 9 Financial instruments, which becomes mandatory for the Company's 2015 financial statements and could change the classification and measurement of financial assets. The Company does not plan to adopt this standard early and the extent of the impact has not been determined.

Notes to the financial statements

4. Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

5. Financial risk management

Overview

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

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the 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 Company's risk management framework and is assisted by the senior management. Senior management is responsible for designing, developing and monitoring the 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 Company's risk management policies are established to identify and analyse the risks faced by the 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 Company's activities. The 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.

Credit risk

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

Notes to the financial statements

5. Financial risk management (continued)

Credit risk (continued)

Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the 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 Company's trade receivables from customers were domiciled domestically.

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

The Company held cash at banks amounting to USD 9,174 thousand at 31 December 2013 (31 December 2012: USD 14,921 thousand), which represents its maximum credit exposure on these assets.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The 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 Company's reputation.

The Treasury department of the 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. Pursuant to the Investment Agreement entered by the Company, the Government of Seychelles and Etihad Airways PJSC, the Company received cash flows in the form of grants during the year. Also refer notes 18 and 23.

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 Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

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

Notes to the financial statements

5. Financial risk management (continued)

Market risk (continued)

Commodity price risk

The Company's commodity price risk relates to the purchase price of its jet fuel.

Interest rate risk

The Company's cash flow exposure to interest rate risk arises primarily from long-term borrowings at floating rates.

Market risks are thoroughly discussed in monthly management meetings. The Planning department carries out regular reviews of the market outlook for fuel prices and interest rates to analyse possible risk exposures to the 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.

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 Company's main objectives when managing capital are:

- 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.

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

6. Significant accounting estimates and judgements

In the process of applying the 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) Impairment losses on receivables

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

(b) Impairment of aircraft

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

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

(c) Government Grants

The Company receives contributions from the Government of Seychelles towards settling certain liabilities and ameliorating it against certain expenses. Significant judgment is required to determine whether these contributions are in the nature of government grants, in which case they are recognized in the profit or loss systematically in accordance with the related liability or expense, or in the form of equity, in which case they are recognized in the statement of financial position as capital contributions.

Notes to the financial statements

6. Significant accounting estimates and judgements (continued)

(d) Estimated useful lives of property, plant and equipment

Management assigns useful lives and residual values to property, plant 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. Management has reviewed the residual values and useful lives of major items of property, plant and equipment and determined that no adjustment is necessary.

7. Revenue

	2013	2012
	December	December*
Passenger services	67,456	31,547
Cargo services	10,533	3,350
Charter services	1,540	1,091
Ground handling services	9,205	6,853
	<u>88,734</u>	<u>42,841</u>

8. Direct operating costs

in thousands of USD

	2013	2012
	December	December*
Fuel and oil	37,765	14,306
Aircraft and engine maintenance	1,142	2,453
Aircraft and engine operating leases	19,374	9,637
Landing and parking	1,711	767
Overflying	3,366	1,123
Staff costs	6,265	4,683
In-flight	4,030	2,324
Handling	2,036	798
Crew layover	4,376	1,317
Commission and incentives	4,040	894
Depreciation	1,019	1,809
Aircraft insurance	327	267
Impairment, obsolescence and write-offs	484	79
Other direct operating costs	2,171	1,143
	<u>88,106</u>	<u>41,600</u>

* for period from 1 April 2012 to 31 December 2012

Notes to the financial statements

9. Other income

in thousands of USD

	2013	2012
	December	December*
Government grants ¹	8,333	8,727
Others	7,716	739
	16,048	9,466

¹ During the year, the Company received reimbursements from Government of Seychelles, pursuant to the investment agreement with Etihad Airways and fulfillment of conditions by the Company, towards liabilities arising prior to the date of the investment agreement amounting to USD 8,295 thousand (USD 8,727 thousand in 2012)

10. Administrative and marketing expenses

in thousands of USD

	2013	2012
	December	December*
Staff costs	6,380	4,490
Rent and utilities	1,057	656
Communications	1,820	1,400
Transport and vehicle	169	180
General repairs and maintenance	525	246
Legal and professional	684	770
Advertisement and promotion	244	228
Depreciation and amortisation	843	743
Bad and doubtful debts	23	595
Other administrative and marketing expenses ¹	1,156	(247)
	12,901	9,061

¹ Included within other administrative and marketing expenses is loss on sale of assets of USD 279 thousand (December 2012 profit of USD 242 thousand).

* for period from 1 April 2012 to 31 December 2012

Notes to the financial statements

11. Staff related costs

in thousands of USD

	2013	2012
	December	December*
Salaries and allowances	8,499	5,187
Other staff related costs	1,368	3,986
	<u>9,867</u>	<u>9,173</u>

12. Finance income and finance costs

in thousands of USD

	2013	2012
	December	December*
Interest expense	504	1,313
Net foreign exchange loss	296	-
Finance costs	<u>800</u>	<u>1,313</u>
Dividend income	42	28
Interest income	9	4
Net foreign exchange gain	-	754
Finance income	<u>51</u>	<u>786</u>

13. Property, plant and equipment

Details of property, plant and equipment are set out in Schedule I on page 35.

* for period from 1 April 2012 to 31 December 2012

Notes to the financial statements

14. Intangible assets - software

<i>in thousands of USD</i>	2013	2012
	December	December
Cost		
At beginning of the year / period*	96	46
Additions	156	50
At 31 December	252	96
Accumulated amortisation		
At beginning of the year / period*	33	21
Charge for the year / period*	8	12
At 31 December	41	33
Carrying amount	211	63

15. Deposits

<i>in thousands of USD</i>	2013	2012
	December	December
At beginning of the year / period*	337	799
Less: allowance for irrecoverability on aircraft deposit	-	(462)
Less: reversed during the year	(281)	-
At 31 December	56	337

16. Inventories

<i>in thousands of USD</i>	2013	2012
	December	December
Aircraft consumables	7,384	7,043
In-flight	708	867
Others	564	289
Less: allowance for slow-moving / obsolete inventories	(1,989)	(3,623)
	6,667	4,576

The movement in allowance for impairment in respect of inventories during the year / period* was as follows:

At beginning of the year / period*	3,623	3,623
Reversed during the year / period*	(1,634)	-
At 31 December	1,989	3,623

* for period from 1 April 2012 to 31 December 2012

Notes to the financial statements

17. Trade and other receivables

in thousands of USD

	2013	2012
	December	December
Trade receivables ¹	5,526	3,883
Deposits and advances	1,174	842
Interline receivables	8,075	-
Accrued income	4,701	-
Other receivables	5,269	1,735
	<u>24,745</u>	<u>6,460</u>

¹ Trade receivables are stated net of allowance for impairment amounting to USD 790 thousand (31 December 2012: USD 1,350 thousand).

18. Related parties

Identity of related parties

The Company, in the ordinary course of business, enters into transactions, with other business enterprises or individuals that fall within the definition of related parties contained in International Accounting Standard 24. The Company has a related party relationship with the Government of Seychelles, Etihad Airways PJSC, directors and executive officers (including business entities over which they can exercise significant influence or which can exercise significant influence over the Company).

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 Company necessarily enters into transaction with those entities in the normal course of business on an arm's length basis. The Company also transacts with these entities in respect of aviation fuel, landing and parking, overflying and lease of properties (refer Note 8). During the year, 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:

in thousands of USD

	2013	2012*
	December	December
Aviation fuel	8,036	7,630
Landing and parking	2,952	308
Overflying	524	243
Operating lease of land and buildings	332	179

Other related party transactions

in thousands of USD

	2013	2012*
	December	December
Transfer of FFP liability - Etihad Airways PJSC	-	1,154
Government Grant (reimbursements)	8,295	4,436
Secondment fees	2,788	1,649
Transfer of bank loans	-	4,291

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

* for period from 1 April 2012 to 31 December 2012

Notes to the financial statements

18. Related parties (continued)

Related party balances

Amounts due from related parties as at the reporting date were as follows:

in thousands of USD

	2013	2012
	December	December
Other amounts due from shareholders	1,993	265
Amounts due from other corporations	26	31
	<u>2,019</u>	<u>296</u>

Amounts due to related parties as at the reporting date were as follows:

in thousands of USD

	2013	2012
	December	December
Shareholders	24,077	11,271
Other corporations	458	247
	<u>24,535</u>	<u>11,518</u>

Transactions with key management personnel

in thousands of USD

	2013	2012
	December	December
Short term employee benefits	627	239
Post-retirement benefits	57	41
	<u>684</u>	<u>280</u>

Directors' emoluments

None of the Directors of the Company received any emoluments from the Company during the year (2012: nil)

Notes to the financial statements

19. Available-for-sale financial asset

in thousands of USD

	2013	2012
	December	December
At beginning of the year / period*	436	607
Unrealised gains / (losses) during the year / period*	52	(171)
At 31 December	488	436

20. Cash in hand and at banks

in thousands of USD

	2013	2012
	December	December
Cash at bank		
- in call accounts	136	136
- in current accounts	9,038	14,786
Cash in hand	69	68
Cash in hand and at banks	9,243	14,989

21. Trade and other payables

in thousands of USD

	2013	2012
	December	December
Current		
Trade payables	1,795	1,386
Accruals and other payables	14,821	17,834
Accruals for staff annual leave	318	187
	16,934	19,407
Non current		
Provision for staff terminal benefits	2,026	1,715
	18,960	21,122

Movement in staff terminal benefits during the year / period* was as follows:

in thousands of USD

	2013	2012
	December	December
At beginning of the year / period*	1,715	2,182
Charge for the year / period*	549	240
Payments made during the year / period*	(238)	(707)
At 31 December	2,026	1,715

* for period from 1 April 2012 to 31 December 2012

Notes to the financial statements

22. Loans and borrowings

<i>in thousands of USD</i>	2013	2012
	December	December
Loan from supplier	187	244
Non-current portion of loans and borrowings	187	244
Loan from supplier	52	52
Current portion of loans and borrowings	52	52
	239	296

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

1. Loan from supplier

Counterparty: Viking Air Limited
 Facility amount: CAD 412 thousand
 Date of drawdown: 1 March 2011
 Final maturity date: 1 December 2017
 Interest: CIBC prime rate for CAD
 Repayment: Semi-annual
 Balance at reporting date: USD 295 thousand (Mar 2012 USD 367 thousand)
 Security: None

23. Share capital

	Dec 2013		Dec 2012	
	Ratio	No. of shares	SCR'000	USD'000
(a) Authorised and issued:			SCR'000	SCR'000
650,000 shares of SCR 1,000 each			650,000	650,000
(b) Ownership:			SCR'000	USD'000
Government of Seychelles	60%	390,000	390,000	52,001
Etihad Airways PJSC	40%	260,000	260,000	20,616
		650,000	650,000	72,617

24. Reserves

<i>in thousands of USD</i>	Fair value reserve	Total
At 1 April 2012	607	607
Changes in fair value of available-for-sale financial asset	(171)	(171)
At 31 December 2012	436	436
At 1 January 2013	436	436
Changes in fair value of available-for-sale financial asset	52	52
At 31 December 2013	488	488

Notes to the financial statements

25. Commitments

in thousands of USD

	2013	2012
	December	December
Capital commitments		
Not later than one year	11,700	2,943
Operating lease commitments		
<i>Leases as lessee</i>		
Not later than one year	4,759	11,073
Later than one year but not later than five years	136	4,611
Later than five years	351	327
	5,246	16,011
<i>Operating lease commitments as lessee represent:</i>		
Aircraft leases	4,532	15,410
Other leases	714	601
	5,246	16,011

26. Contingent liabilities

in thousands of USD

	2013	2012
	December	December
Letters of guarantee	56	56

27. Financial Instruments

(a) Credit risk

Exposure to credit risk

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

<i>in thousands of USD</i>	<i>Note</i>	2013	2012
		December	December
Deposits (non-current)	15	56	337
Trade and other receivables	17	24,745	6,460
Amounts due from related parties	18	2,019	296
Cash at banks	20	9,174	14,922
		35,995	22,015

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

Notes to the financial statements

27. Financial instruments (continued)

(a) Credit risk (continued)

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

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

The ageing of trade receivables at the reporting date was:

in thousands of USD

	31 December 2013		31 December 2012	
	Gross	Impairment	Gross	Impairment
Not past due	2,565	-	2,915	-
Past due 1-30 days	1,150	-	832	-
Past due 31-60 days	1,107	(209)	479	(348)
Past due 61-90 days	776	(58)	196	(191)
Over 90 days	718	(523)	811	(811)
	6,316	(790)	5,233	(1,350)

Impairment losses

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

in thousands of USD

	2013	2012
	December	December
At beginning of the year/period*	1,350	2,096
Impairment loss during the year/period*	-	595
Write-offs during the year/period*	(560)	(1,341)
At 31 December	790	1,350

(b) Interest rate risk

Cash flow sensitivity analysis for variable rate instruments

At the reporting date, the Company's loans and borrowings fall within the category of variable rate instruments. A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign exchange currency rates, remain constant.

* for period from 1 April 2012 to 31 December 2012

Notes to the financial statements

27. Financial instruments (continued)

31 December 2013 <i>in thousands of USD</i>	Profit / (loss)	
	100 bp increase	100 bp decrease
Loans and borrowings	(2)	2
Cash flow sensitivity net	(2)	2

31 December 2012 <i>in thousands of USD</i>	Profit / (loss)	
	100 bp increase	100 bp decrease
Loans and borrowings	(3)	3

(c) Liquidity risk

Following are the contractual maturities of financial liabilities, excluding estimated interest payments.

31 December 2013 <i>in thousands of USD</i>	Carrying amount	Contractual cash flows	1 year or less	2 - 5 years	More than 5 years
Loans and borrowings	239	(239)	(52)	(187)	-
Trade and other payables	16,934	(16,934)	(16,934)	-	-
Amounts due to related parties	24,535	(24,535)	(24,535)	-	-
	41,708	(41,708)	(41,521)	(187)	-

31 December 2012 <i>in thousands of USD</i>	Carrying amount	Contractual cash flows	1 year or less	2 - 5 years	More than 5 years
Loans and borrowings	296	(296)	(52)	(244)	-
Trade and other payables	19,407	(19,407)	(19,407)	-	-
Amounts due to related parties	11,518	(11,518)	(11,518)	-	-
	31,221	(31,221)	(30,977)	(244)	-

Notes to the financial statements

27. Financial instruments (continued)

(d) Currency risk

Exposure to currency risk

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

in thousands of currency units	31 December 2013			31 December 2012		
	SCR	ZAR	EUR	SCR	ZAR	EUR
Trade receivables	20,997	3,975	2,567	16,988	2,310	1,815
Cash at banks	2,510	1,787	4,727	4,640	3,921	3,985
Trade payables	(5,781)	(13)	(19)	(5,412)	(781)	(59)
Gross statement of financial position exposure	17,726	5,749	7,275	16,216	5,450	5,741
In USD	1,457	613	9,735	1,054	589	7,561

The following significant exchange rates applied during the year

USD	Average rates		Reporting date spot rates	
	Dec-13	Dec-12	Dec-13	Dec-12
	SCR 1	0.082	0.065	0.088
EUR 1	1.338	1.317	1.378	1.298
ZAR 1	0.107	0.108	0.095	0.118

Sensitivity analysis

A strengthening (weakening) of USD against SCR and ZAR at 31 December would have increased / (decreased) profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the reporting date and considers the gross statement of financial position exposure shown above. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecasted sales and purchases. The analysis is performed on the same basis for December 2012.

Sensitivity analysis

Effect on profit or loss in thousands of USD

31 December 2013
 SCR (1% movement)
 EUR (1% movement)
 ZAR (1% movement)

31 December 2012
 SCR (1% movement)
 EUR (1% movement)
 ZAR (1% movement)

	Strengthening	Weakening
	(16)	16
	(100)	100
	(5)	5
	(12)	12
	(75)	75
	(6)	6

Notes to the financial statements

27. Financial instruments (continued)

(e) Accounting classifications and fair values

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

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

in thousands of USD

31 December 2013

	Carrying Amount			Fair Value				
	Available for sale financial assets	Loans and Receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value								
Available for sale financial assets	488	-	-	488	488	-	-	488
	<u>488</u>	<u>-</u>	<u>-</u>	<u>488</u>	<u>488</u>	<u>-</u>	<u>-</u>	<u>488</u>
Financial assets not measured at fair value								
Related party	-	2,019	-	2,019				
Desposits	-	1,174	-	1,174				
Trade and other receivables	-	23,572	-	23,572				
	<u>-</u>	<u>26,765</u>	<u>-</u>	<u>26,765</u>				
Financial liabilities not measured at fair value								
Related party	-	-	24,535	24,535				
Trade and other payables	-	-	18,960	18,960				
Loans and Borrowings	-	-	239	239				
Unearned revenue	-	-	8,530	8,530				
	<u>-</u>	<u>-</u>	<u>52,264</u>	<u>52,264</u>				

Fair value hierarchy

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

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

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

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

28. Taxation

In accordance with Schedule II, article 26, of the Seychelles Business Tax Act of 30 December 2009, the Company is exempt from corporate tax on its income. Tax expense for the year 2012 represents tax on the Company's previous operations in Singapore, which is based on 5% of gross earnings for the year.

Notes to the financial statements

*in thousands of USD***Schedule I - Property, plant and equipment**

	Land and buildings	Aircraft, engines, accessories and technical spares	Aircraft and engine overhaul	Operating equipment	Furniture and fittings	Computers and office equipment	Motor vehicles	Capital work in progress	Total
Cost									
At 1 April 2012	6,449	16,981	1,570	6,302	1,608	1,904	1,862	3	36,679
Additions	141	231	503	491	14	4	-	-	1,384
Disposals / write-offs	-	(947)	-	-	-	-	(38)	-	(985)
At 31 December 2012	6,590	16,265	2,073	6,793	1,622	1,908	1,824	3	37,078
At 1 January 2013	6,590	16,265	2,073	6,793	1,622	1,908	1,824	3	37,078
Additions	-	1,590	-	14	60	164	-	2,003	3,831
Disposals / write-offs	-	(1,300)	(365)	(204)	(124)	(35)	(516)	-	(2,544)
At 31 December 2013	6,590	16,555	1,708	6,603	1,558	2,037	1,308	2,006	38,365
Accumulated depreciation									
At 1 April 2012	3,006	7,337	1,024	4,012	1,208	1,523	1,650	-	19,760
Charge for the period	428	1,213	235	338	124	92	83	-	2,513
Disposals / write-offs	-	(589)	-	-	-	-	(38)	-	(627)
Balance as at 31 December 2012	3,434	7,961	1,259	4,350	1,332	1,615	1,695	-	21,646
At 1 January 2013	3,434	7,961	1,259	4,350	1,332	1,615	1,695	-	21,646
Charge for the year	578	281	459	393	101	126	80	-	2,018
Disposals / write-offs	-	(540)	(365)	(176)	(65)	(2)	(516)	-	(1,664)
At 31 December 2013	4,012	7,702	1,353	4,567	1,368	1,739	1,259	-	22,000
Accumulated impairment losses									
At 1 April 2012	23	2,091	-	119	-	-	-	-	2,233
Reversed during the period	-	(370)	-	-	-	-	-	-	(370)
At 31 December 2012	23	1,721	-	119	-	-	-	-	1,863
At 1 January 2013	23	1,721	-	119	-	-	-	-	1,863
Reversed during the period	-	(283)	-	-	-	-	-	-	(283)
At 31 December 2013	23	1,438	-	119	-	-	-	-	1,580
Carrying amounts									
At 1 January 2013	3,133	6,583	814	2,324	290	293	129	3	13,569
At 31 December 2013	2,555	7,415	355	1,918	190	298	49	2,006	14,785