Air Seychelles Limited

Financial statements

31 December 2015

Registered Office: P O Box 386 | Creole Spirit Building | Pointe Larue | Mahé | Seychelles

Air Seychelles Limited

Financial statements
31 December 2015

Pages

Directors' report

The Directors are pleased to submit their report together with the audited financial statements of Air Seychelles Limited ("the Company") for the year 31 December 2015.

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.

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 Company for consideration of $20 million. As part of this agreement Etihad also committed to provide a shareholder loan facility of $25 million to 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 profit

Net profit of the Company for the year ended 31 December 2015 amounted to $2.1m *(year ended 31 December 2014: Net profit of $3.2m).*

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) - Chairman
Bruno Mathieu (as from 04 March 2015)- Vice Chairman
Jean Weeling-Lee (as from 08 January 2009)
Maurice Loustau-Lalanne (as from 16 April 2011)
Ulf Huettmeyer (as from 04 March 2015)
Pierre Laporte (as from 28 August 2014)
Bassam Al Mosa (as from 15 March 2012)

None of the Directors have 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 Ordinance, 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.

Directors' report *(continued)*

7. Auditors

KPMG were appointed as auditors of the Company by the Board of Directors on ______________

8. By Order of the Board

Approved by the Board of Directors on 25/4/2016

and signed by

Minister Joel Morgan Chairman	Bruno Mathieu Vice Chairman	Jean Weeling-Lee Board Member
Maurice Loustau-Lalanne Board Member	Olli Hulsmeyer Board Member	Pierre Laporte Board Member
Bassam A Al Mosa Board Member		

KPMG Lower Gulf Limited
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United Arab Emirates

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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 2015, the statements of profit or loss and other 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 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

Without modifying our opinion, we draw attention to the accounting policy applied by the Company with respect to the grants received from the Government as described in note 3(b) and waiver of certain liabilities as described in note 3(g) (ii). The recognition of income from such transactions requires the exercise of significant judgment, as described in note 5(c), 5(e) and 5(f). The total income recognized from such transactions is summarized in note 7 and 9 to the financial statements.

Report on Other Legal and Regulatory Requirements

As required by the Companies Ordinance, 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.

KPMG Lower Gulf Limited
Munther Dajani
Registration No. 268
Abu Dhabi
United Arab Emirates

12 May 2016

Air Seychelles Limited

Statement of profit or loss and other comprehensive income

For the year ended 31 December

in thousands of USD	**Note**	**2015**	2014
Revenue	*6*	**105,358**	106,894
Other income	*7*	**20,176**	23,410
Direct operating costs	*8*	**(108,906)**	(116,953)
Administrative and marketing expenses	*9*	**(10,074)**	(8,508)
Operating profit		**6,554**	4,843
Finance income	*11*	**19**	6
Finance costs	*11*	**(4,458)**	(1,650)
Net finance costs		**(4,439)**	(1,644)
Profit		**2,115**	3,199
Other comprehensive income			
Items that are or may be reclassified to profit or loss			
Available-for-sale financial assets - net change in fair value	*18*	**(53)**	221
Other comprehensive income		**(53)**	221
Total comprehensive income		**2,062**	3,420

The notes set out on pages 11 to 33 form an integral part of these financial statements.

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

Air Seychelles Limited

Statement of financial position

As at 31 December

In thousands of USD	*Note*	2015	2014
Assets			
Non-current Assets			
Property and equipment	*12*	31,696	31,527
Intangible assets	*13*	459	254
Deposits	*14*	3,126	-
Available-for-sale financial asset	*18*	656	709
Total non-current assets		35,937	32,490
Current assets			
Inventories	*15*	6,706	6,776
Trade and other receivables	*16*	41,604	28,346
Amounts due from related parties	*17*	9,029	4,300
Cash and cash equivalents	*19*	17,525	14,256
Total current assets		74,864	53,678
Total assets		110,801	86,168
Equity and liabilities			
Equity			
Share capital	*22*	72,617	72,617
Accumulated losses		(61,841)	(63,956)
Fair value reserves	*23*	656	709
Total equity		11,432	9,370
Liabilities			
Non-current liabilities			
Trade and other payables	*20*	2,719	2,463
Loans and borrowings	*21*	35,260	14,859
Total non-current liabilities		37,979	17,322
Current liabilities			
Trade and other payables	*20*	18,878	13,789
Loans and borrowings	*21*	1,426	1,131
Amounts due to related parties	*17*	26,980	35,014
Unearned revenue		14,106	9,542
Total current liabilities		61,390	59,476
Total liabilities		99,369	76,798
Total equity and liabilities		110,801	86,168

The notes set out on pages 11 to 33 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 authorised for issue by Board of Directors on 29/4/2016 and signed on their behalf by

Minister Joel Morgan
Chairman

Bruno Mathieu
Vice Chairman

Jean Weeling-Lee
Board Member

Maurice Loustau-Lalanne
Board Member

Ulf Hüttmeyer
Board Member

Pierre Laporte
Board Member

Bassam A Al Mosa
Board Member

Air Seychelles Limited

Statement of changes in equity

For the year ended 31 December

in thousands of USD

	Share capital	Accumulated losses	Fair value reserves	Total equity
At 1 January 2014	72,617	(67,155)	488	5,950
Total comprehensive income:				
Profit for the year	-	3,199	-	3,199
Other comprehensive income	-	-	221	221
Total comprehensive income for the year	-	3,199	221	3,420
At 31 December 2014	**72,617**	**(63,956)**	**709**	**9,370**
At 1 January 2015	**72,617**	**(63,956)**	**709**	**9,370**
Total comprehensive income:				
Profit for the year	-	**2,115**	-	**2,115**
Other comprehensive income	-	-	**(53)**	**(53)**
Total comprehensive income for the year	-	**2,115**	**(53)**	**2,062**
At 31 December 2015	**72,617**	**(61,841)**	**656**	**11,432**

The notes set out on pages 11 to 33 form an integral part of these financial statements.

Air Seychelles Limited

Statement of cash flows

For the year ended 31 December

in thousands of USD	*Note*	2015	2014
Cash flows from operating activities			
Net profit		**2,115**	3,199
Adjustments for:			
-Depreciation	*12*	**2,348**	1,934
-Amortisation	*13*	**107**	47
-Loss on disposal of property and equipment	*12*	**48**	36
-Loss on write-off of deposits	*15*	**-**	56
-Provision for impairment of trade receivables	*9*	**-**	(255)
-Staff terminal benefits expense	*20*	**914**	840
-Finance costs	*11*	**4,458**	1,422
-Finance income	*11*	**(19)**	(6)
-Extinguishment and reversal of payables and accruals	*17*	**(1,960)**	(8,926)
		8,011	(1,653)
Changes in:			
- inventories	*15*	**70**	(109)
- trade and other receivables	*16*	**(13,258)**	(3,346)
- amounts due from related parties	*17*	**(4,729)**	(2,281)
- trade and other payables	*20*	**7,049**	5,781
- amounts due to related parties	*17*	**(8,034)**	10,479
- unearned revenue		**4,564**	1,012
Cash (used in) / generated from operating activities		**(6,327)**	9,883
Staff terminal benefits paid	*20*	**(658)**	(403)
Net cash (used in) / from operating activities		**(6,985)**	9,480
Cash flows from investing activities			
Acquisition of property and equipment	*12*	**(3,465)**	(18,712)
Acquisition of intangible assets	*13*	**(312)**	(90)
Proceeds from disposal of property and equipment	*12*	**900**	-
Interest received	*11*	**19**	6
Net cash used in investing activities		**(2,858)**	(18,796)
Cash flows from financing activities			
Net proceeds from loans and borrowings	*21*	**20,696**	15,751
Deposits	*15*	**(3,126)**	-
Net interest paid		**(1,599)**	(759)
Net cash from financing activities		**15,971**	14,992
Net increase in cash and cash equivalents		**6,128**	5,676
Cash and cash equivalents at 1 January	*19*	**14,256**	9,243
Effect of movements in exchange rates on cash held		**(2,859)**	(663)
Cash and cash equivalents at 31 December	*19*	**17,525**	14,256

The notes set out on pages 11 to 33 form an integral part of these financial statements.
The independent auditors' report is set out on pages 5 and 6.

Notes to the financial statements

1. Legal status and principal activities

Air Seychelles Limited (the "Company") 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 Seychelles Companies Ordinance, 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.

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 2015 the Company had accumulated losses of USD 61,841 thousand (31 December 2014: USD 63,956 thousand). 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 USD 25 million as shareholders loan. Based on the 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. 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 6.

Notes to the financial statements

3. Significant accounting policies

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

New standards and interpretations adopted:

During the year new standards, amendments to standards and interpretations have become effective for the period and have been applied in preparing these financial statements. These amendments are listed below:

Amendments to IAS 19 Employee benefits (effective 1 July 2014): clarifies how service-linked contributions from employees or third parties should be included in determining net current service cost and the defined benefit obligations. They are attributed to periods of service using the same attribution method required for the gross benefit either by using the plan's contribution formula or on a straight line basis.

Annual improvements to IFRSs 2010-2012 cycle covering amendments to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16 and IAS 24.
Annual improvements to IFRSs 2011-2013 cycle covering amendments to IFRS 1, IFRS 3, IFRS 13 and IAS 40.
Adoption of these amendments does not have a material impact on the financial statements of the Company.

(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 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. The effective interest rate is the rate that exactly discounts the estimated stream of future cash payments or receipts, without consideration of future credit losses, over the expected life of the financial instrument to the carrying amount of financial asset or financial liability on initial recognition.

Dividend income is recognised when the Company's right to receive dividends is established.

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

Foreign currency gains and losses are reported on a net basis separately within finance income or costs, 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

Determining whether an arrangement contains a lease

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

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

Leased assets

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

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

Lease payments

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

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

(e) Property and equipment

Recognition and measurement

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

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

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

Subsequent costs

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

Notes to the financial statements

3. Significant accounting policies *(continued)*

(e) Property and equipment *(continued)*

Depreciation

Items of property and equipment are depreciated on a straight-line basis in profit or loss over the estimated useful lives of each component. Leased assets are depreciated over the shorter of the leased term and useful lives unless it is reasonably certain that the 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 Company had re-assessed the useful lives of the property and equipment and changes were applied prospectively as from 1 January 2014.

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

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

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

in thousands of USD	2016	**2017**
Decrease in depreciation expense	1,340	**1,340**

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

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

Capital projects

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

(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.

Notes to the financial statements

3. Significant accounting policies *(continued)*

(g) Financial assets and liabilities

(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 of trade and other receivables, amounts due from related parties and cash and cash equivalents.

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 fair value reserves within equity. When these assets are derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

(ii) Non-derivative financial liabilities

The Company initially recognises 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.

Notes to the financial statements

3. Significant accounting policies *(continued)*

(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 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.

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in fair value 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. The recoverable value of an asset is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated cash flows, discounted to their present value using a discount rate that reflects current market assessment of the time value of money and the risk specific to the asset.

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.

Notes to the financial statements

3. Significant accounting policies *(continued)*

(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 profit or loss. However, foreign exchange difference arising from translation of the available-for-sale financial assets are recognised in other comprehensive income.

(j) 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.

(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.

(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.

Notes to the financial statements

3. Significant accounting policies *(continued)*

(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 and amendments to standards are effective for annual periods beginning after 1 January 2015 and earlier application is permitted; however, the Company has not early applied the following new or amended standards in preparing these financial statements.

-IFRS 9 Financial Instruments: IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new credit loss model for calculating impairment on financial assets and new general hedge accounting requirements. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted;

-IFRS 15 Revenue from Contracts with Customers: IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction contracts and IFRIC 13 Customer Loyalty Programmes. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted;

-IFRS 16 Leases: IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17;

-IFRS 14 Regulatory Deferral Accounts;

-Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11);

-Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38);

-Equity Method in Separate Financial Statements (Amendments to IAS 27); and

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

Notes to the financial statements

4. 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 sub-committees of the Board 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.

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.

Notes to the financial statements

4. Financial risk management *(continued)*

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.

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.

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 ensure that the Company has access to capital to fund contractual obligations as they become due;
- to maintain flexibility to pursue strategic business opportunities and ensure adequate liquidity to withstand weakening 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 Company's capital structure and makes adjustments to reflect future capital commitments, business strategies and economic conditions. The Company is not subject to any externally imposed capital requirements. There were no changes in the Company's approach to capital management during the year.

in thousands of USD	**2015 December**	2014 December
Loans and borrowings	**36,686**	15,990
Less: Cash and cash equivalents	**(17,525)**	(14,256)
Net debts	**19,161**	1,734
Total capital	**72,617**	72,617
Total capital and net debt	**91,778**	74,351

Notes to the financial statements

5. 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.

(d) Estimated useful lives of property and equipment

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

(e) Extinguishment of shareholders' liabilities

The shareholders may release and discharge the Company from all the claims which the shareholders have against the Company which arises from contractual arrangements as consummated with the respective shareholder. Significant judgement is required whether these waivers are being provided in the capacity of shareholder, in which case they are recognised in statement of financial position under equity or are in the nature of extinguishment of financial liabilities, in which case they are recognised in profit or loss under other operating income for the expenses incurred in the preceding years or against the relevant cost as expensed in the current period.

(f) Commercial incentive for marketing services

The Company engaged in a transaction with certain key suppliers of operational equipment, which involves the 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 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.

Notes to the financial statements

6. Revenue

in thousands of USD	2015 December	2014 December
Passenger services	**85,809**	82,304
Cargo services	**7,038**	13,359
Charter services	**1,453**	1,673
Ground handling services	**11,058**	9,558
	105,358	106,894

7. Other income

in thousands of USD	2015 December	2014 December
Government grants [1]	**4,567**	15,500
Others [2]	**15,609**	7,910
	20,176	23,410

1 During the year, the Company has booked USD 4,500 thousand grant from the Government of Seychelles as commercial incentives for direct flights between Seychelles and certain other routes.

2 Others include USD 12,300 thousand from Etihad Airways PJSC as part of revenue sharing agreements.

8. Direct operating costs

in thousands of USD	2015 December	2014 December
Fuel and oil	**31,206**	45,724
Aircraft and engine maintenance	**6,322**	2,246
Aircraft and engine operating leases	**25,263**	27,160
Landing and parking	**2,424**	2,450
Overflying	**4,632**	4,882
Staff costs	**12,264**	8,707
In-flight	**7,725**	6,878
Handling	**4,776**	3,730
Crew layover	**5,390**	5,646
Commission and incentives	**1,821**	5,023
Depreciation	**1,964**	1,507
Aircraft insurance	**543**	306
Other direct operating costs	**4,576**	2,694
	108,906	116,953

Notes to the financial statements

9. Administrative and marketing expenses

in thousands of USD	**2015 December**	2014 December
Staff costs	**1,516**	5,479
Rent and utilities	**1,073**	1,066
Communications	**2,788**	2,178
Transport and vehicle	**149**	207
General repairs and maintenance	**437**	514
Legal and professional	**715**	1,284
Advertisement and promotion	**1,250**	905
Depreciation and amortisation	**490**	481
Bad and doubtful debts	**-**	(255)
Other administrative and marketing expenses*	**1,656**	(3,351)
	10,074	8,508

*Extinguishment of liabilities pertaining to certain costs borne by Etihad Airways PJSC of USD 1,960 thousand (2014 : USD 4,426) has been netted-off against other administrative and marketing expenses.

10. Staff related costs

in thousands of USD	**2015 December**	2014 December
Salaries and allowances	**10,029**	9,454
Other staff related costs	**3,751**	306
	13,780	9,760

11. Finance income and finance costs

in thousands of USD	**2015 December**	2014 December
Interest income	**19**	6
Finance income	**19**	6
Interest expense	**1,845**	759
Net foreign exchange loss	**2,613**	891
Finance costs	**4,458**	1,650

12. Property and equipment

Details of property and equipment are set out in Schedule I on page 33.

Notes to the financial statements

13. Intangible assets

in thousands of USD	**2015 December**	2014 December
Cost		
At beginning of the year	**342**	252
Additions	**312**	90
At 31 December	**654**	342
Accumulated amortisation		
At beginning of the year	**88**	41
Charge for the year	**107**	47
At 31 December	**195**	88
Carrying amount	**459**	254

14. Deposits

in thousands of USD	**2015 December**	2014 December
Aircraft lease deposit	**1,725**	-
Deposit - loan	**1,220**	-
Other deposits	**181**	-
At 31 December	**3,126**	-

At 31 December 2015, deposits of USD 1,220 thousand (31December 2014: Nil) have been pledged with the Bank against the loan from E.A Partners I B.V. as disclosed in note 21.

15. Inventories

in thousands of USD	**2015 December**	2014 December
Aircraft consumables	**7,279**	7,483
In-flight	**489**	518
Others	**927**	764
Less: allowance for slow-moving / obsolete inventories	**(1,989)**	(1,989)
	6,706	6,776

There have been no movements in allowance for slow moving and obsolete inventories during the year (2014: Nil)

Notes to the financial statements

16. Trade and other receivables

in thousands of USD	**2015 December**	2014 December
Trade receivables*	**11,607**	7,691
Deposits and advances	**929**	1,204
Interline receivables	**6,156**	4,562
Accrued income	**15,300**	5,000
Other receivables	**7,612**	9,889
	41,604	28,346

*Trade receivables are stated net of allowance for impairment amounting to USD 535 thousand *(31 December 2014: USD 535 thousand)*.

17. 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 Party Disclosures" 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	**2015 December**	2014 December
Aviation fuel	**9,365**	7,214
Landing and parking	**703**	768
Overflying	**721**	668
Operating lease of land and buildings	**330**	232

Other related party transactions

in thousands of USD	**2015 December**	2014 December
Government Grant (reimbursements)	**4,567**	15,500
Fees payable to Etihad Airways PJSC	**1,960**	2,261
Interest expense on loan from shareholder	**655**	196
Operating lease expenses for the aircraft on operating lease from Etihad Airways PJSC	**25,263**	27,160
Extinguishment and reversal of certain expenses borne by Etihad Airways PJSC	**(1,960)**	(8,926)

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

Notes to the financial statements

17. Related parties *(continued)*

Related party balances

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

in thousands of USD	**2015 December**	2014 December
Amounts due from shareholders	**8,741**	4,116
Amounts due from other corporations	**288**	184
	9,029	4,300

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

in thousands of USD	**2015 December**	2014 December
Amounts due to shareholders	**26,279**	34,503
Amounts due to other corporations	**701**	511
	26,980	35,014

Transactions with key management personnel

in thousands of USD	**2015 December**	2014 December
Salaries and short term employee benefits	**773**	590
Post-retirement benefits	**141**	51
	914	641

Directors' emoluments

None of the Directors of the Company received any emoluments from the Company during the year (*2014: Nil*)

18. Available-for-sale financial asset

in thousands of USD	**2015 December**	2014 December
Quoted securities:		
At beginning of the year	**709**	488
Unrealised (loss) / gain during the year	**(53)**	221
At 31 December	**656**	709

Notes to the financial statements

19. Cash and cash equivalents

in thousands of USD	2015 December	2014 December
Cash at bank		
- in call accounts	135	136
- in current accounts	17,323	14,052
Cash in hand	67	68
Cash and cash equivalents	17,525	14,256

20. Trade and other payables

in thousands of USD	2015 December	2014 December
Current		
Trade payables	2,528	2,116
Deferred income	3,000	-
Accruals and other payables	12,981	11,406
Accruals for staff annual leave	369	267
	18,878	13,789
Non current		
Provision for staff terminal benefits	2,719	2,463
	21,597	16,252

Movement in staff terminal benefits during the year were as follows:

in thousands of USD	2015 December	2014 December
At 1 January	2,463	2,026
Charge for the year	914	840
Payments made during the year	(658)	(403)
At 31 December	2,719	2,463

21. Loans and borrowings

in thousands of USD	2015 December	2014 December
Loan from supplier	75	134
Loan from shareholder	13,646	14,725
Loan from EA Partners I B.V.	21,539	-
Non-current portion of loans and borrowings	35,260	14,859
Loan from supplier	77	52
Loan from shareholder	1,349	1,079
Current portion of loans and borrowings	1,426	1,131
	36,686	15,990

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 152 thousand (2014: 186 thousand)
Security: None

2. Loan from shareholder-1

Counterparty: Etihad Airways PJSC
Facility amount: USD 25 million
Date of drawdown: 27 February 2014
Final maturity date: 30 October 2026
Interest: 5% per annum
Repayment: Quarterly
Balance at reporting date: USD 14,995 (2014: 15,804 thousand)
Security: Domestic Aircraft financed from the loans injected by Etihad Airways PJSC

3. Loan from EA Partners I B.V.

Counterparty: EA Partners I B.V.
Facility amount: USD 21.5 million
Date of drawdown: 28 September 2015
Final maturity date: 28 September 2020
Interest: 7.06% per annum
Repayment: On maturity
Balance at reporting date: USD 21,539 thousand (2014: Nil)
Security: None

Notes to the financial statements

22. Share capital

(a) Authorised and issued (2015 and 2014)

	December SCR '000
650,000 shares of SCR 1,000 each	650,000

(b) Ownership:

	Ratio	SCR '000	USD '000
Government of Seychelles	60%	390,000	52,001
Etihad Airways PJSC	40%	260,000	20,616
		650,000	72,617

23. Fair value reserves

in thousands of USD

	Fair value reserve
At 1 January 2014	488
Changes in fair value of available-for-sale financial asset	221
At 31 December 2014	**709**
At 1 January 2015	709
Changes in fair value of available-for-sale financial asset	(53)
At 31 December 2015	**656**

24. Commitments

in thousands of USD	2015 December	2014 December
Capital commitments		
Not later than one year	1,452	1,588
Operating lease commitments		
Leases as lessee		
Not later than one year	13,775	41,129
Later than one year but not later than five years	55,100	956
	68,875	42,085
Operating lease commitments as lessee represent:		
Aircraft leases	65,200	40,932
Other leases	3,675	1,153
	68,875	42,085

25. Contingent liabilities

in thousands of USD	2015 December	2014 December
Letters of guarantee	100	56

Notes to the financial statements

26. 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

in thousands of USD	*Note*	2015 December	2014 December
Deposits (non-current)	*14*	3,126	-
Trade and other receivables	*16*	41,604	28,346
Amounts due from related parties	*17*	9,029	4,300
Cash and cash equivalents	*19*	17,458	14,188
		71,217	46,834

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.

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 reduces 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 2015		31 December 2014	
	Gross	Impairment	Gross	Impairment
Not past due	9,532	-	6,155	-
Past due 1-30 days	918	-	976	-
Past due 31-60 days	536	-	290	
Past due 61-90 days	169	(176)	182	(176)
Over 90 days	987	(359)	623	(359)
	12,142	(535)	8,226	(535)

An Analysis of the credit quality of trade and other receivables that are neither past due nor impaired are as follows:

in thousands of USD	2015 December	2014 December
- Four or more years of trading history with the Company	7,535	4,494
- Less then four years of trading history with the Company	1,997	1,661
	9,532	6,155

Impairment losses

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

in thousands of USD	2015 December	2014 December
At beginning of the year	535	790
Impairment loss during the year	-	-
Impairment loss reversed during the year	-	(255)
At 31 December	535	535

Notes to the financial statements

26. Financial instruments *(continued)*

(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.

31 December 2015	**Profit / (loss)**	
in thousands of USD	100 bp increase	100 bp decrease
Loans and borrowings	**(2)**	**2**
Cash flow sensitivity net	**(2)**	**2**

31 December 2014	**Profit / (loss)**	
in thousands of USD	100 bp increase	100 bp decrease
Loans and borrowings	(2)	2
Cash flow sensitivity net	(2)	2

(c) Liquidity risk

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

31 December 2015 in thousands of USD	Carrying amount	Contractual cash flows	1 year or less	2 - 5 years	More than 5 years
Loans and borrowings	**36,686**	**(49,070)**	**(3,903)**	**(35,652)**	**(9,515)**
Trade and other payables	**18,878**	**(18,878)**	**(18,878)**	**-**	**-**
Amounts due to related parties	**26,980**	**(26,980)**	**(26,980)**	**-**	**-**
	82,544	**(94,928)**	**(49,761)**	**(35,652)**	**(9,515)**

31 December 2014 in thousands of USD	Carrying amount	Contractual cash flows	1 year or less	2 - 5 years	More than 5 years
Loans and borrowings	15,990	(19,827)	(1,715)	(9,169)	(8,943)
Trade and other payables	13,789	(13,789)	(13,789)	-	-
Amounts due to related parties	35,014	(35,014)	(35,014)	-	-
	64,793	(68,630)	(50,518)	(9,169)	(8,943)

Notes to the financial statements

26. Financial instruments *(continued)*

(d) Currency risk

Exposure to currency risk

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

	31 December 2015			31 December 2014		
in thousands of currency units	SCR	ZAR	EUR	SCR	ZAR	EUR
Trade receivables	**35,285**	**6,264**	**5,890**	30,148	6,483	3,240
Cash and cash equivalents	**12,757**	**21,392**	**4,011**	12,807	21,073	2,378
Trade payables	**(15,551)**	**(1,336)**	**(834)**	(11,607)	(299)	(246)
Gross statement of financial position exposure	**32,491**	**26,320**	**9,067**	31,348	27,257	5,372
In USD	**2,343**	**1,692**	**9,883**	2,459	2,349	6,531

The following significant exchange rates were applied during the year:

USD	Average rates		Reporting date spot rates	
	2015 December	2014 December	**2015 December**	2014 December
SCR 1	**0.075**	0.083	**0.072**	0.078
EUR 1	**1.153**	1.297	**1.090**	1.216
ZAR 1	**0.075**	0.091	**0.064**	0.086

Sensitivity analysis

A strengthening (weakening) of USD against SCR,EUR and ZAR at 31 December would have (decreased) / increased profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the 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 iqnores any impact of forecasted sales and purchases. The analysis is performed on the same basis for

Sensitivity analysis

Effect on profit or loss in thousands of USD	Strengthening	Weakening
31 December 2015		
SCR (1% movement)	**(23)**	**23**
EUR (1% movement)	**(99)**	**99**
ZAR (1% movement)	**(17)**	**17**
31 December 2014		
SCR (1% movement)	(25)	25
EUR (1% movement)	(65)	65
ZAR (1% movement)	(23)	23

(e) Accounting classifications and fair values

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).

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.

31 December 2015
in thousands of USD

	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	**656**	**-**	**-**	**656**	**656**	**-**	**-**	**656**
	656	**-**	**-**	**656**	**656**	**-**	**-**	**656**
Financial assets not measured at fair value								
Amounts due from related parties	**-**	**9,029**	**-**	**9,029**	**-**	**9,029**	**-**	**9,029**
Trade and other receivables	**-**	**41,604**	**-**	**41,604**	**-**	**41,604**	**-**	**41,604**
Cash and Cash equivalents	**-**	**17,525**	**-**	**17,525**	**-**	**17,525**	**-**	**17,525**
	-	**68,158**	**-**	**68,158**	**-**	**68,158**	**-**	**68,158**
Financial liabilities not measured at fair value								
Amounts due to related parties	**-**	**-**	**26,980**	**26,980**	**-**	**26,980**	**-**	**26,980**
Trade and other payables	**-**	**-**	**18,878**	**18,878**	**-**	**18,878**	**-**	**18,878**
Loans and Borrowings	**-**	**-**	**36,686**	**36,686**	**-**	**36,686**	**-**	**36,686**
	-	**-**	**82,544**	**82,544**	**-**	**82,544**	**-**	**82,544**

Notes to the financial statements

26. Financial instruments (continued)

(e) Accounting classifications and fair values (continued)

31 December 2014
in thousands of USD

	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	709	-	-	709	709	-	-	709
	709	-	-	709	709	-	-	709
Financial assets not measured at fair value								
Amounts due from related parties	-	4,300	-	4,300	-	4,300	-	4,300
Trade and other receivables	-	28,346	-	28,346	-	28,346	-	28,346
Cash and Cash equivalents	-	14,256	-	14,256	-	14,256	-	14,256
	-	46,902	-	46,902	-	46,902	-	46,902
Financial liabilities not measured at fair value								
Amounts due to related parties	-	-	35,014	35,014	-	35,014	-	35,014
Trade and other payables	-	-	13,789	13,789	-	13,789	-	13,789
Loans and Borrowings	-	-	15,990	15,990	-	15,990	-	15,990
	-	-	64,793	64,793	-	64,793	-	64,793

27. 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.

28. Comparative numbers

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

Notes to the financial statements

in thousands of USD

Schedule I - Property and equipment

	Land and buildings	Aircraft, engines, accessories and technical spares	Aircraft and engine overhaul	Operating equipment	Furniture and fittings	Computers and office equipment	Motor vehicles	Capital work in progress	Total
Cost									
At 1 January 2014	6,590	16,555	1,708	6,603	1,558	2,037	1,308	2,006	38,365
Additions	-	1,729	454	18	105	152	10	16,244	18,712
Transfers	-	13,146	-	-	-	-	-	(13,146)	-
Disposals / write-offs	-	(286)	(506)	-	-	(7)	-	-	(799)
At 31 December 2014	**6,590**	**31,144**	**1,656**	**6,621**	**1,663**	**2,182**	**1,318**	**5,104**	**56,278**
At 1 January 2015	6,590	31,144	1,656	6,621	1,663	2,182	1,318	5,104	56,278
Additions	-	2,628	466	3	-	97	-	271	3,465
Transfers	-	4,853	-	-	-	-	-	(4,853)	-
Disposals / write-offs	-	(1,980)	(82)	-	-	(48)	-	-	(2,110)
At 31 December 2015	**6,590**	**36,645**	**2,040**	**6,624**	**1,663**	**2,231**	**1,318**	**522**	**57,633**
Accumulated depreciation									
At 1 January 2014	4,012	7,702	1,353	4,567	1,368	1,739	1,259	-	22,000
Charge for the year	130	888	171	448	110	139	48	-	1,934
Disposals / write-offs	-	(286)	(470)	-	-	(7)	-	-	(763)
At 31 December 2014	**4,142**	**8,304**	**1,054**	**5,015**	**1,478**	**1,871**	**1,307**	**-**	**23,171**
At 1 January 2015	4,142	8,304	1,054	5,015	1,478	1,871	1,307	-	23,171
Charge for the year	157	1,416	180	368	91	133	3	-	2,348
Disposals / write-offs	-	(1,149)	(1)	-	-	(12)	-	-	(1,162)
At 31 December 2015	**4,299**	**8,571**	**1,233**	**5,383**	**1,569**	**1,992**	**1,310**	**-**	**24,357**
Accumulated impairment losses									
At 1 January 2014	23	1,438	-	119	-	-	-	-	1,580
Reversed during the period	-	-	-	-	-	-	-	-	-
At 31 December 2014	**23**	**1,438**	**-**	**119**	**-**	**-**	**-**	**-**	**1,580**
At 1 January 2015	23	1,438	-	119	-	-	-	-	1,580
Reversed during the period	-	-	-	-	-	-	-	-	-
At 31 December 2015	**23**	**1,438**	**-**	**119**	**-**	**-**	**-**	**-**	**1,580**
Carrying amounts									
At 31 December 2014	2,425	21,402	602	1,487	185	311	11	5,104	31,527
At 31 December 2015	**2,268**	**26,636**	**807**	**1,122**	**94**	**239**	**8**	**522**	**31,696**