# Air Seychelles Limited and Its Subsidiary

## Consolidated Financial Statements

### Year ended 31 December, 2021

# Air Seychelles Limited and Its Subsidiary

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# Air Seychelles Limited and Its Subsidiary

## Corporate Information - Year ended 31 December, 2021

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

# Air Seychelles Limited and Its Subsidiary

## Directors' Report - Year ended 31 December, 2021

The Directors are pleased to submit their report together with the audited financial statements of the Air Seychelles Limited & Its Subsidiary (together referred to as "the Group") and the Company for the year ended 31 December, 2021.

### 1. Principal activities

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

### 2. Equity

On 15 March 2012, the Government of Seychelles ('GOS') and Etihad Airways PJSC ('Etihad') signed an investment agreement for Etihad to acquire a 40% equity stake in the Group and the Company for consideration of USD 20.0 million. As part of this agreement Etihad also committed to provide a shareholder loan facility of USD 25.0 million to the Group and the Company for managing its working capital and the GOS agreed to settle certain liabilities existing prior to the date of this agreement. The GOS held the remaining 60% equity stake.

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

### 3. Significant current year events

*Covid-19 impact and cost-cutting measures*

The first three months of 2021 were negatively impacted by the Covid-19 pandemic, in particular the Omicron variant, as the Seychelles International Airport remained largely closed and re-opened on 25 March 2021. The Group and the Company resumed flights to Tel Aviv, starting with one flight per week as well as Johannesburg-Maldives flights. Other airlines slowly resumed their flights back into Seychelles and this resulted in increased revenue from ground handling of scheduled flights.

The Government proposed a salary support package of USD 6.2 million (SCR 103.0 million) and this was ultimately approved by the National Assembly for a period of 10 months from January to October 2021. The Group and Company also implemented the following cost-cutting measures:

- Salary cuts until March 2022 for employees earning over SCR 30 thousand;
- Temporary salary cuts for domestic pilots (equivalent to the cut envisaged for this group in the long-term); and
- Voluntary redundancies initiated from the end of March 2021.

*Debt transfer - change in shareholding*

Refer to section 2 above.

## 3. Significant current year events (continued)

*Winding up petition*

The Group and Company defaulted on debt obligations to EA Partners I B.V of USD 21.5 million in September 2020, and again in June 2021 for principal payment of USD 50.0 million due to EA Partners II B.V.

The Bondholders served a winding up petition dated 19 August 2021 against the Company in the Courts of Seychelles. The representatives of the Bondholders and Air Seychelles Ltd agreed in November 2021 that the winding up petition was to be stayed while a solution was sought through the Administration process.

*Appointment of Administrators*

Following an application to the Court by one of its major creditors (hereafter referred to as the 'Noteholders') to commence liquidation proceedings against Air Seychelles Limited, the Board of Air Seychelles Limited, having sought and obtained the authority of the Government of Seychelles as sole shareholder of the company, resolved to enter into a re-organisation and appointed administrators instead of proceeding with the proposed liquidation. Mr Leon Bernard Pool and Mr Suketu Patel were appointed by the Board as joint Administrators on 4 October 2021.

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

*Original rescue plan*

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

Key terms of the original rescue plan, as provisionally approved, were that both the EA Partners B.V I and II together with the Government of Seychelles accepted 66.7% discounts on amounts due to them with the condition set by the Bondholders that payments were to be done no later than 31 March 2022.

The original rescue plan was approved on 7 December 2021 by the Board of Directors, and executed accordingly. During 2022, the Administrators proposed a final rescue plan which was adopted by the Group and Company (refer to note 2(a)(iv)).

## 4. Results

Net reported loss for the year ended 31 December, 2021 amounted to **USD 22.7 million** (2020: USD 14.6 million) for the Group and the Company. Accumulated losses for both the Group and the Company amounted to **USD 173.2 million** as at 31 December, 2021 (2020: USD 150.5 million).

## 5. Dividends

No dividend was proposed nor paid during the year under review (2020: Nil).

## 6. Property and equipment

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

The Directors are of the opinion that the fair value of property and equipment does not differ materially from their carrying amount as at 31 December, 2021.

## 7. Directors and their interests

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

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

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

## 8. Administrators

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

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

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

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

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

## 9. Going Concern

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

The Group and the Company incurred a net loss of **USD 22.7 million** (2020: USD 14.6 million) during the year ended December 31, 2021, had accumulated losses of **USD 173.2 million** (2020: USD 150.5 million) and, as of that date, the Group's and the Company's current liabilities exceeded its current assets by **USD 130.1 million** and **USD 132.3 million** respectively (2020: USD 126.2 million and USD 128.5 million respectively) and total liabilities exceeded total assets of the Group and the Company by **USD 100.6 million** (2020: USD 77.9 million).

The Group's and Company's Directors have made an assessment of the Group's and the Company's ability to continue as a going concern and are satisfied that the Group and Company have resources to continue in business for the foreseeable future. Post year end, the below events took place:

*Debt transfer - change in shareholding*

In April 2021 the Government of Seychelles, Air Seychelles Limited, EAG Investment Holding Company Limited and Etihad Airways entered into a sale and purchase agreement, whereby GOS was to assume the following:

### 9. Going Concern (continued)

*Debt transfer - change in shareholding (continued)*

- the unsecured debt along with other of the Group's and Company's unsecured net debt balances as of 20 April, 2021 due to Etihad Group totaling USD 62.2 million. The parties agreed to reduce the Government of Seychelles' unsecured debt obligations to EAGIHC and Etihad Airways by approximately 82%.
- the Group's and the Company's secured debt obligation to EAGIHC and Etihad Airways in January 2024 (totaling USD 8.0 million). The parties agreed to reduce the Government of Seychelles' secured debt obligation by 79%, subject to the settlement of the above unsecured debt in accordance with the agreed repayment schedule; and
- On 20 April 2021, EAGIHC's 40% equity interest in the Company was transferred at USD 1 to the Government of Seychelles.

Based on the above, a total of USD 13.0 million was therefore payable to Etihad Airways PJSC.

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

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

The final amount due as agreed, and totally financed by Air Seychelles Limited from a Bank loan raised specifically for that purpose and in-house cash, was duly paid to the Noteholders' representatives on 11 May 2022. The loan facility of USD 16.5 million from Nouvobanq S.I.M.B.C required a first line fixed charge on certain Air Seychelles Limited leasehold and freehold land as well as three domestic aircraft. The loan is for a duration of 6 years with three months moratorium and repayment of USD 278 thousand (principal plus interest) beginning in September 2022, the fourth month from the date of drawdown.

As at 9 November 2022, Air Seychelles had made two repayments towards the Nouvobanq loan, bringing the loan balance outstanding to USD 16.1 million. Air Seychelles borrowings also include a debt owed to Government of Seychelles of USD 13.0 million plus USD 1.7 million to GOS for the Trade and Development Bank of Africa (TDB) loan interest and fees.

*Withdrawal of winding up petition*

After the payment of USD 28.2 million to the Bondholders via escrow agent Pool and Patel Chartered Accountants, the winding up petition was withdrawn on 11 May 2022.

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

A final Creditors Meeting was held on 25 October 2022 whereby the Administrators presented the Final Rescue Plan. The Rescue Plan outlined that its approval would result in Air Seychelles Limited having a positive net asset position of USD 11.3 million (based on August 2022 financials as a base) and its execution will place Air Seychelles Limited in a position of solvency.

The Administrators recommended the approval and execution of the plan as it would be in the interest of the Creditors. The Creditors who attended the meeting were GOS, AS SPV Limited and Nouvobanq S.I.M.B.C. These Creditors unanimously approved the rescue plan.

## 9. Going Concern (continued)

*Final rescue plan and removal of the Group and Company from administration (continued)*

The key terms of the rescue plan included:

- AS SPV Limited relinquishing any claims on Air Seychelles Limited and vice versa, namely relating to the purchase of the EAP B.V. I and II facilities;
- GOS writing down the debt owed by Air Seychelles Limited to itself to USD 13.0 million plus the interest and fees on the Trade Development Bank loan taken by GOS to pay the debt owed to Etihad Airways. The interest and fees on the TDB loan was estimated at USD 1.7 million. The USD 13.0 million debt to GOS is deemed non-repayable for the next six years unless otherwise agreed by Air Seychelles Limited and GOS;
- Air Seychelles to relinquish any claims on GOS related to payables older than 31st December 2019 and to transfer the ground handling assets to GOS in return for the GOS write-down; and
- GOS and SCAA to extend Air Seychelles Limited the ground handling license for Seychelles International Airport and exclusivity for a minimum initial period of 6 years and this is renewable. A lease agreement for the transferred ground handling assets to be entered in between Air Seychelles Limited and SCAA or a newly created subsidiary of SCAA.

The Final Rescue Plan was executed by the Board of Directors on 8 November 2022 and as a result, Air Seychelles Limited was removed from Administration.

*Company position and performance, and future outlook*

2022 has been far more positive with the exception of January and February which were deeply affected by cancellations brought by the Omicron variant of Covid-19. In Q3 of 2022, revenue reached 100% of 2019 levels. The Group is expected to achieve a profit of USD 8.1 million for 2022 (as on forecast of Q3 2022, excluding benefit of debt write-offs on principal), several years ahead of its 5 year plan.

With the exception of 3 months, including May 2022 when the Bondholders were paid, Air Seychelles Limited consistently generated monthly cash profits since mid-2021. As part of its going concern assessment, the Group and Company prepared cash flow forecasts for the three years ending 31 December 2022 to 2024, which were reviewed and approved by the Administrators.

During 2022, Air Seychelles operated the following flights:

- Twice per week to Mauritius;
- Once per week to Bombay;
- Thrice per week to Johannesburg; and
- 18 rotations per month to Tel Aviv during peak season, and 4 to 6 rotations during non-peak months.

This resulted in increased revenue for the Company.

One A320 NEO aircraft was placed on wet lease in 2022 until January 2023, and has a good probability of being extended potentially up to 3-5 years, depending on whether the lessee wins a contract extension.

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

### 10. Statement of Directors' responsibilities (continued)

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

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

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

The Directors consider they have met their aforesaid responsibilities.

### 11. Events after reporting period

Events after reporting date are explicitly detailed under note 30 to the financial statements.

### 12. Auditors

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

### 13. Board Approval

**Veronique Laporte**
Chairperson

**Alan Mason**
Vice-Chairperson

**Irene Croisee**
Board Member

**Egbert Laurence**
Board Member

**Daphnee Hoareau**
Board Member

Date: 29 DEC 2022
Pointe Larue
Mahe, Seychelles

BDO

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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS**

**Report on the audit of the Financial Statements**

**Opinion**

We have audited the consolidated financial statements of **AIR SEYCHELLES LIMITED AND ITS SUBSIDIARY** (hereafter referred to as "the Group") and the Company's financial statements on pages 14 to 55 which comprise the Statements of Financial Position as at December 31, 2021, the Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and the Statement of Cash Flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at December 31, 2021 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Companies Act, 1972 and Public Enterprise Monitoring Commission Act, 2013.

**Basis for Opinion**

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

***Material Uncertainty Relating to Going Concern***

We draw attention to Note 2(a) in the financial statements, which indicates that the Group and the Company incurred a net loss of **USD 22.7 million** (2020: USD 14.6 million) during the year ended December 31, 2021, had accumulated losses of **USD 173.2 million** (2020: USD 150.5 million) and, as of that date, the Group's and the Company's current liabilities exceeded its current assets by **USD 130.1 million** and **USD 132.3 million** respectively (2020: USD126.2 million and USD 128.5 million respectively) and total liabilities exceeded total assets of the Group and the Company by **USD 100.6 million** (2020: USD 77.9 million).

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

*Our opinion is not modified in respect of these matters.*

**Key Audit Matters**

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

*Key audit matter*

*Reconciliation of contract liabilities and revenue (passenger & cargo) recognition*

Refer to notes 21 and 22 of the financial statements.

Reconciliation of contract liabilities and revenue (passenger & cargo) recognition is a key audit matter due to the following:

- Financial significance to the Group and Company;
- The high volume of relatively low value passenger tickets (in revenue and contract liabilities);
- Judgement within the estimate for the proportion of unused tickets which are expected to expire (breakage);
- Variety of ticket conditions to be analysed during revenue recognition and reconciliation of contract liabilities;
- Complex IT systems and the exchange of information with industry systems and other airlines for high volume transactions; and
- Management override of controls through the recording of manual journals in the accounting records, the override of IT systems to accelerate revenue recognition, or the manipulation of inputs used to calculate revenue recorded in respect of unused tickets.

In the financial statements, revenue is initially deferred in the Statement of Financial Position (upon booking) as contract liabilities and subsequently recognised in the Statement of Profit or Loss when the related performance obligation has been fulfilled.

***How our audit addressed the key audit matter***

We performed the following procedures:
- Assessed the Group and Company's identification of performance obligations and revenue recognised by agreeing to the salient features of the ticket conditions;
- With the assistance of IT specialists, we tested key controls restricting access to authorised users and preventing unauthorised changes to IT systems. Tested key controls within the system relating to ticket validation and recognition of revenue;
- Analysed the end to end flow of ticket information through multiple passenger revenue IT systems and interfaces to evaluate the recognition of revenue;
- Tested key controls related to review and approval of manual changes to revenue accounting records where tickets have been identified as exceptions to automated validation;
- Checked a sample of revenue transactions to underlying records including evidence of payment and flight records to assess accuracy of revenue recognised;
- Checked a sample of passenger revenue received in advance to underlying records to assess accuracy and completeness of contract liabilities; and
- Reconciled the contract liabilities as at year end, taking into account opening balance, current year bookings and transfers to revenue.

### Responsibilities of Directors for the preparation of Financial Statements

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

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

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

### Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group and the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**Report on Other Legal and Regulatory Requirements**

*Companies Act, 1972*

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

We have obtained all information and explanations we have required.

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

*Public Enterprise Monitoring Commission Act, 2013*

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

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

**Other matter**

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

BDO Associates

**BDO ASSOCIATES**
*Chartered Accountants*

Dated: 29 DEC 2022
Victoria, Seychelles

# Air Seychelles Limited and Its Subsidiary

## Statements of Financial Position - as at 31 December, 2021

| *Figures in USD '000* | *Notes* | THE GROUP | | THE COMPANY | |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| | | **2021** | 2020 | **2021** | 2020 |
| **Non-current assets** | | | | | |
| Property and equipment | *6* | **35,354** | 37,950 | **35,354** | 37,950 |
| Right-of-use assets | *7(a)* | **48,184** | 54,859 | **48,184** | 54,859 |
| Intangible assets | *8* | **397** | 120 | **397** | 120 |
| Investments in subsidiary | *9* | **-** | - | **2,227** | 2,227 |
| Deposits | *10* | **2,050** | 7,924 | **2,050** | 7,924 |
| Receivables from related parties | *11* | **1,265** | 2,470 | **1,265** | 2,470 |
| **Total non-current assets** | | **87,250** | 103,323 | **89,477** | 105,550 |
| **Current assets** | | | | | |
| Inventories | *12* | **13,031** | 11,900 | **13,031** | 11,900 |
| Trade and other receivables | *13* | **12,115** | 10,743 | **12,115** | 10,743 |
| Receivables from related parties | *11* | **2,675** | 3,139 | **2,675** | 3,139 |
| Cash and cash equivalents | *14* | **12,051** | 11,343 | **12,051** | 11,343 |
| Assets held for sale | *15* | **926** | 960 | **926** | 960 |
| **Total current assets** | | **40,798** | 38,085 | **40,798** | 38,085 |
| **Total assets** | | **128,048** | 141,408 | **130,275** | 143,635 |
| **Shareholders' deficit** | | | | | |
| **Shareholders' deficit** | | | | | |
| Share capital | *16* | **72,617** | 72,617 | **72,617** | 72,617 |
| Accumulated losses | | **(173,209)** | (150,503) | **(173,209)** | (150,503) |
| **Total deficit** | | **(100,592)** | (77,886) | **(100,592)** | (77,886) |
| **Liabilities** | | | | | |
| **Non-current liabilities** | | | | | |
| Lease liabilities | *7(b)* | **47,031** | 46,144 | **47,031** | 46,144 |
| Provision for end of service benefits | *17* | **2,888** | 2,110 | **2,888** | 2,110 |
| Borrowings | *18* | **7,808** | 6,729 | **7,808** | 6,729 |
| **Total non-current liabilities** | | **57,727** | 54,983 | **57,727** | 54,983 |
| **Current liabilities** | | | | | |
| Borrowings | *18* | **71,539** | 72,618 | **71,539** | 72,618 |
| Trade and other payables | *19* | **23,601** | 14,278 | **25,828** | 16,505 |
| Lease liabilities | *7(b)* | **5,162** | 7,486 | **5,162** | 7,486 |
| Amounts due to related parties | *20* | **63,550** | 63,836 | **63,550** | 63,836 |
| Contract liabilities | *21* | **7,061** | 6,093 | **7,061** | 6,093 |
| **Total current liabilities** | | **170,913** | 164,311 | **173,140** | 166,538 |
| **Total liabilities** | | **228,640** | 219,294 | **230,867** | 221,521 |
| **Total equity and liabilities** | | **128,048** | 141,408 | **130,275** | 143,635 |

# Air Seychelles Limited and Its Subsidiary

## Statements of financial position - as at 31 December, 2021 (continued)

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

**Veronique Laporte**
Chairperson

**Alan Mason**
Vice-Chairperson

**Irene Croisee**
Board Member

**Egbert Laurence**
Board Member

**Daphnee Hoareau**
Board Member

Date: 29 DEC 2022
Pointe Larue
Mahe, Seychelles

The notes set out on pages 18 to 55 form an integral part of these consolidated financial statements.
The independent auditor's report is set out on pages 10 to 13.

## Air Seychelles Limited & Its Subsidiary

# Statements of Profit or Loss and Other Comprehensive Income - for the year ended 31 December, 2021

| *Figures in USD '000* | ***Notes*** | **THE GROUP & THE COMPANY** | |
|---|---|---|---|
| | | **2021** | 2020 |
| Revenue from contracts with customers | *22* | **37,413** | 34,807 |
| Other income | *23* | **7,454** | 13,468 |
| Direct operating costs | *24* | **(38,682)** | (36,981) |
| Administrative and marketing expenses | *25* | **(19,531)** | (19,974) |
| Reversal of allowance for credit losses | *4(a)(ii)* | **1,787** | 3,038 |
| **Operating profit / (loss)** | | **(11,559)** | (5,642) |
| Finance income | *26(a)* | **167** | 236 |
| Finance costs | *26(b)* | **(11,314)** | (9,168) |
| **Net finance costs** | | **(11,147)** | (8,932) |
| **Loss and Total comprehensive expense for the year** | | **(22,706)** | (14,574) |
| **Loss and Total comprehensive expense attributable to:** | | | |
| Owners of the parent | | **(22,706)** | (14,574) |
| Non-controlling interest | | **-** | - |
| | | **(22,706)** | (14,574) |

The notes set out on pages 18 to 55 form an integral part of these consolidated financial statements.
The independent auditor's report is set out on pages 10 to 13.

# Air Seychelles Limited & Its Subsidiary

## Statement of Changes in Equity - for the year ended 31 December, 2021

*Figures in USD '000*

| THE GROUP & THE COMPANY | Attributable to owners of the parent | | Non-controlling Interest | Total Equity |
|---|---|---|---|---|
| | Share Capital | Accumulated losses | | |
| At 1 January 2020 | 72,617 | (135,929) | - | (63,312) |
| Total comprehensive expense for the year | - | (14,574) | - | (14,574) |
| At 31 December 2020 | 72,617 | (150,503) | - | (77,886) |
| **At 1 January 2021** | **72,617** | **(150,503)** | **-** | **(77,886)** |
| Total comprehensive expense for the year | **-** | **(22,706)** | **-** | **(22,706)** |
| **At 31 December 2021** | **72,617** | **(173,209)** | **-** | **(100,592)** |

The notes set out on pages 18 to 55 form an integral part of these consolidated financial statements.
The independent auditor's report is set out on pages 10 to 13.

# Air Seychelles Limited & Its Subsidiary

## Statement of cash flows - for the year ended 31 December, 2021

| *Figures in USD '000* | ***Notes*** | **THE GROUP & THE COMPANY** | |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| | | **2021** | 2020 |
| **Net loss for the year** | | **(22,706)** | (14,574) |
| *Adjustments for:* | | | |
| -Depreciation - Property and equipment | *6* | **2,725** | 2,692 |
| -Amortisation - Right-of-use of assets | *7(a)* | **6,675** | 7,116 |
| -Amortisation - Intangible assets | *8* | **71** | 1,637 |
| -Gain on disposal of property and equipment | *23* | **(94)** | (178) |
| -impairment - property and equipment | *6* | **-** | 445 |
| -impairment - intangible assets | *8* | **-** | 8,922 |
| -Impairment of non-current assets held for sale | *15* | **34** | - |
| -Staff terminal benefits during the year - charge | *17* | **1,120** | 718 |
| -Finance costs | *26 & 7(b)* | **11,205** | 9,260 |
| -Finance income | *26* | **(167)** | (236) |
| -(Decrease)/Increase in inventory provision | *12* | **(764)** | 316 |
| -Reversal of allowance for credit losses | *4(a)* | **(1,787)** | (3,038) |
| -Write off deposits | *10* | **5,874** | - |
| -Currency translation differences | | **(196)** | 644 |
| *Changes in:* | | **1,990** | 13,724 |
| -Amounts due from related parties | *11* | **1,669** | 5,747 |
| -Inventories | *12* | **(367)** | (925) |
| -Trade and other receivables | *13* | **415** | 4,844 |
| -Trade and other payables | *19* | **9,323** | (7,499) |
| -Contract liability | *21* | **968** | (4,229) |
| **Cash generated from operating activities** | | **13,998** | 11,662 |
| Staff terminal benefits paid | *17* | **(342)** | (2,090) |
| **Net cash generated from operating activities** | | **13,656** | 9,572 |
| **Cash flows from investing activities** | | | |
| Acquisition of property and equipment | *6* | **(364)** | (963) |
| Acquisition of software (net of transfers) | *8* | **(151)** | (122) |
| Reclassifications to Right-of-use asset (pre-delivery costs) | *7(a)* | **-** | (483) |
| Proceeds from disposal of property and equipment | *23* | **132** | 193 |
| Non-current assets reclassified to assets held for sale | *6 & 15* | **-** | (86) |
| Deposits | *10* | **-** | (120) |
| Interest received | *26* | **167** | 236 |
| **Net cash used in investing activities** | | **(216)** | (1,345) |
| **Cash flows from finance activities** | | | |
| Payment of borrowings | *18(b)* | **-** | (629) |
| Amounts due to related parties | *20* | **(286)** | 11,391 |
| Finance costs paid (excluding modification) | *26 & 7(b)* | **(11,314)** | (7,262) |
| Repayment of principal portion of lease liabilities | *7(b)* | **(1,328)** | (9,158) |
| **Net cash used in financing activities** | | **(12,928)** | (5,658) |
| **Net increase in cash and cash equivalents** | | **512** | **2,569** |
| **Movement in cash and cash equivalents** | | | |
| At 1 January | | **11,343** | 9,418 |
| Net increase | | **512** | 2,569 |
| Currency translation differences | | **196** | (644) |
| **At 31 December** | *14* | **12,051** | 11,343 |

The notes set out on pages 18 to 55 form an integral part of these consolidated financial statements.

The independent auditor's report is set out on pages 10 to 13.

# Notes to the consolidated financial statements - Year ended 31 December, 2021

## 1. Legal status and principal activities

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

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

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

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

## 2. Basis of preparation

### (a) *Going concern*

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

The Group and the Company incurred a net loss of **USD 22.7 million** (2020: USD 14.6 million) during the year ended December 31, 2021, had accumulated losses of **USD 173.2 million** (2020: USD 150.5 million) and, as of that date, the Group's and the Company's current liabilities exceeded its current assets by **USD 130.1 million** and **USD 132.3 million** respectively (2020: USD 126.2 million and USD 128.5 million respectively) and total liabilities exceeded total assets of the Group and the Company by **USD 100.6 million** (2020: USD 77.9 million).

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

*(i) Debt transfer - change in shareholding*

In April 2021 the Government of Seychelles, Air Seychelles Limited, EAG Investment Holding Company Limited and Etihad Airways entered into a sale and purchase agreement, whereby GOS was to assume the following:

- the unsecured debt along with other of the Group's and Company's unsecured net debt balances as of 20 April, 2021 due to Etihad Group totaling USD 62.2 million. The parties agreed to reduce the Government of Seychelles' unsecured debt obligations to EAGIHC and Etihad Airways by 82%.

## 2. Basis of preparation (continued)

***(a) Going concern (continued)***

*(i) Debt transfer - change in shareholding (continued)*

- the Group's and the Company's secured debt obligation to EAGIHC and Etihad Airways in January 2024 (totaling USD 8.0 million). The parties agreed to reduce the Government of Seychelles' secured debt obligation by 79%, subject to the settlement of the above unsecured debt in accordance with the agreed repayment schedule. ; and
- On 20 April 2021, EAGIHC's 40% equity interest in the Company was transferred at USD 1 to the Government of Seychelles.

Based on the above, a total of USD 13.0 million was therefore payable to Etihad Airways PJSC.

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

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

The final amount due as agreed, and totally financed by Air Seychelles Limited from a Bank loan raised specifically for that purpose and in-house cash, was duly paid to the Noteholders' representatives on 11 May 2022. The loan facility of USD 16.5 million from Nouvobanq S.I.M.B.C required a first line fixed charge on certain Air Seychelles Limited leasehold and freehold land as well as three domestic aircraft. The loan is for a duration of 6 years with three months moratorium and repayment of USD 278 thousand (principal plus interest) beginning in September 2022, the fourth month from the date of drawdown.

As at 9 November 2022, Air Seychelles had made two repayments towards the Nouvobanq loan, bringing the loan balance outstanding to USD 16.1 million. Air Seychelles borrowings also includes a debt owed to Government of Seychelles of USD 13.0 million plus USD 1.7 million to GOS for the Trade and Development Bank of Africa (TDB) loan interest and fees.

*(ii) Withdrawal of winding up petition*

The lawyers representing the Administrators and the lawyers representing the Noteholders reached an agreement which, in effect, required the Noteholders to novate their entire claims against Air Seychelles to a Special Purpose Vehicle wholly owned by Air Seychelles and that, on settlement of the amount due to them as agreed under the rescue plan by the Special Purpose Vehicle, the application to the Court for liquidation of Air Seychelles would be withdrawn. The final amount due as agreed was duly paid to the Noteholders' representatives. The liquidation case was withdrawn accordingly on 11 May 2022.

*(iv) Final rescue plan and removal of the Group and Company from administration*

A final Creditors Meeting was held on 25 October 2022 whereby the Administrators presented the Final Rescue Plan. The Rescue Plan outlined that its approval would result in Air Seychelles Limited having a positive net asset position of USD 11.3 million (based on August 2022 financials as a base) and its execution will place Air Seychelles Limited in a position of solvency.

## 2. Basis of preparation (continued)

### *(a) Going concern (continued)*

*(iv) Final rescue plan and removal of the Group and Company from administration (continued)*

The Administrators recommended the approval and execution of the plan as it would be in the interest of the Creditors. The Creditors who attended the meeting were GOS, AS SPV Limited and Nouvobanq S.I.M.B.C. These Creditors unanimously approved the rescue plan.

The key terms of the rescue plan included:

**AS SPV Limited:**

- Given that the debt had been settled in full and acknowledged as such by the Noteholders, AS SPV Ltd relinquishes all claims under the said "novated debts" and absolves Air Seychelles from any future claims whatsoever which could arise from any terms and conditions applicable under the original debt so novated. In return, Air Seychelles agrees to relinquish any claims on AS SPV Ltd.

**Government of Seychelles:**

- As agreed at the adjourned meeting of creditors held on the 7th of December 2021, the Government of Seychelles debt would be discounted by 66.667% and would not be due for repayment until the Noteholders' claims, as discounted above, had been settled in full. The Government of Seychelles completed the purchase of the Etihad loan in September 2022 through a loan borrowed from TDB, and the total value thereof at the end of September 2022 stood at USD 70.2 million. The discounted debt due to the Government of Seychelles amounted to USD 23.4 million at 30 September 2022. This was further written down to USD 13.0 million;
- The final loan amount (USD 13.0 million) will remain as a debt due by Air Seychelles to the Government of Seychelles and will not be repayable during the currency of the agreement to be entered into between the Government of Seychelles, the SCAA entity and Air Seychelles and or any renewal or extension specifically agreed upon by the parties concerned;
- The Ground Handling activities at the Seychelles International Airport are considered by the Government of Seychelles as an important national asset which must be safeguarded at all costs and remain the sole property of the Government of Seychelles; and
- Air Seychelles will surrender the ownership of its Ground Handling assets at the Seychelles International Airport to the Government of Seychelles and, in consideration for this, the latter, through its wholly owned entity (Seychelles Civil Aviation Authority, SCAA), irrevocably agrees to enter into a written agreement with Air Seychelles on specified terms conditions below:

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

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

  C. Air Seychelles intends to transfer the ownership of all the assets owned by it and used for the operation of the Ground Handling activities, including IT properties attributable thereto, to the Government of Seychelles at market value;

## 2. Basis of preparation (continued)

### *(a) Going concern (continued)*

*(iv) Final rescue plan and removal of the Group and Company from administration (continued)*

D. Air Seychelles will provide the necessary finance to the Government of Seychelles to settle the operating financing cost of the TDB loan raised by the Government for the purpose of acquiring the loan owed by Air Seychelles to Etihad Airways. The funds provided by Air Seychelles will be deducted from the discounted loan;

E. All outstanding sums (amounting to approximately USD 1 million) due from the Government of Seychelles and its ministries or departments for services rendered by Air Seychelles up to 31st December 2019 will be deducted from the said discounted loan; and

F. The agreement referred to above can only be terminated at the sole discretion of the Government of Seychelles or its SCAA entity in the event that Air Seychelles is successfully put into liquidation by its creditor(s) or grossly fails to honour its obligations to discharge its duties of managing the Ground Handling activities.

**Lessors of the Neo Aircraft:**

- During the period of re-organisation, the Lessors agreed to some deferral of the lease instalments due as assistance to Air Seychelles. Under recent agreements between the Lessors and Air Seychelles, both parties have agreed on a repayment plan regarding the deferred lease payments over a certain period of time.
- The conditions relating to the repayment of the deferred instalments in accordance with the agreements entered into between Air Seychelles and each of the Lessors, dated 3 August 2022 and 8 August 2022, respectively, formed part of the rescue plan.

The Final Rescue Plan was executed by the Board of Directors on 8 November 2022 and as a result, Air Seychelles Limited exited Administration successfully.

*(v) Company position, performance and cashflow forecasts*

2022 has been far more positive with the exception of January and February which were deeply affected by cancellations brought by the Omicron variant of Covid-19. In Q3 of 2022, revenue reached 100% of 2019 levels. The Group is expected to achieve a profit of USD 8.1m in 2022 (as on forecast as of Q3 2022, excluding benefit of debt write-offs on principal), several years ahead of its 5 year plan.

During the second half of 2022, Air Seychelles started to operate the following flights:

- Twice per week to Mauritius;
- Once per week to Bombay;
- Thrice per week to Johannesburg; and
- 18 rotations per month to Tel Aviv during peak season, and 4 to 6 rotations during non-peak months.

This resulted in increased revenue for the Company.

One A320 NEO aircraft was placed on wet lease in 2022 until January 2023, and has a good probability of being extended potentially up to 3-5 years, depending on whether the lessee wins a contract extension.

As part of its going concern assessment, the Group and Company prepared cash flow forecasts for the three years ending 31 December 2022 to 2024, which were reviewed and approved by the Administrators. These forecasts reflected the Group's and Company's current best estimates of revenues and costs based on their current route networks and operational strategy.

## 2. Basis of preparation (continued)

### (a) Going concern (continued)

*(v) Company position, performance and cashflow forecasts (continued)*

Based on the review and approval of the Group's and Company's cash flow forecasts, which reflect a continued recovery in their financial performance, the realisation of the Final Rescue Plan, and after excluding the shareholder debt, would result in Air Seychelles Limited having a positive net asset position of USD 11.3 million based on August 2022 financials as a base.

Accordingly, the Directors conclude that the Group and the Company have adequate resources to continue in operational existence for a period of at least 12 months from the date of the approval of these financial statements and therefore it is appropriate to continue to adopt the going concern basis in preparing these financial statements.

### (b) Statement of compliance

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

### (c) Basis of measurement

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

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

### (d) Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have a significant effect on the amounts recognised in the financial statements are described in note 5.

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

(i) *Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 & IFRS 16*

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest;

## 3. Significant accounting policies

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

(i) *Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 & IFRS 16 (continued)*

- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued; and
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

*These amendments have no impact on the Group's financial statements. The Group intends to use the practical expedients in future periods if they become applicable.*

(ii) *Covid-19-Related Rent Concessions beyond June 30, 2021 Amendments to IFRS 16*

On May 28, 2020, the IASB issued Covid - 19 - Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

*The amendment was intended to apply until June 30, 2021, but as the impact of the Covid-19 pandemic is continuing, on March 31, 2021, the IASB extended the period of application of the practical expedient to June 30, 2022. The amendment applies to annual reporting periods beginning on or after April 1, 2021. However, the Group has not received Covid-19-related rent concessions.*

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

Certain standards, amendments to published standards and interpretations have been issued that are mandatory for accounting periods beginning on or after January 1, 2022 or later periods and are not likely to have an impact on the Group's financial statements.

(i) The following amendments are effective for the period beginning January 1, 2022:

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);
- Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41);
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16); and
- References to Conceptual Framework (Amendments to IFRS 3).

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

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

## 3. Significant accounting policies (continued)

### *(c) Property and equipment*

*Recognition and measurement*

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. The cost of self-constructed assets includes the following:

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

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

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal of an item of property and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in the Statements of Profit or Loss within Other income.

*Subsequent costs*

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

*Depreciation*

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

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

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

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

# Notes to the consolidated financial statements - Year ended 31 December, 2021

## 3. Significant accounting policies (continued)

### (c) *Property and equipment (continued)*

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

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

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

### (d) *Intangible assets*

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

*Subsequent costs*
Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in the Statements of Profit or Loss when incurred.

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

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

### (e) *Investment in subsidiaries*

*(i) Separate financial statements of the investor*

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

*(ii) Consolidated financial statements*

Subsidiaries are entities controlled by the Group.

# Notes to the consolidated financial statements - Year ended 31 December, 2021

## 3. Significant accounting policies (continued)

### (e) *Investment in subsidiaries (continued)*

(ii) *Consolidated financial statements (continued)*

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

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

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

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

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

(iii) *Transactions and non-controlling interests*

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

(iv) *Disposal of subsidiaries*

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

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

## 3. Significant accounting policies (continued)

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

*Non-derivative financial instruments*

*Recognition and initial measurement*

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

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

*Derecognition*

The Group and Company derecognise a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group and Company neither transfer nor retain substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group and Company recognise their retained interest in the asset and an associated liability for amounts it may have to pay. If the Group and Company retain substantially all the risks and rewards of ownership of a transferred financial asset, the Group and Company continue to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

The Group and Company derecognise financial liabilities when the Group and Company's obligations are discharged, cancelled, have expired or the Group and Company were legally released from the primary responsibility for the liability either by the process of law or by the creditor.

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

*Amortised cost and effective interest method*

The amortised cost of a financial instrument is the amount at which the financial instrument is measured at initial recognition adjusted for principal payments and cumulative amortisation using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial instrument and allocation of interest over the relevant period.

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

## 3. Significant accounting policies (continued)

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

*Financial assets*

The Group and Company's financial assets include trade and other receivables, cash and cash equivalents, receivables from related party and deposits. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value depending on the classification of the financial assets.

*Classification*

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

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

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

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

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

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

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

## 3. Significant accounting policies (continued)

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

*Classification (continued)*

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

*Financial liabilities*

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

### *(g) Share capital*

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

### *(h) Taxation*

In accordance with Schedule II, article 26, of the Seychelles Business Tax Act of 30 December 2009, Air Seychelles Limited is exempt from corporate tax on its income, hence no tax has been charged to the Statements of Profit or Loss.

### *(i) Inventories*

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is determined using the first in first out method, with the exception of aircraft related consumables, which are measured using specific-identification method.

Cost includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Allowance for obsolete and slow moving items is made to reduce the carrying value of these items to their net realisable value. Net realisable value is the estimated selling price, in the ordinary course of business, less estimated selling expenses.

Provisions are made for obsolete stock based on Management's appraisal.

## 3. Significant accounting policies (continued)

### *(j) Assets held for sale*

Non-current assets are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use. Such assets are generally measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held-for-sale or held for distribution and subsequent gains and losses on remeasurement are recognised in the Statements of Profit or Loss.

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

### *(k) Employee benefits*

*(i) Defined contribution plans*

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

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

*(ii) Other post employment benefits*

A defined benefit plan is a post-employment benefit other than a defined contribution plan. The Group and Company currently operate an unfunded scheme for employees' end of service benefits that follows relevant local regulations and is based on periods of cumulative service and levels of employees' final basic salaries.

The liability for staff terminal benefits is determined as the liability that would arise if employment of all staff was to be terminated at reporting date. An actuarial valuation is not performed on post-employment and other benefits as the net impact of the discount rate and future salary and benefits level on the present value of the benefits obligation is not expected by Management to be significant.

*(iii) Short-term employee benefits*

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

### *(l) Foreign currencies*

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

*Foreign currency transactions*

Transactions in foreign currencies are translated to USD at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to USD at the exchange rate at that date.

# Notes to the consolidated financial statements - Year ended 31 December, 2021

## 3. Significant accounting policies (continued)

### *(l) Foreign currencies (continued)*

*Foreign currency transactions (continued)*

Foreign currency gains or losses on monetary items are the differences between the amortised cost in USD at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

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

### *(m) Impairment of non financial assets*

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

### *(n) Revenue recognition*

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

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

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

*(i) Air transportation services*

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

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

## 3. Significant accounting policies (continued)

### *(n) Revenue recognition (continued)*

*(i) Air transportation services (continued)*

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

*(ii) Liquidated damages*

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

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

*(iii) Interline sales*

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

*(iv) Loyalty points*

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

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

1. When a HM guest earns miles when travelling with an HM ticket, Etihad Loyalty Programme will invoice HM for the price of the miles. HM will then recognise the invoice as an expense in the Statement of Profit or Loss.

2. When a guest who is a member of the Etihad Loyalty Programme redeems his miles to benefit from HM ancillary services, HM will invoice the price of these services to Etihad Loyalty Programme and recognise corresponding revenue (Ancillary sales).

3. HM did not segregate the price of the miles from the gross price of the air ticket. The gross amount (price of ticket and price of miles) was recorded as passenger revenue whenever a ticket was flown.

Application of IFRS 15:

1. When a HM guest earns miles when travelling with an HM ticket, Etihad Loyalty Programme will invoice HM for the price of the miles. HM will then recognize the invoice as a deduction against the gross amount of ticket sales. The price of the miles is neither an expense for HM, nor revenue for HM.

## 3. Significant accounting policies (continued)

### *(n) Revenue recognition (continued)*

*(iv) Loyalty points (continued)*

2. When a guest who is a member of the Etihad Loyalty Programme redeems his miles to benefit from HM ancillary services, HM will invoice the price of these services to Etihad Loyalty Programme and recognise corresponding revenue (Ancillary sales).

3. HM will now recognize only the selling price of the ticket (excluding the price of miles) as revenue, in compliance with IFRS 15.

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

*(v) Travel vouchers*

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

### *(o) Government grants*

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

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

### *(p) Leases*

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

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

## 3. Significant accounting policies (continued)

### *(p) Leases (continued)*

The Group and Company made use of two exemptions as permitted under IFRS 16 for not capitalising the leased asset i.e. short-term leases (with a lease term of 12 months or less) and lease contracts for which the value of the underlying asset is materially low. For these leases, the lease rental charges are recognised as an operating expense in the Statements of Profit or Loss.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the Group's and Company's incremental borrowing rates. The lease liability is presented as a separate line in the Statements of Financial Position.

### *(q) Finance income and finance costs*

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

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

Finance costs comprise interest expense on loans and borrowings and are recognised in the Statements of Profit or Loss using the effective interest method. Foreign currency gains and losses are reported on a net basis separately within finance income / costs, either as exchange gains or losses depending on whether foreign currency movements are in a net gain or net loss position.

### *(r) Provisions*

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

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

## 4. Financial risk management

### *Overview*

The Group and Company have exposure to the following risks from its use of financial instruments:

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

# Notes to the consolidated financial statements - Year ended 31 December, 2021

## 4. Financial risk management (continued)

***Overview (continued)***

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

*Risk management framework*

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

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

### (a) Credit risk

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

The Group's and Company's exposure to credit risk on trade and other receivables is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's and Company's customer base, including the default risk of the industry and countries in which customers operate, as these factors may have an influence on credit risk. The following table shows the credit concentration of the Group and Company at the end of the reporting period.

| | Trade Receivables at amortised cost | | Provision for credit impairment | | Carrying Amount | |
|---|---|---|---|---|---|---|
| *Figures in USD '000* | **2021** | 2020 | **2021** | 2020 | **2021** | 2020 |
| Local | **2,002** | 1,540 | **(750)** | (1,054) | **1,252** | 486 |
| International | **8,075** | 10,585 | **(4,269)** | (5,752) | **3,806** | 4,833 |
| Total | **10,077** | 12,125 | **(5,019)** | (6,806) | **5,058** | 5,319 |

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

## 4. Financial risk management (continued)

### (a) Credit risk (continued)

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

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

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

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

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

| | | **THE GROUP & THE COMPANY** | |
|---|---|---|---|
| *Figures in USD '000* | ***Notes*** | **2021** | 2020 |
| Deposits | ***10*** | **2,050** | 7,924 |
| Receivable from Shareholder and related parties | ***11*** | **3,940** | 5,609 |
| Trade and other receivables | ***13*** | **6,855** | 8,506 |
| Cash at cash equivalents | ***14*** | **11,993** | 11,285 |
| | | **24,838** | 33,324 |

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

The Group and Company recognise a loss allowance for expected credit losses on deposits, trade and other receivables, amounts due from related parties and cash and cash equivalents. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group and Company always recognise lifetime ECL for its trade and other receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's and Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument.

The Group and Company recognise an impairment loss in the Statements of Profit or Loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

# Notes to the consolidated financial statements - Year ended 31 December, 2021

## 4. Financial risk management (continued)

### (a) Credit risk (continued)

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

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

| *Figures in USD '000* | THE GROUP AND THE COMPANY | |
|---|---|---|
| | **2021** | 2020 |
| At 1 January | **6,806** | 9,844 |
| Reversal for the year (page 16) | **(1,787)** | (3,038) |
| **At 31 December** | **5,019** | 6,806 |

The ageing of trade receivables at the reporting date was:

| | THE GROUP AND THE COMPANY | | | | | |
|---|---|---|---|---|---|---|
| *Figures in USD '000* | **31 December 2021** | | | 31 December 2020 | | |
| | **Gross** | **Loss rates %** | **Impairment** | Gross | Loss rates % | Impairment |
| Current | **2,439** | **5.82** | **142** | 4,880 | 2.93 | 143 |
| Past due 1-30 days | **130** | **7.69** | **10** | 398 | 13.07 | 52 |
| Past due 31-60 days | **345** | **13.62** | **47** | 239 | 18.41 | 44 |
| Past due 61-90 days | **139** | **19.42** | **27** | 68 | 39.71 | 27 |
| Past due 91-120 days | **803** | **31.13** | **250** | - | - | - |
| Past due 121-180 days | **180** | **50.00** | **90** | - | - | - |
| Past due 181-365 days | **3,616** | **56.08** | **2,028** | 719 | 100.00 | 719 |
| Above 365 days | **2,425** | **100.00** | **2,425** | 5,821 | 100.00 | 5,821 |
| | **10,077** | | **5,019** | 12,125 | | 6,806 |

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

### (b) *Liquidity risk*

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

The Treasury department of the Group and Company ensures that sufficient cash is available based on rolling short-term forecasts of expected cash flows. Additionally management also ensures the availability of funding through an adequate amount of committed credit facilities.

## 4. Financial risk management (continued)

### *(b) Liquidity risk (continued)*

The Group and Company monitors the level of expected cash inflows on trade and other receivables to ensure active recovery of amounts outstanding from customers. The Group and Company are also able to negotiate better credit terms with suppliers to manage expected cash outflows on trade and other payables.

On 7 December 2021, a Rescue Plan was approved whereby the Bondholders, EA Partners B.V. I and II accepted to take a haircut of two thirds of the amount owed to them by the Group and the Company.

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

**THE GROUP**

| **31 December 2021** | **Carrying amount** | **Contractual cash flows** | **1 year or less** | **2 - 5 years** | **More than 5 years** |
|---|---|---|---|---|---|
| **Borrowings*** | **(79,347)** | **(92,494)** | **(92,494)** | **-** | **-** |
| **Trade and other payables** | **(23,601)** | **(23,601)** | **(23,601)** | **-** | **-** |
| **Amounts due to related parties*** | **(63,550)** | **(63,550)** | **(63,550)** | **-** | **-** |
| **Lease liabilities** | **(52,193)** | **(66,600)** | **(8,254)** | **(34,313)** | **(24,033)** |
| | **(218,691)** | **(246,245)** | **(187,899)** | **(34,313)** | **(24,033)** |

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

**THE COMPANY**

| **31 December 2021** | **Carrying amount** | **Contractual cash flows** | **1 year or less** | **2 - 5 years** | **More than 5 years** |
|---|---|---|---|---|---|
| **Borrowings*** | **(79,347)** | **(92,494)** | **(92,494)** | **-** | **-** |
| **Trade and other payables** | **(25,828)** | **(25,828)** | **(25,828)** | **-** | **-** |
| **Amounts due to related parties*** | **(63,550)** | **(63,550)** | **(63,550)** | **-** | **-** |
| **Lease liabilities** | **(52,193)** | **(66,600)** | **(8,254)** | **(34,313)** | **(24,033)** |
| | **(220,918)** | **(248,472)** | **(190,126)** | **(34,313)** | **(24,033)** |

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

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

## 4. Financial risk management (continued)

*Capital management*

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

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

The Board regularly reviews the Group and Company's capital structure and makes adjustments to reflect future capital commitments, business strategies and economic conditions. The Group and Company are not subject to any externally imposed capital requirements.

For the purposes of this capital management, capital comprises of equity, whereas net debt is calculated as total debt, as shown in the financial statements, less cash and cash equivalents.

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

| *Figures in USD '000* | THE GROUP AND THE COMPANY | |
|---|---|---|
| | **2021** | 2020 |
| Borrowings | **79,347** | 79,976 |
| Lease liabilities | **52,193** | 53,630 |
| Less: Cash and cash equivalents | **(12,051)** | (9,418) |
| **Net debt** | **119,489** | 124,188 |
| Share capital | **72,617** | 72,617 |
| **Total capital and net debt** | **192,106** | 196,805 |

### (c) *Market risk*

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

*Currency risk*

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

*Exposure to currency risk*

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

# Notes to the consolidated financial statements - Year ended 31 December, 2021

## 4. Financial risk management (continued)

### (c) Market risk (continued)

*Figures in thousands of currency units*

| | 31 December 2021 | | | 31 December 2020 | | |
|---|---|---|---|---|---|---|
| | SCR | ZAR | EUR | SCR | ZAR | EUR |
| Trade and other receivables | **18,251** | **3,074** | **3,286** | 40,302 | 8,807 | 2,993 |
| Cash and cash equivalents | **29,678** | **18,740** | **1,061** | 45,270 | 6,460 | 981 |
| Trade and other payables | **(13,879)** | **(1,246)** | **(428)** | (10,190) | (863) | (149) |
| Total of currency units | **34,050** | **20,568** | **3,919** | 75,382 | 14,404 | 3,825 |
| USD equivalent | **2,308** | **1,292** | **3,449** | 3,555 | 979 | 4,673 |

The following significant exchange rates applied during the year:

| *USD* | Average rates | | Reporting date spot rates | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| *SCR 1* | **0.057** | 0.060 | **0.068** | 0.047 |
| *EUR 1* | **1.051** | 1.170 | **0.880** | 1.222 |
| *ZAR 1* | **0.065** | 0.070 | **0.063** | 0.068 |

*Sensitivity analysis*

A strengthening/(weakening) of USD against SCR, EUR and ZAR at 31 December 2021 would have (decreased)/increased profit or loss by the amounts shown as follows:

This analysis is based on foreign currency exchange rate variances that the Group and Company considered to be reasonably possible at the reporting date and considers the gross Statements of Financial Position exposure shown above. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecasted sales and purchases. The analysis is performed on the same basis for December 2020.

| Effect on profit or loss in thousands of USD | Strengthening | Weakening |
|---|---|---|
| **31 December 2021** | | |
| SCR (1% movement) | (23) | 23 |
| EUR (1% movement) | (34) | 34 |
| ZAR (1% movement) | (13) | 13 |
| **31 December 2020** | | |
| SCR (1% movement) | (36) | 36 |
| EUR (1% movement) | (47) | 47 |
| ZAR (1% movement) | (10) | 10 |

*Commodity price risk*

The Group and Company's commodity price risk relate to the purchase price of its jet fuel. The Group and Company do not use hedging to manage the risk that relates to the purchase price of jet fuel.

## 4. Financial risk management (continued)

### (c) *Market risk (continued)*

*Commodity price risk (continued)*

This is mainly because securities of this nature are not offered by local banks, which means that the Group and Company would have to look for these on the international markets. However, the volumes of jet fuel purchased and consumed by the Group and Company through their flying activities are not large enough to justify this process.

*Interest rate risk*

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

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

### (d) *Accounting classifications and fair values*

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

***Fair value hierarchy***

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

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

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

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

## 5. Significant accounting estimates and judgements

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

### (a) *Going concern*

The Management of the Group and Company has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, Management is not aware of any material uncertainties that may cast significant doubt on the Group and Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis. The assessment made by Management is detailed under notes 2(a) and 30.

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

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

## 5. Significant accounting estimates and judgements (Continued)

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

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

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

### (c) *Leases*

*The determination of the respective discount rates*

In determining the respective discount rate by the Group and the Company, the entity considered the rate of interest that it would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The Group's and Company's incremental borrowing rates was considered to be the most appropriate rate to commence with and adjusted for the profiles of the respective factors for use in the calculation on initial recognition of the respective lease liabilities. Refer to note 3(a)(i).

*Determining the lease terms*

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

### (d) *Calculation of expected credit losses*

When measuring ECL, the Group and Company use reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

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

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

### (e) *Impairment of non-financial assets*

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

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

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

## 5. Significant accounting estimates and judgements (Continued)

### *(f) Estimated useful lives of property and equipment*

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

### *(g) Commercial incentive for marketing services*

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

### *(h) Limitation of sensitivity analysis*

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

# Notes to the consolidated financial statements - Year ended 31 December, 2021

## 6. Property and equipment

**THE GROUP & THE COMPANY**

*Figures in USD '000*

| | Land & buildings | Aircraft, engines, accessories & technical spares | Aircraft and engine overhaul | Operating equipment | Furniture & fittings | Computers & office equipment | Motor vehicles | Capital work in progress | Total |
|---|---|---|---|---|---|---|---|---|---|
| **COST** | | | | | | | | | |
| At 1 January 2020 | 6,043 | 40,349 | 3,752 | 6,263 | 1,524 | 1,424 | 1,162 | 483 | 61,000 |
| Additions | - | 726 | - | 33 | 1 | - | 15 | 188 | 963 |
| Disposals | - | (5) | - | - | - | (64) | (219) | - | (288) |
| Write off adjustment | - | 30 | - | - | - | - | - | (483) | (453) |
| **At 31 December 2020** | **6,043** | **41,100** | **3,752** | **6,296** | **1,525** | **1,360** | **958** | **188** | **61,222** |
| Additions | - | 305 | - | - | - | 35 | - | 24 | 364 |
| Disposals | - | (44) | - | (24) | - | - | (85) | - | (153) |
| Transfers to intangible assets (note 8) | - | - | - | - | - | - | - | (197) | (197) |
| **At 31 December 2021** | **6,043** | **41,361** | **3,752** | **6,272** | **1,525** | **1,395** | **873** | **15** | **61,236** |
| **ACCUMULATED DEPRECIATION** | | | | | | | | | |
| At 1 January 2020 | 4,234 | 6,387 | 1,688 | 3,718 | 1,511 | 913 | 907 | - | 19,358 |
| Charge for the year | 69 | 1,051 | 809 | 391 | 6 | 245 | 121 | - | 2,692 |
| Disposals adjustment | - | - | - | - | - | (64) | (209) | - | (273) |
| Write off | - | (8) | - | - | - | - | - | - | (8) |
| **At 31 December 2020** | **4,303** | **7,430** | **2,497** | **4,109** | **1,517** | **1,094** | **819** | **-** | **21,769** |
| Charge for the year | 69 | 1,395 | 615 | 324 | 4 | 228 | 90 | - | 2,725 |
| Disposals adjustment | - | (6) | - | (24) | - | - | (85) | - | (115) |
| **At 31 December 2021** | **4,372** | **8,819** | **3,112** | **4,409** | **1,521** | **1,322** | **824** | **-** | **24,379** |
| **ACCUMULATED IMPAIRMENT LOSSES** | | | | | | | | | |
| At 1 January 2020 and 31 December 2020 & 2021 | 23 | 1,363 | - | 117 | - | - | - | - | 1,503 |
| NET BOOK VALUE | | | | | | | | | |
| **At 31 December 2021** | **1,648** | **31,179** | **640** | **1,746** | **4** | **73** | **49** | **15** | **35,354** |
| **At 31 December 2020** | **1,717** | **32,307** | **1,255** | **2,070** | **8** | **266** | **139** | **188** | **37,950** |

(a) The borrowings are secured by two twin otter aircraft purchased using these loans (refer to note 18).

# Notes to the consolidated financial statements - Year ended 31 December, 2021

## 7. Leases

### (a) Right-of-use assets

*Figures in USD '000*

| | THE GROUP AND THE COMPANY | |
|---|---|---|
| | **2021** | 2020 |
| At 1 January | **54,859** | 35,007 |
| Additions | **-** | 26,968 |
| Amortisation charge (note 24) | **(6,675)** | (7,116) |
| **At 31 December** | **48,184** | 54,859 |

Pre-delivery costs amounting to USD 0.5 million were capitalised to right-of-use assets in 2020. Right-of-use assets primarily consist of aircraft and office space.

### (b) Lease liabilities

*Figures in USD '000*

| | THE GROUP AND THE COMPANY | |
|---|---|---|
| | **2021** | 2020 |
| At 1 January | **53,630** | 34,305 |
| Additions | **-** | 26,485 |
| Finance cost (note 26) | **3,443** | 537 |
| Payments | **(4,771)** | (9,695) |
| Effect of lease deferral (note 26) | **-** | 1,906 |
| Exchange (gain)/loss | **(109)** | 92 |
| **At 31 December** | **52,193** | 53,630 |
| Analysed as: | | |
| Non-current | **47,031** | 46,144 |
| Current | **5,162** | 7,486 |
| **Total lease liabilities** | **52,193** | 53,630 |

## 8. Intangible assets

*Figures in USD '000*

| | THE GROUP AND THE COMPANY | |
|---|---|---|
| | **2021** | 2020 |
| **Cost** | | |
| At 1 January | **16,748** | 16,626 |
| Additions | **348** | 122 |
| **At 31 December** | **17,096** | 16,748 |
| **Accumulated amortisation and impairment** | | |
| At 1 January | **16,628** | 6,069 |
| Charge for the year | **71** | 1,637 |
| Impairment losses (note 25) | **-** | 8,922 |
| **At 31 December** | **16,699** | 16,628 |
| **Carrying amount** | **397** | 120 |

There was no impairment loss during the year under review *(2020: USD 8.9 million)*.

# Notes to the consolidated financial statements - Year ended 31 December, 2021

## 9. Investment in Subsidiary

| *Figures in USD '000* | THE COMPANY |
|---|---|
| | **2021** & 2020 |
| **Cost - unquoted** | **2,227** |

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

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

**(a) Authorised and issued (2021** & 2020)

5,000 shares of SCR 6,000 each

| **(b) Ownership:** | **No of shares** | **% shareholding 2021** & 2020 |
|---|---|---|
| Air Seychelles Limited | **4,999** | **99.98%** |
| Government of Seychelles | **1** | **0.02%** |
| | **5,000** | **100.00%** |

## 10. Deposits

| *Figures in USD '000* | THE GROUP AND THE COMPANY | |
|---|---|---|
| | **2021** | 2020 |
| Deposit - loans | **-** | 3,595 |
| Deposit - others | **2,050** | 4,329 |
| **At 31 December** | **2,050** | 7,924 |

As at 31 December 2021, the Group and the Company wrote off USD 3.6 million of initial deposits, which were categorised as deposit-loans, and USD 2.2 million of additional deposits, which were categorised as deposit-others, that had been pledged with the Bank (The Bank of New York Mellon, London Branch) against loans from EA Partners I B.V. and EA Partners II B.V. as disclosed in note 18.

## 11. Receivables from related parties

| *Figures in USD '000* | THE GROUP AND THE COMPANY | |
|---|---|---|
| | **2021** | 2020 |
| Due from shareholders (note 11(a)) | **3,872** | 5,529 |
| Amounts due from government-owned entities | **68** | 80 |
| | **3,940** | 5,609 |

# Notes to the consolidated financial statements - Year ended 31 December, 2021

## 11. Receivables from related parties (continued)

| | THE GROUP AND THE COMPANY | |
|---|---|---|
| | **2021** | 2020 |
| Analysed as: | | |
| Non-current | **1,265** | 2,470 |
| Current | **2,675** | 3,139 |
| | **3,940** | 5,609 |

(a) Amount due from Shareholder comprises grants amounting to **USD 2.5 million** from the Government of Seychelles which are amortised over 7 years at an interest rate of 5% p.a.

## 12. Inventories

| *Figures in USD '000* | THE GROUP AND THE COMPANY | |
|---|---|---|
| | **2021** | 2020 |
| Aircraft spares | **11,357** | 11,116 |
| Inflight consumables & others | **1,727** | 1,601 |
| Less: allowance for slow-moving / obsolete inventories | **(53)** | (817) |
| | **13,031** | 11,900 |

Inflight consumables include **USD 0.3 million** (2020: USD 0.2 million) relating to items which are not expected to be consumed within 12 months after the reporting period.

Amount in provision for slow moving stocks of **USD 0.8 million** (credit) ( 2020: USD 0.3 million (charge)) has been included in 'Other administrative expenses). Refer to note 25.

## 13. Trade and other receivables

| *Figures in USD '000* | THE GROUP AND THE COMPANY | |
|---|---|---|
| | **2021** | 2020 |
| Trade receivables (notes 4(a)(i) & 13(a)) | **5,058** | 5,319 |
| Deposits and advances | **5,260** | 2,237 |
| Other receivables | **1,797** | 3,187 |
| | **12,115** | 10,743 |

(a) Trade receivables are stated net of allowance for Expected Credit Losses (ECL) amounting to **USD 5.0 million** *(2020: USD 6.8 million).* The allowance is calculated in accordance with IFRS 9 (note 4(a)(ii)).

(b) For the purposes of calculating ECL, the Group and the Company categorise their receivables into Local and International customers, and disclosed under note 4(a).

(c) No ECL has been recognised on deposits, advances and other receivables since the Directors are of the opinion that the risk of default is remote.

# Notes to the consolidated financial statements - Year ended 31 December, 2021

## 14. Cash and cash equivalents

*Figures in USD '000*

| | THE GROUP AND THE COMPANY | |
|---|---|---|
| | **2021** | 2020 |
| Cash at bank | | |
| - in call accounts | **655** | 581 |
| - in current accounts | **11,338** | 10,704 |
| Cash in hand | **58** | 58 |
| **Cash and cash equivalents** | **12,051** | 11,343 |

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

## 15. Assets held for sale

As at 31 December 2021, the Group and the Company are committed to sell certain assets and accordingly these assets have been presented as held for sale. These transactions are expected to be finalised within the next 12 months. The movements in the balance as follows:

*Figures in USD '000*

| | THE GROUP AND THE COMPANY | |
|---|---|---|
| | **2021** | 2020 |
| At 1 January | **960** | 874 |
| (Disposals)/Additions | **(34)** | 86 |
| **At 31 December** | **926** | 960 |

## 16. Share capital

***(a)* Authorised and issued**

650,000 shares of SCR 1,000 each

| | THE GROUP AND THE COMPANY | | | |
|---|---|---|---|---|
| | **2021** | | 2020 | |
| ***(b)* Ownership:** | **SCR '000** | **USD '000** | SCR '000 | USD '000 |
| Government of Seychelles | **650,000** | **72,617** | 390,000 | 52,001 |
| Etihad Airways PJSC | **-** | **-** | 260,000 | 20,616 |
| | **650,000** | **72,617** | 650,000 | 72,617 |

On 20 April 2021, EAGIHC's 40% equity interest in the Company was transferred at USD 1 to the Government of Seychelles. Holders of these shares are entitled to dividends as declared from time to time and are entitled to one vote per share at General Meetings of the Group and the Company.

## 17. Provision for end of service benefits

*Figures in USD '000*

| | THE GROUP AND THE COMPANY | |
|---|---|---|
| | **2021** | 2020 |
| **Non current** | | |
| Provision for end of service benefits | **2,888** | 2,110 |

# Notes to the consolidated financial statements - Year ended 31 December, 2021

## 17. Provision for end of service benefits continued

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

| *Figures in USD '000* | THE GROUP AND THE COMPANY 2021 | 2020 |
|---|---|---|
| At 1 January | **2,110** | 3,482 |
| Charge for the year (included in note 25(a)) | **1,120** | 718 |
| Payments made during the year | **(342)** | (2,090) |
| **At 31 December** | **2,888** | 2,110 |

## 18. Borrowings

| *Figures in USD '000* | | THE GROUP AND THE COMPANY 2021 | 2020 |
|---|---|---|---|
| **Non-current portion of borrowings** | | | |
| Loan from shareholder - Etihad | (note 18(a)) | **-** | 6,729 |
| - GOS | (note 18(a)) | **7,808** | - |
| | | **7,808** | 6,729 |
| **Current portion of borrowings** | | | |
| Loan from shareholder - Etihad | | **-** | 1,079 |
| Loan from EA Partners I B.V. | | **21,539** | 21,539 |
| Loan from EA Partners II B.V. | | **50,000** | 50,000 |
| | | **71,539** | 72,618 |
| | | **79,347** | 79,347 |

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

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

(a) In April 2021, an agreement was reached between the Shareholders (GOS 60% and Etihad 40%) for GOS to buy out liabilities due by the Group and the Company to EAGIHC and Etihad Airways amounting to USD 8.0 million of secured shareholder loans at a discount of 79%.

In September 2022, the GOS paid USD 9.8 million for the remaining debt to Etihad Airways PJSC, and a result, the two DHC6-400 Twin Otter aircraft were released from asset under security, and the loan extinguished.

As at 31 December 2021, the GOS had not yet confirmed the terms and conditions of repayment of this loan, and the Directors classified this loan as non-current on the basis of the previous agreements.

# Notes to the consolidated financial statements - Year ended 31 December, 2021

## 18. Borrowings (continued)

*Figures in USD '000*

| *(b) Movement on borrowings* | THE GROUP AND THE COMPANY 2021 | 2020 |
|---|---|---|
| At 1 January | **79,347** | 79,976 |
| Repayments | **-** | (629) |
| **At 31 December** | **79,347** | 79,347 |

## 19. Trade and other payables

*Figures in USD '000*

| | THE GROUP 2021 | 2020 | THE COMPANY 2021 | 2020 |
|---|---|---|---|---|
| Trade payables | **3,330** | 2,877 | **3,330** | 2,877 |
| Accruals and other payables | **20,091** | 11,400 | **22,318** | 13,627 |
| Accruals for staff annual leave | **180** | 1 | **180** | 1 |
| | **23,601** | 14,278 | **25,828** | 16,505 |

## 20. Amount due to related parties

*Figures in USD '000*

| | | THE GROUP AND THE COMPANY 2021 | 2020 |
|---|---|---|---|
| Amounts due to shareholders : | Etihad Airways PJSC | **-** | 62,972 |
| | Government of Seychelles | **62,588** | 280 |
| Amounts due to Government-owned entities | | **962** | 584 |
| | | **63,550** | 63,836 |

In April 2021, an agreement was reached between the Shareholders (GOS 60% and Etihad 40%) for GOS to buy out liabilities due by the Group and the Company to EAGIHC and Etihad Airways amounting to USD 62.2 million of unsecured liabilities at a discount of 82%. The Directors classified this amount as current liability based on the previous agreements.

## 21. Contract liabilities

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

*Figures in USD '000*

| | THE GROUP AND THE COMPANY 2021 | 2020 |
|---|---|---|
| Forward Sales Passenger and Cargo | **6,318** | 5,552 |
| Tax collected on tickets | **743** | 541 |
| | **7,061** | 6,093 |

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

# Notes to the consolidated financial statements - Year ended 31 December, 2021

## 22. Revenue from contracts with customers

*Figures in USD '000*

| | THE GROUP AND THE COMPANY | |
|---|---|---|
| | **2021** | 2020 |
| Passenger services | **15,575** | 18,786 |
| Cargo services | **3,305** | 3,894 |
| Charter services | **6,244** | 3,526 |
| Ground handling services | **12,289** | 8,601 |
| | **37,413** | 34,807 |

## 23. Other income

*Figures in USD '000*

| | THE GROUP AND THE COMPANY | |
|---|---|---|
| | **2021** | 2020 |
| Government grants | **6,157** | 8,726 |
| Gain on sale of property and equipment | **94** | 178 |
| Others | **1,203** | 4,564 |
| | **7,454** | 13,468 |

## 24. Direct operating costs

*Figures in USD '000*

| | THE GROUP AND THE COMPANY | |
|---|---|---|
| | **2021** | 2020 |
| Fuel and oil | **5,892** | 5,065 |
| Aircraft and engine maintenance | **5,840** | 4,516 |
| Aircraft and engine operating leases | **251** | - |
| Landing and parking | **443** | 441 |
| Overflying | **833** | 809 |
| Staff costs (note 25(a)) | **10,116** | 10,784 |
| In-flight consumables | **1,557** | 1,295 |
| Handling | **1,557** | 1,445 |
| Crew layover | **882** | 768 |
| Commission and incentives | **78** | 431 |
| Depreciation of property and equipment (note 6) | **2,338** | 2,257 |
| Amortisation of Right-of-use assets (note 7(a)) | **6,675** | 7,116 |
| Aircraft insurance | **419** | 794 |
| Other direct operating costs | **1,801** | 1,260 |
| | **38,682** | 36,981 |

(a) Depreciation and amortisation charges for the year (notes 6, 7 & 8) have been allocated between 'Direct operating costs' and 'Administrative and marketing expenses'.

# Notes to the consolidated financial statements - Year ended 31 December, 2021

## 25. Administrative and marketing expenses

*Figures in USD '000*

| | THE GROUP AND THE COMPANY | |
|---|---|---|
| | **2021** | 2020 |
| Staff costs (note 25(a)) | **1,250** | 1,333 |
| Rent and utilities | **570** | 413 |
| Communications | **1,121** | 1,239 |
| Transport and vehicle | **167** | 86 |
| General repairs and maintenance | **249** | 88 |
| Legal and professional | **1,142** | 1,515 |
| Audit fees | **74** | 72 |
| Advertisement and promotion | **178** | 119 |
| Depreciation and amortisation (notes 6 and 8) | **458** | 2,072 |
| Other administrative and marketing expenses | **14,322** | 4,115 |
| Impairment losses (note 8) | **-** | 8,922 |
| | **19,531** | 19,974 |

In 2020, USD 8.9 million was recognised as impairment losses on the Sabre Passenger Service System (Sabre PSS) software following the implementation of a new Passenger Service System Hitit, in November 2020. Since the cut over, the Sabre system has been laid idle and Management has no intention to use this system in the future.

## 25.(a) Related staff costs

*Figures in USD '000*

| | THE GROUP AND THE COMPANY | |
|---|---|---|
| | **2021** | 2020 |
| Salaries and allowances | **8,284** | 9,970 |
| Other staff related costs | **3,082** | 2,147 |
| | **11,366** | 12,117 |

## 26. Finance income and finance costs

*Figures in USD '000*

| | THE GROUP AND THE COMPANY | |
|---|---|---|
| | **2021** | 2020 |
| **(a) Finance income** | **167** | 236 |
| **(b) Finance costs** | | |
| Interest expense: Borrowings | **7,242** | 5,868 |
| Lease liabilities (note 7(b)) | **3,443** | 537 |
| Effect of lease deferral (notes 7(b) & 26(a)) | **-** | 1,906 |
| Net foreign exchange loss | **629** | 857 |
| | **11,314** | 9,168 |

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

## 27. Related party transactions and balances

### Identification of related parties

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

### Transactions with government-owned entities

IAS 24,"Related Parties" (revised) requires Government owned entities to disclose transactions with other state / government owned entities. Most infrastructure related entities are owned by the Government of Seychelles and the Group and the Company necessarily enters into transaction with those entities in the normal course of business on an arm's length basis. The Group and the Company also transacts with these entities in respect of aviation fuel, landing and parking, overflying and lease of properties (refer note 24). During the year, the Group and the Company procured the following services from government owned-entities based on list prices that are comparable to prices charged to non-government entities or market terms.

*Figures in USD '000*

| | | THE GROUP AND THE COMPANY | |
|---|---|---|---|
| | | **2021** | 2020 |
| | **Government-owned entity** | | |
| Aviation fuel | Seychelles Petroleum Company Limited | **3,104** | 2,747 |
| Landing and parking | Seychelles Civil Aviation Authority | **127** | 110 |
| Overflying | Seychelles Civil Aviation Authority | **129** | 178 |
| Operating lease of land and buildings | Seychelles Civil Aviation Authority | **429** | 298 |

### Transactions with shareholders

*Figures in USD '000*

| | THE GROUP AND THE COMPANY | |
|---|---|---|
| | **2021** | 2020 |
| Government grant | **6,157** | 8,726 |
| Interest on loan from shareholder | **110** | 404 |
| Operating lease expenses for aircraft - Etihad Airways PJSC | **-** | 807 |

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

### Transactions with key management personnel

*Figures in USD '000*

| | THE GROUP AND THE COMPANY | |
|---|---|---|
| | **2021** | 2020 |
| Short term employee benefits | **957** | 1,340 |
| Post-retirement benefits | **26** | 113 |
| | **983** | 1,453 |

### Directors' emoluments

None of the Directors of the Group and Company received any emoluments from the Company during the year (*2020: nil*).

# Notes to the consolidated financial statements - Year ended 31 December, 2021

## 27. Related party transactions and balances (continued)

**Related parties balances**
*Figures in USD '000*

| | THE GROUP AND THE COMPANY | |
|---|---|---|
| | **2021** | 2020 |
| *Amounts due to:* | | |
| Government ministries | **62,588** | 280 |
| Government - owned entities | **962** | 584 |
| Shareholders - Etihad Airways PJSC | **-** | 70,780 |
| - GOS | **7,808** | - |
| EA Partners B.V I and II | **71,539** | 71,539 |
| | **142,897** | 143,183 |
| *Amounts due from:* | | |
| Government ministries | **3,872** | 5,529 |
| Government -owned entities | **68** | 80 |
| | **3,940** | 5,609 |

## 28. Commitments

*Figures in USD '000*

| | THE GROUP AND THE COMPANY | |
|---|---|---|
| | **2021** | 2020 |
| **Capital commitments** | | |
| Not later than one year | **3,364** | 4,789 |

## 29. Contingent liabilities

*Figures in USD '000*

| | THE GROUP AND THE COMPANY | |
|---|---|---|
| | **2021** | 2020 |
| Letters of guarantee | **568** | 1,256 |

## 30. Events after the reporting period

***IAS 10 - Events After the Reporting Period***

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

***(a) Non-adjusting events***

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

**A: In 2022**

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

2 Air Seychelles Limited incorporated a wholly owned subsidiary in the form of an International Business Company (IBC) named AS SPV on 31 March 2022.

3 Air Seychelles signed contracts to wet lease one A320 NEO aircraft from 1 March 2022 to 31 January 2023, and this is expected to result in increased revenue for the subsequent years.

# Notes to the consolidated financial statements - Year ended 31 December, 2021

## 30. Events after the reporting period (continued)

*(a) Non-adjusting events (continued)*

**A: In 2022 (continued)**

4 Air Seychelles undertook a loan with Nouvobanq S.I.M.B.C of USD 16.5 million in order to make the settlement to the Bondholders, with the remainder coming from cash reserves. The loan agreement was dated 20 April 2022. The loan required a first line fixed charge on certain Air Seychelles Limited leasehold and freehold land as well as three domestic aircraft.

5 The relevant agreements were signed between Air Seychelles Limited, AS SPV and the Bondholder representatives to novate the EA Partners B.V. I and II bonds to AS SPV at the price of USD 28.2 million. On 10 May 2022 the settlement funds of USD 28.2 million were paid to the Bondholders, via escrow agent Pool and Patel Chartered Accountants, and the signed agreements were released from escrow. Consequently, on 11 May 2022 the legal representatives of the Noteholder Committee withdrew the winding up petition against Air Seychelles Limited.

6 In April 2021, an agreement was reached between the Shareholders (GOS 60% and Etihad 40%) for GOS to buy out liabilities owed by the Group and the Company to EAGIHC and Etihad Airways amounting to USD 62.2 million (unsecured liabilities) and USD 8.0 million (secured shareholder loans) at a discount of 82% and 79%, respectively. By September 2022, GOS had made payments of both liabilities, totaling USD 13.0 million to Etihad Airways PJSC. The two DHC6-400 Twin Otter aircraft secured to Etihad were consequently released on dated 27 September 2022 and discharge documents were dated in October 2022.

7 A final Creditors' Meeting was held on 25 October 2022 whereby the Administrators presented the Final Rescue Plan. The Rescue Plan outlined that the approval would result in Air Seychelles Limited having a positive net asset position of USD 11.3 million (based on August 2022 financials as a base), and Air Seychelles Limited will be in a position of solvency. The Administrators recommended the approval and execution of the plan as it would be in the interest of the Creditors. The Creditors who attended the meeting were GOS, AS SPV Limited and Nouvobanq S.I.M.B.C. These Creditors unanimously approved the rescue plan.

8 The Rescue Plan was executed by the Board of Directors on 8 November 2022 and as a result Air Seychelles Limited exited from Administration successfully.

## 31. Five-year financial summary

*Figures in USD '000*

| | THE GROUP AND THE COMPANY | | | | |
|---|---|---|---|---|---|
| | | | | Restated | |
| | **2021** | 2020 | 2019 | 2018 | 2017 |
| Loss for the year | **(22,706)** | (14,574) | (6,730) | (42,805) | (14,287) |
| Revenue deficit brought forward | **(150,503)** | (135,929) | (129,199) | (78,567) | (61,416) |
| Prior year adjustment to revenue deficit for 2017 | **-** | - | - | - | (2,826) |
| Prior adjustment to profit for the year for 2017 | **-** | - | - | - | (38) |
| Adjustment on initial application of IFRS 15 | **-** | - | - | (3,182) | - |
| Adjustment on initial application of IFRS 9 | **-** | - | - | (4,645) | - |
| Revenue deficit carried forward | **(173,209)** | (150,503) | (135,929) | (129,199) | (78,567) |
| **Capital & reserves** | | | | | |
| Share capital | **72,617** | 72,617 | 72,617 | 72,617 | 72,617 |
| Revenue deficit | **(173,209)** | (150,503) | (135,929) | (129,199) | (78,567) |
| Owner's interest | **(100,592)** | (77,886) | (63,312) | (56,582) | (5,950) |
| Non-controlling interest | **-** | - | - | - | - |
| **Total equity** | **(100,592)** | (77,886) | (63,312) | (56,582) | (5,950) |