Air Seychelles Limited
Financial Statements
Year ended 31 December, 2023

Air Seychelles Limited

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Air Seychelles Limited

Corporate Information - Year ended 31 December, 2023

DIRECTORS	: Francois Jackson (Chairperson) Egbert Laurence (Vice Chairperson) Daphnee Hoareau Irene Croisee Paul Lebon Daniel Adam Wilnette Joseph *(Appointed effective May 1st 2024)* Veronique Laporte *(Resigned effective 1st July 2023)* Alan Mason *(Resigned effective 1st July 2023)*
SECRETARY	: Vanessa Marie Bel Air, Mahé Seychelles
REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS	: Head Office Building International Airport Pointe Larue, Mahé Seychelles
INDEPENDENT AUDITORS	: Sey Auditors & Associates Chartered Accountants Seychelles
BANKERS	: Absa Bank (Seychelles) Limited Seychelles International Mercantile Banking Corporation Limited (Nouvobanq) Absa Bank (Mauritius) Limited Citibank N.A. Nedbank Group Limited

Air Seychelles Limited

Directors' Report - Year ended 31 December, 2023

The Directors are pleased to submit their report together with the audited financial statements of the Air Seychelles Limited (referred to as "the Company") for the year ended 31 December, 2023.

1. Principal activities

The principal activities of the Company are to provide commercial air transportation which includes passenger and cargo services on scheduled and charter basis. The Company also 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.

The Company had two wholly owned subsidiaries, AS SPV Limited and Airport Equipment Services Limited (AES) incorporated on 31 March 2022 and 18 December 2018 respectively. AS SPV Limited was created to novate the bondholders debt and was dissolved on 20 December, 2023. Airport Equipment Services Limited (AES) was created to manage and coordinate ground handling services and was dissolved and removed from the Register of Companies with effect from 18 August 2023.

2. Equity

The Government of Seychelles (GOS) owns 69% of the Company directly through the ownership of 449,351 shares. This followed an agreement reached in 2021 between the Shareholders for GOS to buy out liabilities owed by the Company to EAG Investment Holding Company Limited (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). Societe Seychelloise D'Investissement owns 200,648 shares. Societe Seychelloise D'Investissement is wholly owned by GOS. One share is owned by Mr. Ahmed Afif.

3. Significant current year events

Transfer of Ground Services Equipment to Government of Seychelles

As part of the Final Rescue Plan executed by the Board of Directors on 8 November 2022, the Company agreed and completed the transfer of Ground Handling Equipment to Government of Seychelles on 15 March 2023 since the Ground Handling activities at the Seychelles International Airport are considered as an important national asset and remain the sole property of the Government of Seychelles. The value attributable to such assets of USD 1.3 million as ascertained by an independent qualified firm will be paid for by the Government of Seychelles (note 15).

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

The Rescue plan stated that the Government would grant an exclusive right of operating the Ground Handling activities at the Seychelles International Airport to Air Seychelles for an initial period of not less than six years from the date of the final rescue plan, and the exclusivity right is renewable. However, the exclusive right of operating the Ground Handling activities at the Seychelles International Airport will be terminated at the sole discretion of the Government of Seychelles or SCAA in the event that Air Seychelles is successfully put into liquidation by its creditor/s or grossly fails to honour its obligations to discharge the duties of managing the Ground Handling activities.

Air Seychelles Limited

Directors' Report - Year ended 31 December, 2023 (continued)

3. Significant current year events (continued)

Refund of deposit held with IATA

As a result of the International Air Transport Association (IATA) risk assessment which perceived Air Seychelles to be of a much lower risk level than before, following the execution of the Final Rescue Plan in October 2022, and the Company exiting Administration in November 2022, an amount of USD 2.5 million relating to the deposit was refunded by IATA. IATA had requested Air Seychelles through an agreement in 2021 to provide a security deposit of USD 2.5 million to IATA in order to avoid suspension of the airline from the IATA Participating Systems, which include Billing and Settlement Plans (BSP), Cargo Accounts Settlement Systems, and IATA Clearing House.

4. Dissolution of subsidiaries

The wholly owned subsidiary of the Company, AS SPV Limited incorporated on the 31 March 2022 as an International Business Company whose purpose was to novate the bondholders debt was dissolved on 20 December, 2023. Also another subsidiary, Airport Equipment Services Ltd (AES), a wholly owned subsidiary of the Company was dissolved and removed from the Register of Companies with effect from 18 August 2023.

The Subsidiaries were dormant and not consolidated in the financial statements and their dissolution had no impact on the financial statements.

5. Results

Net reported profit for the year ended 31 December, 2023, amounted to **USD 7.0 million** (2022: US 8.4 million, excluding the extinguishment of debt, and USD 119.6 million after the extinguishment of debt). Accumulated losses for the Company amounted to **USD 46.6 million** as at 31 December, 2023 (2022: USD 53.7 million).

6. Dividends

No dividend was proposed nor paid during the year under review (2022: Nil).

7. Property and equipment

Property and equipment of 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, 2023.

8. Directors and their interests

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

Francois Jackson (Chairperson)
Egbert Laurence (Vice Chairperson)
Daphnee Hoareau
Irene Croisee
Paul Lebon
Daniel Adam
Wilnette Joseph *(Appointed effective May 1st 2024)*
Veronique Laporte (*Resigned effective 1st July 2023*)
Alan Mason (*Resigned effective 1st July 2023*)

Air Seychelles Limited

Directors' Report - Year ended 31 December, 2023 (continued)

8. Directors and their interests (continued)

The Directors do not hold any interest in the shares of the Company nor entered into contracts that materially affect the business of the Company.

9. Going Concern

The Directors believe that the Company is in a sound financial position and has adequate financial resources to continue in operation for the foreseeable future and accordingly the financial statements have been prepared on a going concern basis. Refer to note 2(a).

10. Statement of Directors' responsibilities

The Directors are responsible for the overall management of the affairs of 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 IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards") and requirements of the Seychelles Companies Act, 1972 and Public Enterprise Act, 2023.

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, owned and those that are held in trust and used by the Company.

The Directors consider they have met their aforesaid responsibilities.

11. Auditors

The retiring auditors, Messrs. Sey Auditors & Associates, being eligible, offer themselves for re-appointment.

12. Board Approval

Francois Jackson Chairperson	**Egbert Laurence** Vice-Chairperson	**Daphnee Hoareau** Board Member	**Irene Croisee** Board Member
Paul Lebon Board Member	**Daniel Adam** Board Member	**Wilnette Joseph** Board Member	

Date: JUL 2 9 2024
Pointe Larue
Mahé, Seychelles

SEY AUDITORS & ASSOCIATES
CHARTERED ACCOUNTANTS

The Créole Spirit
Quincy Street | P.O. Box 18
Victoria, Mahe Seychelles
Tel: +248 428 2400
Email: seyauditors@seyaud.sc

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS

Report on the audit of the Financial Statements

Opinion

We have audited the financial statements of **AIR SEYCHELLES LIMITED** (hereafter referred to as "**the Company**') on pages 10 to 46 which comprise the Statement of Financial Position as at December 31, 2023, 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 material accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at December 31, 2023 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS Accounting Standards) as issued by the International Accounting Standards Board (IASB) and requirements of the Seychelles Companies Act, 1972 and the Public Enterprise Act, 2023.

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

Other information

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 IFRS Accounting Standards and requirements of the Seychelles Companies Act, 1972 and the Public Enterprise Act, 2023 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 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 Company or to cease operations, or have no realistic alternative but to do so.

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 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 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 Company to cease to continue as a going concern.

SEY AUDITORS & ASSOCIATES
CHARTERED ACCOUNTANTS

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements

Seychelles Companies Act, 1972

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

We have obtained all information and explanations required.

In our opinion, proper accounting records have been kept by 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 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 Company, as a body, in accordance with requirements of the Seychelles Companies Act 1972. Our audit work has been undertaken so that we might state to the Company's members those matters which we are required to state to them in an auditor's 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 Company or the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Sey Auditors & Associates

SEY AUDITORS & ASSOCIATES
Chartered Accountants

Dated: July 29, 2024
Victoria, Seychelles

Air Seychelles Limited

Statement of Financial Position - as at 31 December, 2023

Figures in USD '000

Assets	Notes	2023	2022
Non-current assets			
Property and equipment	*6*	**34,830**	33,781
Right-of-use assets	*7(a)*	**47,239**	41,802
Intangible assets	*8*	**564**	337
Investments in subsidiaries	*9*	**-**	2,227
Deposits	*10*	**2,050**	2,050
Total non-current assets		**84,683**	80,197
Current assets			
Inventories	*11*	**13,392**	12,561
Trade and other receivables	*12*	**10,093**	13,644
Receivables from related parties	*13*	**1,802**	1,688
Cash and bank balances	*14*	**19,223**	12,464
		44,510	40,357
Assets classified as held for sale	*15*	**704**	2,145
		45,214	42,502
Total assets		**129,897**	122,699

Shareholders' equity/(deficit)			
Shareholders' equity			
Share capital	*16*	**72,617**	72,617
Accumulated losses		**(46,647)**	(53,654)
Total equity		**25,970**	18,963
Liabilities			
Non-current liabilities			
Lease liabilities	*7(b)*	**37,028**	40,113
Provisions	*17*	**14,645**	2,823
Borrowings	*18*	**10,699**	13,390
Amounts due to related parties	*19*	**13,000**	13,000
Total non-current liabilities		**75,372**	69,326
Current liabilities			
Lease liabilities	*7(b)*	**6,230**	7,695
Borrowings	*18*	**2,580**	2,340
Amounts due to related parties	*19*	**2,181**	4,303
Trade and other payables	*20*	**11,716**	13,487
Contract liabilities	*21*	**5,848**	6,585
Total current liabilities		**28,555**	34,410
Total liabilities		**103,927**	103,736
Total equity and liabilities		**129,897**	122,699

Air Seychelles Limited

Statement of financial position - as at 31 December, 2023 (continued)

These financial statements were approved and authorised for issue by Board of Directors on JUL 29 2024.

Francois Jackson Chairperson	**Egbert Laurence** Vice-Chairperson	**Daphnee Hoareau** Board Member
Irene Croisee Board Member	**Paul Lebon** Board Member	**Daniel Adam** Board Member
Wilnette Joseph Board Member		

The notes set out on pages 15 to 46 form an integral part of these consolidated financial statements.
The independent auditor's report is set out on pages 7 to 9.

Air Seychelles Limited

Statements of Profit or Loss and Other Comprehensive Income - for the year ended 31 December, 2023

Figures in USD '000

	Notes	2023	2022
Revenue from contracts with customers	*22*	**78,860**	76,166
Other income	*23*	**1,728**	1,657
Direct operating costs	*24*	**(60,753)**	(53,319)
Administrative and marketing expenses	*25*	**(6,726)**	(7,341)
Allowance for credit losses charge	*4(a)*	**(566)**	(1,211)
Operating profit		**12,543**	15,952
Finance income	*26(a)*	**126**	109
Finance costs	*26(b)*	**(5,662)**	(7,615)
Net finance costs		**(5,536)**	(7,506)
Profit before extinguishment of debt		**7,007**	8,446
Gain on extinguishment of debt	*27*	**-**	111,109
Profit and Total comprehensive income for the year		**7,007**	119,555

The notes set out on pages 15 to 46 form an integral part of these consolidated financial statements.
The independent auditor's report is set out on pages 7 to 9.

Air Seychelles Limited

Statement of Changes in Equity - for the year ended 31 December, 2023

Figures in USD '000

	Share Capital	Accumulated losses	Total
At 1 January 2022	72,617	(173,209)	(100,592)
Total comprehensive income for the year	-	119,555	119,555
At 31 December 2022	72,617	(53,654)	18,963
At 1 January 2023	**72,617**	**(53,654)**	**18,963**
Total comprehensive income for the year	**-**	**7,007**	**7,007**
At 31 December 2023	**72,617**	**(46,647)**	**25,970**

The notes set out on pages 15 to 46 form an integral part of these consolidated financial statements.
The independent auditor's report is set out on pages 7 to 9.

Air Seychelles Limited

Statement of cash flows - for the year ended 31 December, 2023

Figures in USD '000

Cash flows from operating activities	Notes	2023	2022
Net profit for the year		**7,007**	119,555
Adjustments for:			
-Allowance for credit losses	*4(a)*	**566**	1,211
-Depreciation - Property and equipment	*6*	**3,760**	2,594
-Amortisation - Right-of-use of assets	*7(a)*	**7,765**	6,382
-Amortisation - Intangible assets	*8*	**113**	86
-Reversal of impairment - property and equipment	*6*	**-**	(1,503)
-Impairment adjustment - non-current asset held for sale	*6 & 15*	**3**	-
-Staff terminal benefits during the year - charge	*17*	**719**	483
-Loss on disposal of property and equipment	*23*	**28**	(254)
-Finance costs	*26*	**5,293**	7,459
-Finance income	*26*	**(126)**	(109)
-Increase in inventory provision	*11*	**511**	323
-Extinguishment of debt		**-**	(111,109)
-Currency translation differences		**147**	(153)
		25,786	24,965
Changes in:			
-Amounts due from related parties		**(114)**	2,252
-Inventories		**(1,342)**	147
-Trade and other receivables		**2,985**	(2,740)
-Trade and other payables		**(1,771)**	(12,341)
-Contract liability		**(737)**	(476)
Cash generated from operating activities		**24,807**	11,807
Staff terminal benefits paid	*17*	**(176)**	(548)
Net cash generated from operating activities		**24,631**	11,259
Cash flows from investing activities			
Acquisition of property and equipment	*6*	**(4,793)**	(1,063)
Acquisition of software (net of transfers)	*8*	**(340)**	(11)
Additions in term deposits	*14*	**(6,000)**	-
Proceeds on disposal of non-current assets held for sale	*15*	**1,379**	38
Proceeds from disposal of property and equipment		**15**	527
Interest received	*26*	**126**	109
Net cash used in investing activities		**(9,613)**	(400)
Cash flows from finance activities			
Proceeds from loans and borrowings	*18*	**-**	16,500
Payment of borrowings	*18*	**(2,451)**	(24,406)
Amounts due to related parties		**105**	9,151
Finance costs paid (excluding modification)	*26 & 7(b)*	**(4,259)**	(7,451)
Repayment of principal portion of lease liabilities	*7(b)*	**(7,507)**	(4,393)
Net cash used in financing activities		**(14,112)**	(10,599)
Net increase in cash and cash equivalents		**906**	260
Movement in cash and cash equivalents			
At 1 January		**12,464**	12,051
Net increase		**906**	260
Currency translation differences		**(147)**	153
At 31 December	*14*	**13,223**	12,464

The notes set out on pages 15 to 46 form an integral part of these consolidated financial statements.
The independent auditor's report is set out on pages 7 to 9.

Notes to the statements - Year ended 31 December, 2023

1. Legal status and principal activities

Air Seychelles Limited is a limited liability company, incorporated and domiciled in the Republic of Seychelles and its registered office is located at Head Office Building, Pointe Larue, Mahé, Seychelles. The Company was first established on 15 September 1977, following the merger of Air Mahé and Inter-Island Airways and was registered as Seychelles Airlines under the Seychelles Companies Ordinance, 1972 (as amended). The present title was adopted in September 1978.

The principal activities of the Company are as stated on page 4.

These financial statements will be submitted for consideration and approval at the forthcoming Annual General Meeting of Shareholders of the Company.

2. Basis of preparation

(a) *Going concern*

As at 31 December 2023, the Company had accumulated loss of **USD 46.6 million** (2022: USD 53.7 million).

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

The Company generated a profit for the year ended 31 December, 2023, amounting to **USD 7.0 million** (2022: US 8.4 million, excluding the extinguishment of debt, and USD 119.6 million after the extinguishment of debt), improved its cash position, and Management expects to maintain the positive cashflow position in future. The cashflow forecasts for budget purposes approved by the Board of Directors had a cash profit of USD 1.3 million and as of May 2024, the Company's results exceeded the cash budget by USD 2.1 million.

Aircraft, A320 NEO was placed on wet lease in 2022. The contract was initially extended up to April 2024. In May 2024, the Company signed a new ACMI contract with Etihad Airways, spanning until the end of October 2024 with the potential to extend further.

Regarding the transfer of assets to SCAA, the Rescue plan stated that the Government would grant an exclusive right of operating the Ground Handling activities at the Seychelles International Airport to Air Seychelles for an initial period of not less than six years from the date of the final rescue plan, and the exclusivity right is renewable. However, the exclusive right of operating the Ground Handling activities at the Seychelles International Airport will be terminated at the sole discretion of the Government of Seychelles or SCAA in the event that Air Seychelles is successfully put into liquidation by its creditor/s or grossly fails to honour its obligations to discharge the duties of managing the Ground

International Air Transport Association (IATA) performed a risk assessment and concluded that Air Seychelles was of much lower risk level than before. Following the execution of the Final Rescue Plan in October 2022, and the Company exiting Administration in November 2022, an amount of USD 2.5 million relating to the deposit was refunded by IATA. IATA had requested Air Seychelles through an agreement in 2021 to provide a security deposit of USD 2.5 million to IATA in order to avoid suspension of the airline from the IATA Participating Systems, which include Billing and Settlement Plans (BSP), Cargo Accounts Settlement Systems, and IATA Clearing House.

In prior years, the Company negotiated for lease deferral payments. In May 2024, the Company fully paid off all of the deferred amount, including deferrals from 2020 as a direct result of Covid-19. A total amount of USD 4.5 million was paid off by 2024.

2. Basis of preparation (continued)

(a) Going concern (continued)

The Company continues to meet its debt obligations to Nouvobanq with a total repayment of USD 2.4 million of the principal loan amount in 2023, reducing the outstanding loan balance to USD 13.3 million from its original amount of USD 16.5 million at its inception in 2022. This has enabled the Company to reduce its gearing and strengthen its financial stability.

Based on the above, the directors are satisfied that the Company has access to sufficient cash facilities to meet its obligations for the foreseeable future, and for a period of at least 12 months from the date of approval of these financial statements. Accordingly, these financial statements have been prepared on a going concern basis.

(b) Statement of compliance

The financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards") and requirements of the Seychelles Companies Act, 1972 and the Public Enterprise Act, 2023.

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

3. Material accounting policies

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

IFRS 17 Insurance Contracts

IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach. The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.

The amendments had no impact on the Company's financial statements.

3. Material accounting policies

(a) Standards, Amendments to published Standards and Interpretations effective in the reporting period (continued)

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

The amendments aim to make accounting policy disclosures more informative by replacing the requirement to disclose 'significant accounting policies' with 'material accounting policy information'. The amendments also provide guidance under what circumstance, the accounting policy information is likely to be considered material and therefore requiring disclosure.

These amendments had no effect on the measurement or presentation of any items in the financial statements of the Company but affect the disclosure of accounting policies of the Company.

Definition of Accounting Estimates - Amendments to IAS 8

The amendments to IAS 8 clarify the distinction between changes in accounting estimates, changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

These amendments had no impact on the Company's financial statements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12

The amendments to IAS 12 Income Tax narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities.

These amendments had no impact on the Company's financial statements.

International Tax Reform – Pillar Two Model Rules - Amendment to IAS 12

The IASB amends the scope of IAS 12 to clarify that the Standard applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the OECD, including tax law that implements qualified domestic minimum topup taxes described in those rules.

The amendments introduce a temporary exception to the accounting requirements for deferred taxes in IAS 12, so that an entity would neither recognise nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes.

These amendments had no impact on the Company's financial statements.

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

At the date of authorisation of these financial statements, the Company has not applied the following new and revised IFRS Accounting Standards that have been issued but are not yet effective.

3. Material accounting policies (continued)

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

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

- Liability in a Sale and Leaseback (Amendments to IFRS 16 Leases);
- Classification of Liabilities as Current or Non-Current (Amendments to IAS 1 Presentation of Financial Statements);
- Non-current Liabilities with Covenants (Amendments to IAS 1 Presentation of Financial Statements); and
- Supplier Finance Arrangements (Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures).

The following amendment is effective for the period beginning January 1, 2025:

- Lack of Exchangeability (Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates).

The Company is currently assessing the impact of these new accounting standards and amendments and does not expect any other standards issued by the IASB but not yet effective, to have a material impact on its financial statements.

(c) *Property and equipment*

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

The cost of self-constructed assets includes the following:
- the cost of materials and direct labour;
- any other costs directly attributable to bringing the assets to a working condition for their intended use; and
- when the 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.

Property and equipment are subject to impairment in line with the Company's policy as described in *note 3(m)* impairment of non-financial assets.

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

Depreciation
Items of property 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 Company will obtain ownership by the end of the lease term. Land is not depreciated.

3. Material accounting policies (continued)

(c) *Property and equipment (continued)*

Depreciation (continued)

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

Major modifications and improvements to property and equipment are capitalised and depreciated over the remaining useful life of the asset. Subsequent major overhaul expenditure is depreciated over the period to the next major overhaul. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Disposal

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 Statement of Profit or Loss within Other income.

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*

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

Subsequent expenditure 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 Statement of Profit or Loss when incurred.

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

3. Material accounting policies (continued)

(d) *Intangible assets (continued)*

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 Statement of Profit or Loss.

(e) *Investment in subsidiaries*

Separate financial statements of the investor

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

The cost of investment in subsidiaries is the aggregate of:

- the fair value, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the Company; plus
- any costs directly attibutable to the purchase of the subsidiary.

An adjustment to the cost of a business combination contingent on future events is included in the cost of the combination if the adjustment is probable and can be measured reliably.

The Company reviews and tests the carrying value of investments in subsidiaries when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including, together with economic factors.

(f) *Financial assets and liabilities*

Recognition and initial measurement
Financial instruments are recognised in the Company's Statement of Financial Position when the 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 Statement of Financial Position when, and only when, the 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 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 Company neither transfer nor retain substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognise their retained interest in the asset and an associated liability for amounts it may have to pay.

3. Material accounting policies (continued)

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

Derecognition (continued)

If the Company retain substantially all the risks and rewards of ownership of a transferred financial asset, the Company continue to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

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

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

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

Financial assets
The 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.

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.

3. Material accounting policies (continued)

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

Financial assets (continued)

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

The 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 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 Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of the current conditions. No forward-looking information has been incorporated in the model since management is of the opinion that historic economic factors are not significantly different to recoverability period which is within a year.

For all financial assets other than trade receivables, the 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 Company measure the loss allowance for that financial instrument at an amount equal to 12-month ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date.

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

The Company writes 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 Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in the Statement of Profit or Loss.

Financial liabilities

The Company classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred. Financial liabilities at amortised cost including trade payables and other payables, borrowings, contract liabilities and amount due to related companies are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in the Statement of Profit or Loss.

(g) *Share capital*

Financial instruments issued by 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.

3. Material accounting policies (continued)

(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 Statement of Profit or Loss.

(i) *Inventories*

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

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

(j) *Assets held for sale*

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

(ii) Length of service
The Company currently operates an unfunded scheme for employees' end of service benefits that follows local regulation and is based on periods of cumulative service and levels of employees' final basic salaries. Regulation 24(2) of S.I 34 of 1991 read with section 47(2)(b)(i) of the Employment Act as amended by Act 18 of 2010 entitles 5/6 of one day's wage for each completed month of service provided the employee has completed five years continuous service and the provision reflect only the remaining employees at year end.

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 length of service provision 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 to be significant.

3. Material accounting policies (continued)

(k) Employee benefits (continued)

(iii) Gratuity

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

(iv) Short-term employee benefits

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

(l) Foreign currencies

Functional and presentation currency

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

Transactions and balances

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

Non-monetary assets and liabilities in foreign currencies that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on the translation are recognised in the Statement of Profit or Loss.

(m) Impairment of non-financial assets

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

(n) Revenue recognition

The 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.

3. Material accounting policies (continued)

(n) Revenue recognition (continued)

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

(i) *Air transportation services*

The Company recognise revenue when or as it transfers control of goods or services to a customer at the amount to which the Company expect to be entitled. Passenger and cargo sales including charter are recognised as revenue when the transportation service is provided. Passenger tickets and cargo airway bills sold but unused are classified in the Statement of Financial Position under current liabilities as contract liability. Unused coupons are recognised as revenue based on the terms and conditions of the ticket. Revenue from ground handling services is recognised when the services are rendered in accordance with the terms of agreement. Commission costs are recognised in the same period as the revenue to which they relate is recognised, and are included in direct operating costs.

(ii) *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.

(iii) *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 Company's books, Management has taken a decision to continue with the current practice of recognizing the associated costs as an expense in the Statement 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 Company with no future related costs, are recognised in the Statement 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 Company for expenses to be incurred are initially recognised in the Statement of Financial Position as a deferred income. Subsequent to initial recognition, such grants are released to Statement of Profit or Loss on a systematic basis over the period in which the related expenses are recognised.

(p) Provision for aircraft return conditions

Provision for aircraft return conditions (restoration obligations) represents the estimate of the cost to meet the contractual end of lease obligations on certain aircraft and engines at the time of re-delivery.

3. Material accounting policies (continued)

(p) *Provision for aircraft return conditions (continued)*

At lease commencement, the present value of the expected cost for each restoration obligation is recognised as a provision and capitalised as part of the Right-of-use asset and depreciated over the lease term. Unwinding of the associated discount is recognised as a finance cost (within 'Other finance costs') over the lease term. Subsequent changes to the estimated cost for each restoration obligation is accounted for as a remeasurement to the provision for aircraft return conditions with a corresponding impact to the related right-of-use asset, if available, and depreciated over the remaining lease term.

(q) *Leases*

The Company assesses 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, restoration costs related to returning the leased asset, together with the initial direct costs incurred by the 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 Company to acquire the asset at the end of the lease term and it is highly certain that the Company will exercise that option. In such cases, the right-of-use asset is depreciated over the useful life in accordance with the Company's policy with regards to Property and Equipment. Refer to note 3(c).

The 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 Statement 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 Company's incremental borrowing rates. The lease liability is presented as a separate line in the Statement of Financial Position.

(r) *Finance income and finance costs*

Finance income mainly comprises interest on term deposits and dividend income. Interest income is recognised in the Statement 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 Company's right to receive dividends is established.

Finance costs comprise interest expense on loans and borrowings and are recognised in the Statement 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.

(s) *Provisions*

A provision is recognised if, as a result of a past event, the 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 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.

4. Financial risk management

Overview

The Company have exposure to the following risks from its use of financial instruments:
(a) Credit risk
(b) Liquidity risk
(c) Market risk

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

Risk management framework

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

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

(a) Credit risk

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

The 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 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 Company at the end of the reporting period.

	Trade Receivables at amortised cost		Provision for credit impairment		Carrying Amount	
Figures in USD '000	**2023**	2022	**2023**	2022	**2023**	2022
Local	**1,021**	1,029	**(410)**	(10)	**611**	1,019
International	**5,083**	5,969	**(2,513)**	(2,598)	**2,570**	3,371
Total	**6,104**	6,998	**(2,923)**	(2,608)	**3,181**	4,390

4. Financial risk management (continued)

Overview (continued)

(a) Credit risk (continued)

The Company has policies in place to ensure that sale of tickets and freight on credit are made to customers who are members of an industry accredited clearing house, which in turn has adequate securities in place.

Where customers are not members of the clearing house adequate credit review procedures are undertaken for the appropriate level of commercial activity. Sales to retail customers are made only on prepayment basis.

The 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 Company also obtains guarantees from GSAs before transacting any business with them.

Total exposure to credit risk - all financial assets

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

Figures in USD '000

	Notes	**2023**	2022
Deposits	***10***	**2,050**	2,050
Trade and other receivables*	***12***	**7,474**	7,222
Receivable from Shareholder and related parties	***13***	**1,802**	1,688
Cash and cash equivalents	***14***	**19,188**	12,414
		30,514	23,374

* Trade and other receivables excludes deposits and advances

Credit exposure on cash and cash equivalents is minimised since the Company deals with reputable banks and the risk of default is remote.

Allowance for expected credit losses on financial assets (ECL)

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

4. Financial risk management (continued)

Overview (continued)

(a) Credit risk (continued)

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

The 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 Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of the current conditions at the reporting date. No forward-looking information has been incorporated in the model since management is of the opinion that historic economic factors are not significantly different to recoverability period which is within a year. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument.

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

Figures in USD '000

	2023	2022
At 1 January	**2,608**	5,019
Write off during the year	**(251)**	(3,622)
Charge for the year	**566**	1,211
At 31 December	**2,923**	2,608

The ageing of trade receivables at the reporting date was:

Figures in USD '000

	31 December 2023			31 December 2022		
	Gross	**Loss rates %**	**Impairment**	Gross	Loss rates %	Impairment
Current	**4**	0.00%	**-**	497	0.00%	-
Past due 1-30 days	**2,341**	3.00%	**70**	292	4.79%	14
Past due 31-60 days	**930**	12.80%	**119**	1,451	2.62%	38
Past due 61-90 days	**140**	65.71%	**92**	2,216	0.63%	14
Past due 91-120 days	**77**	74.03%	**57**	-	0.00%	-
Past due 121-180 days	**92**	86.96%	**80**	-	0.00%	-
Past due 181-365 days	**315**	95.24%	**300**	-	0.00%	-
Above 365 days	**2,205**	100.00%	**2,205**	2,542	100.00%	2,542
	6,104		**2,923**	6,998		2,608

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.

4. Financial risk management (continued)

(b) *Liquidity risk*

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

The Treasury department of the Company ensures that sufficient cash is available based on rolling short-term forecasts of expected cash flows. Additionally management also ensures the availability of funding through an adequate amount of committed credit facilities. The Company monitors the level of expected cash inflows on trade and other receivables to ensure active recovery of amounts outstanding from customers.

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

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

Figures in USD '000

	Carrying amount	Contractual cash flows	1 year or less	2 - 5 years	More than 5 years
31 December 2023					
Borrowings	**(13,279)**	**(15,313)**	**(3,340)**	**(11,973)**	**-**
Trade and other payables	**(11,716)**	**(11,716)**	**(11,716)**	**-**	**-**
Amounts due to related parties	**(15,181)**	**(15,181)**	**(2,181)**	**(13,000)**	**-**
Lease liabilities	**(43,258)**	**(52,645)**	**(8,727)**	**(32,756)**	**(11,162)**
	(83,434)	**(94,855)**	**(25,964)**	**(57,729)**	**(11,162)**

	Carrying amount	Contractual cash flows	1 year or less	2 - 5 years	More than 5 years
31 December 2022					
Borrowings	(15,730)	(18,716)	(3,260)	(15,456)	-
Trade and other payables	(13,487)	(13,487)	(13,487)	-	-
Amounts due to related parties	(17,303)	(17,303)	(4,303)	-	(13,000)
Lease liabilities	(47,808)	(58,868)	(10,443)	(38,171)	(10,254)
	(94,328)	(108,374)	(31,493)	(53,627)	(23,254)

(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 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 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 Company aim to aggregate a net position for each currency so that natural hedging can be achieved.

4. Financial risk management (continued)

(c) *Market risk (continued)*

Exposure to currency risk

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

Figures in USD '000

	31 December 2023			31 December 2022		
	SCR	**ZAR**	**EUR**	**SCR**	**ZAR**	**EUR**
Trade and other receivables	**16,855**	**2,035**	**-**	16,838	945	1,023
Cash and cash equivalents	**23,054**	**16,502**	**3,990**	25,515	10,494	2,747
Trade and other payables	**(3,594)**	**(866)**	**(370)**	(14,266)	(1,342)	(1,084)
Total of currency units	**36,315**	**17,671**	**3,620**	28,087	10,097	2,686
USD equivalent	**2,459**	**949**	**3,330**	1,917	572	2,552

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

USD	**Average rates**		**Reporting date spot rates**	
	2023	2022	**2023**	2022
SCR 1	**0.068**	0.068	**0.068**	0.068
ZAR 1	**0.055**	0.060	**0.054**	0.057
EUR 1	**0.935**	0.915	**0.920**	0.950

Sensitivity analysis

This analysis is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the reporting date and considers the gross Statement of Financial Position exposure shown above. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecasted sales and purchases. The analysis is performed on the same basis for December 2022.

A strengthening/(weakening) of USD against SCR, EUR and ZAR at 31 December 2023 would have (decreased)/increased profit or loss by the amounts shown as follows:

Effect on profit or loss in thousands of USD

	Strengthening	**Weakening**
31 December 2023		
SCR (1% movement)	**(25)**	**25**
ZAR (1% movement)	**(9)**	**9**
EUR (1% movement)	**(33)**	**33**
31 December 2022		
SCR (1% movement)	(19)	19
ZAR (1% movement)	(6)	6
EUR (1% movement)	(26)	26

4. Financial risk management (continued)

(c) *Market risk (continued)*

Commodity price risk

The Company's commodity price risk relate to the purchase price of its jet fuel. The Company do not use hedging to manage the risk that relates to the purchase price of jet fuel. This is mainly because securities of this nature are not offered by local banks, which means that the Company would have to look for these on the international markets.

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

Interest rate risk

The 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 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 Company's loans and borrowings fall within the category of fixed rate instruments and therefore the Company were not subject to interest rate risk.

(d) *Capital management*

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

- to ensure that the Company 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 Company's capital structure and makes adjustments to reflect future capital commitments, business strategies and economic conditions. The 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 Company's approach to capital management during the year.

Figures in USD '000	**2023**	2022
Borrowings	**13,279**	15,730
Lease liabilities	**43,258**	47,808
Less: Cash and cash equivalents	**(19,223)**	(12,464)
Net debt	**37,314**	51,074
Share capital	**72,617**	72,617
Total capital and net debt	**109,931**	123,691
Gearing ratio %	**34**	41

4. Financial risk management (continued)

(e) Accounting classifications and fair values

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

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 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 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. The assessment and judgements made by Management are detailed under note 2(a).

(b) Passenger and cargo revenue recognition

Passenger and cargo sales are recognised when each performance obligation for the transportation is fulfilled. The value of unused revenue documents is held in the Statement 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 Statement of Profit or Loss proportionally with each transfer of service to the customer.

(c) Provision for aircraft return conditions

The measurement of the contractual provision for aircraft return conditions includes assumptions relating to expected costs, escalation rates, discount rates commensurate with the expected obligation maturity and long-term maintenance schedules. An estimate is therefore made at each reporting date to ensure that the provision corresponds to the present value of the expected costs to be borne by Air Seychelles. A level of judgement is exercised by management given the long-term nature and diversity of assumptions that go into the determination of the provision. A reasonably possible change in any single assumption will not result in a material change to the provision.

(d) Leases

The determination of the respective discount rates

In determining the respective discount rate by 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 Company's incremental borrowing rates were considered to be the most appropriate rate to commence with and adjusted for the profiles of the respective factors for use in the calculation on initial recognition of the respective lease liabilities.

5. Significant accounting estimates and judgements

(d) Leases (continued)

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.

(e) Calculation of expected credit losses (ECL)

The Company recognises lifetime expected credit losses (ECL) for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience. For all other financial instruments, the Company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. The expected credit loss model requires the Company to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. ECL for bank balances have been assessed to have low credit risk at each reporting date as they are held with reputable banking institutions. Management has estimated impairment to be immaterial.

(f) 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.

(g) 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.

(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 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 Company's views of possible near-term market changes that cannot be predicted with any certainty.

Notes to the statements - Year ended 31 December, 2023

6. Property and equipment

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 2022	6,043	41,361	3,752	6,272	1,525	1,395	873	15	61,236
Additions	2	139	854	4	16	48	-	-	1,063
Disposals	-	(455)	-	-	-	-	(99)	-	(554)
Transfers to intangible assets (note 8)	-	-	-	-	-	-	-	(15)	(15)
Transfers to assets held for sale (note 15)	-	-	-	(4,696)	-	-	-	-	(4,696)
At 31 December 2022	**6,045**	**41,045**	**4,606**	**1,580**	**1,541**	**1,443**	**774**	**-**	**57,034**
Additions	**4**	**2,679**	**1,335**	**86**	**18**	**243**	**217**	**211**	**4,793**
Disposals	**-**	**(35)**	**-**	**-**	**(902)**	**(1073)**	**(105)**	**-**	**(2,115)**
Transferred to assets held for sale (note 15)	**-**	**(24)**	**-**	**-**	**-**	**-**	**-**	**-**	**(24)**
At 31 December 2023	**6,049**	**43,665**	**5,941**	**1,666**	**657**	**613**	**886**	**211**	**59,688**
ACCUMULATED DEPRECIATION									
At 1 January 2022	4,372	8,819	3,112	4,409	1,521	1,322	824	-	24,379
Charge for the year	70	1,573	560	306	3	48	34	-	2,594
Transfers to assets held for sale (note 15)	-	-	-	(3,439)	-	-	-	-	(3,439)
Disposals adjustment	-	(183)	-	-	-	-	(98)	-	(281)
At 31 December 2022	**4,442**	**10,209**	**3,672**	**1,276**	**1,524**	**1,370**	**760**	**-**	**23,253**
Charge for the year	**264**	**2,815**	**550**	**51**	**8**	**43**	**29**	**-**	**3,760**
Transfers to assets held for sale (note 15)	**-**	**(24)**	**-**	**-**	**-**	**-**	**-**	**-**	**(24)**
Other adjustments to assets held for sale	**-**	**(59)**	**-**	**-**	**-**	**-**	**-**	**-**	**(59)**
Disposals adjustment	**-**	**(13)**	**-**	**-**	**(902)**	**(1052)**	**(105)**	**-**	**(2072)**
At 31 December 2023	**4,706**	**12,928**	**4,222**	**1,327**	**630**	**361**	**684**	**-**	**24,858**
ACCUMULATED IMPAIRMENT LOSSES									
At 1 January 2022	23	1,363	-	117	-	-	-	-	1,503
Reversal in 2022	**(23)**	**(1,363)**	**-**	**(117)**	**-**	**-**	**-**	**-**	**(1,503)**
At 31 December 2022 & 2023	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
NET BOOK VALUE									
At 31 December 2023	**1,343**	**30,737**	**1,719**	**339**	**27**	**252**	**202**	**211**	**34,830**
At 31 December 2022	1,603	30,836	934	304	17	73	14	-	33,781

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

7. Leases

(a) Right-of-use assets

Figures in USD '000

	2023	2022
At 1 January	**41,802**	48,184
Modification	**2,957**	-
Adjustments - Return conditions	**10,245**	-
Amortisation charge (note 24)	**(7,765)**	(6,382)
At 31 December	**47,239**	41,802

Right-of-use assets primarily consist of aircraft. The adjustments in 2023 mainly relate to a provision for return conditions for aircraft. A provision of USD 5.9 million for PTI and USD 4.3 million for VEV million were capitalised to the Right Of Use as present value for cash outflows expected upon expiry of leases in year 2029 (PTI) and 2031 (VEV). Modification related to a one year extension for the lease of PTI.

(b) Lease liabilities

Figures in USD '000

	2023	2022
At 1 January	**47,808**	52,193
Modification (note 7(a))	**2,957**	-
Finance cost (note 26)	**2,936**	3,159
Payments	**(10,443)**	(7,552)
Effect of lease of adjustments (note 26)	**-**	8
At 31 December	**43,258**	47,808
Analysed as:		
Non-current	**37,028**	40,113
Current	**6,230**	7,695
	43,258	47,808

8. Intangible assets

Figures in USD '000

	2023	2022
Cost		
At 1 January	**17,122**	17,096
Additions	**340**	11
Transfer from property and equipment (note 6)	**-**	15
At 31 December	**17,462**	17,122
Accumulated amortisation and impairment		
At 1 January	**16,785**	16,699
Charge for the year	**113**	86
At 31 December	**16,898**	16,785
Carrying amount	**564**	337

Notes to the statements - Year ended 31 December, 2023

9. Investments in Subsidiaries

Figures in USD '000

Cost - unquoted	2023	2022
Airport Equipment Services Limited (AES) (note 9(a))	-	2,227
AS SPV Limited (note 9(b))	-	0.001
At 31 December	-	2,227

(a) The wholly owned subsidiary, Airport Equipment Services Limited (AES) was registered on 18 October 2018 with 5000 shares and authorised and issued share capital of SCR 30.0 million. AES was dissolved on 18 August, 2023.

(b) The subsidiary AS SPV Limited was incorporated on 31 March 2022 as an International Business Company with 1 share and authorised share capital of USD 1. It was a wholly owned subsidiary of Air Seychelles Ltd, whose purpose was to novate the bondholders debt. The subsidiary was dissolved on 20 December, 2023.

10. Deposits

Figures in USD '000

	2023	2022
Deposit - others	**2,050**	2,050

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

11. Inventories

Figures in USD '000

	2023	2022
Aircraft spares	**12,802**	11,550
Inflight consumables & others	**1,477**	1,387
Less: allowance for slow-moving / obsolete inventories	**(887)**	(376)
At 31 December	**13,392**	12,561

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

Figures in USD '000

	2023	2022
At 1 January	**376**	53
Charge for the year (included in note 24)	**511**	323
At 31 December	**887**	376

12. Trade and other receivables

Figures in USD '000

	2023	2022
Trade receivables (notes 4(a) & 12(a))	**3,181**	4,390
Deposits and advances	**2,619**	6,422
Other receivables	**4,293**	2,832
At 31 December	**10,093**	13,644

(a) Trade receivables are stated net of allowance for Expected Credit Losses (ECL) amounting to **USD 2.9 million** *(2022: USD 2.6 million).* The allowance is calculated in accordance with IFRS 9 (note 4(a)).

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

13. Receivables from related parties

Figures in USD '000

	2023	2022
Due from shareholders (note 13(a))	**1,768**	1,624
Amounts due from government-owned entities (note 13(a))	**34**	64
At 31 December	**1,802**	1,688

(a) The remaining amount due from related parties are amounts due from Government ministries and departments.

14. Cash and bank balances

Figures in USD '000

	2023	2022
Cash at bank		
- in call accounts	**6,692**	585
- in current accounts	**12,496**	11,829
Cash in hand	**35**	50
Cash and bank balances per Statement of Financial Position	**19,223**	12,464
Term deposits with banks (note 14(a))	**(6,000)**	-
Cash and cash equivalents per Statement of Cash Flows	**13,223**	12,464

(a) Term deposits with banks comprise short term call deposits periods of 12 months and earn interest at varying short term interest rates.

15. Assets held for sale

Figures in USD '000

	2023	2022
At 1 January	**2,145**	926
Additions	**-**	1,257
Disposals	**(1,379)**	(38)
Impairment	**(62)**	-
At 31 December	**704**	2,145

Notes to the statements - Year ended 31 December, 2023

15. Assets held for sale (Continued)

(a) Ground Handling Assets of USD 1.26 million included in disposals catergorised as held for sale in 2022 were transferred to GOS in March 2023.

16. Share capital

	2023 & 2022	
	SCR '000	USD '000
Authorised, issued and fully paid		
650,000 shares of SCR 1,000 each	**650,000**	**72,617**

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 Company.

17. Provisions

Figures in USD '000

	2023	2022
Non current		
Provision for long-term employee benefits (note 17 (a))	**3,366**	2,823
Provision for aircraft return conditions (note 17 (b))	**11,279**	-
At 31 December	**14,645**	2,823

(a) *Movement in long-term employee benefits during the year were as follows:*

Figures in USD '000	2023	2022
At 1 January	**2,823**	2,888
Charge for the year (note 25(a))	**719**	483
Payments during the year	**(176)**	(548)
At 31 December	**3,366**	2,823

(b) *Movement in provision for aircraft return conditions during the year were as follows:*

Figures in USD '000	2023	2022
At 1 January	**-**	-
Additions for the year	**10,245**	-
Unwinding of discount - Charge for the year (note 26(b))	**1,034**	-
At 31 December	**11,279**	-

18. Borrowings

Figures in USD '000

	2023	2022
Non-current portion of borrowings		
Seychelles International Mercantile Bank (S.I.M.B.C)	**10,699**	13,390

	2023	2022
Current portion of borrowings		
Seychelles International Mercantile Bank (S.I.M.B.C)	**2,580**	2,340
At 31 December	**13,279**	15,730

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

Counterparty	Nouvobanq S.I.M.B.C
Facility amount (USD '000)	16,500
Date of drawdown	11 May 2022
Final maturity date	30 August 2028
Interest per annum	5.35%
Repayment	Monthly
Security	First line fixed charge on leasehold and freehold land, and three domestic aircraft

Movement on borrowings

Figures in USD '000

	2023	2022
At 1 January	**15,730**	79,347
Extinguishment of debt (note 18(a))	-	(54,227)
Additions	-	16,500
Repayments (note 18(b))	**(2,451)**	(24,406)
Reclassified to amounts due to related parties (note 18(c))	-	(1,484)
At 31 December	**13,279**	15,730

(a) Following the purchase of the liabilities by GOS in April 2021 of USD 8.0 million (secured) owed by the Company to Etihad Airways and EAGIHC at a discount of 81.5%, the same discounts were then given to the Company by GOS in 2022. This resulted in an extinguishment of USD 6.5 million of the liability payable to GOS by the Company. Similarly, as per the terms of the original rescue plan the EAP Partners, accepted to extinguish USD 47.7 million of the principal amount due to them.

(b) A total of USD 2.5 million of repayments were made in 2023 towards the S.I.M.B.C loan.

(c) Amounts reclassified to related parties comprised a balance of USD 1.5 million, being the outstanding balance payable to GOS after applying a discount of 82% on USD 8.0 million.

Notes to the statements - Year ended 31 December, 2023

19. Amount due to related parties

Figures in USD '000

	2023	2022
Amounts due to Shareholders : Government of Seychelles	**14,868**	16,142
Government ministries	**4**	380
Amounts due to Government : owned entities	**309**	781
At 31 December	**15,181**	17,303

	2023	2022
Analysed as:		
Non-current (note 19(a))	**13,000**	13,000
Current (note 19(b))	**2,181**	4,303
At 31 December	**15,181**	17,303

(a) An agreement was reached in 2021 between the Shareholders (GOS 60% and Etihad 40%) for GOS to buy out liabilities due by the Company to EAGIHC and Etihad Airways amounting to USD 62.2 million of unsecured liabilities at a discount of 82%, giving a discount of USD 48.4 million. The amount of USD 13.8 million payable was further capped to USD 13.0 million and has been classified as a non-current liability.

(b) Current liabilities include mainly an amount owed to Government of Seychelles to compensate for the TDB loan interest and fee.

20. Trade and other payables

Figures in USD '000

	2023	2022
Trade payables	**493**	1,142
Accruals and other payables	**11,103**	12,243
Accruals for staff annual leave	**120**	102
At 31 December	**11,716**	13,487

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

	2023	2022
Forward Sales Passenger and Cargo	**5,259**	5,695
Tax collected on tickets	**589**	890
At 31 December	**5,848**	6,585

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

22. Revenue from contracts with customers

Figures in USD '000

	2023	2022
Passenger services	**41,688**	38,562
Cargo services	**4,708**	4,778
Charter services	**15,509**	14,922
Ground handling services	**16,955**	17,904
	78,860	76,166

23. Other income

Figures in USD '000

	2023	2022
(Loss) / Gain on sale of property and equipment	**(28)**	254
Others	**1,756**	1,403
	1,728	1,657

24. Direct operating costs

Figures in USD '000

	2023	2022
Fuel and oil	**11,917**	13,225
Aircraft and engine maintenance	**7,577**	8,726
Aircraft and engine operating leases	**3,104**	1,243
Landing and parking	**586**	583
Overflying	**1,304**	1,231
Staff costs (note 25(a))	**13,117**	11,116
In-flight consumables	**2,804**	2,093
Handling	**2,512**	2,576
Crew layover	**2,122**	1,542
Commission and incentives	**487**	1,067
Depreciation of property and equipment (notes 6 and 24(a))	**3,424**	2,439
Reversal of impairment of non-current assets (notes 6 and 24(a))	**-**	(1,480)
Amortisation of right-of-use assets (note 7(a))	**7,765**	6,382
Aircraft insurance	**1,481**	685
Provision for slow-moving/obsolete inventories (note 11)	**511**	323
Other direct operating costs	**2,042**	1,568
	60,753	53,319

(a) Depreciation for the year and impairment (note 6) have been allocated between 'Direct operating costs' and 'Administrative and marketing expenses'.

25. Administrative and marketing expenses

Figures in USD '000

	2023	2022
Staff costs (note 25(a))	**1,621**	1,374
Rent and utilities	**933**	1,019
Communications	**859**	1,243
Transport and vehicle	**129**	21
General repairs and maintenance	**271**	158
Legal and professional	**995**	1,625
Audit fees	**70**	76
Advertisement and promotion charge	**137**	287
Depreciation of property and equipment (notes 6 and 24(a))	**336**	155
Reversal of impairment of non-current assets (notes 6 and 24(a))	**-**	(23)
Amortisation of intangible assets (note 8)	**113**	86
Other administrative and marketing expenses	**1,262**	1,320
	6,726	7,341

25. (a) Related staff costs

Figures in USD '000

	2023	2022
Salaries and allowances	**8,691**	7,785
Long-term employee benefits (note 17)	**719**	483
Other staff related costs	**5,328**	4,222
	14,738	12,490

26. Finance income and finance costs

Figures in USD '000

			2023	2022
(a)	**Finance income**		**126**	109
(b)	**Finance costs**			
	Interest expense:	Borrowings	**1,395**	4,292
		Lease liabilities (note 7(b))	**2,936**	3,159
		Effect of lease modification (notes 7(b))	**-**	8
		Other	**(72)**	-
		Return conditions (note 17(c))	**1,034**	-
	Net foreign exchange loss		**369**	156
			5,662	7,615

(c) During the year under review, Management obtained information regarding the best estimates of expenditure to be incurred upon returning two aircraft to the Lessor. These estimated costs were present valued and the respective interest for the year has been included under 'Finance costs'.

27. Gain on extinguishment of debt

Figures in USD '000

	2023	2022
Extinguishment of debt attributable to Noteholders (note 27(a))	-	56,321
Extinguishment of debt attributable to Government of Seychelles (note 27(a))	-	52,968
Others	-	1,820
	-	111,109

(a) In 2022, a discount of USD 56.3 million (representing 66.7%) was given by Noteholders to the Company on a total debt of USD 84.5 million owed to them. Similarly, the GOS gave a discount of USD 53.0 million to the Company on debt purchased from EAG Investment Holding Company Limited and Etihad Airways in 2021. There were no such transactions in 2023.

28. Related party transactions and balances

Identification of related parties

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 Company 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 Company necessarily enters into transaction with those entities in the normal course of business on an arm's length basis.

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

Figures in USD '000

Transactions	**Government-owned entity**	**2023**	2022
Aviation fuel	Seychelles Petroleum Company Limited	**6,173**	7,049
Landing and parking	Seychelles Civil Aviation Authority	**227**	212
Overflying	Seychelles Civil Aviation Authority	**221**	231
Operating lease of land & buildings	Seychelles Civil Aviation Authority	-	423

Transactions with shareholders

Figures in USD '000

	2023	2022
Extinguishment of debt payable to GOS	-	52,968

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

28. Related party transactions and balances (continued)

Transactions with key management personnel
Figures in USD '000

	2023	2022
Short term employee benefits	**1,067**	1,031
Post-retirement benefits	**64**	38
	1,131	1,069

Directors' fees
Figures in USD '000

	2023	2022
Francois Jackson	**3**	-
Egbert Laurence	**6**	5
Daphnee Hoareau	**6**	5
Irene Croisee	**6**	5
Paul Lebon	**3**	-
Ralph Saminaden	**-**	3
Vanessa Marie	**3**	1
Veronique Laporte	**4**	7
Alan Mason	**3**	5
	34	31

Related parties balances
Figures in USD '000

	2023	2022
Amounts due to:		
Government ministries	**4**	380
Government - owned entities	**309**	781
- GOS	**14,868**	16,142
	15,181	17,303

Related parties balances
Figures in USD '000

	2023	2022
Amounts due from:		
Government ministries	**1,768**	1,624
Government - owned entities	**34**	64
	1,802	1,688

29. Commitments

Figures in USD '000

	2023	2022
Capital commitments		
Not later than one year	**4,338**	3,767

Notes to the statements - Year ended 31 December, 2023

30. Contingent liabilities

Figures in USD '000

	2023	2022
Letters of guarantee	**675**	628

31. Five-year financial summary

Figures in USD '000

	2023	2022	2021	2020	2019
Profit/(Loss) for the year	**7,007**	119,555	(22,706)	(14,574)	(6,730)
Accumulated losses brought forward	**(53,654)**	(173,209)	(150,503)	(135,929)	(129,199)
Accumulated losses carried forward	**(46,647)**	(53,654)	(173,209)	(150,503)	(135,929)
Capital & Reserves					
Share capital	**72,617**	72,617	72,617	72,617	72,617
Accumulated losses	**(46,647)**	(53,654)	(173,209)	(150,503)	(135,929)
Total equity	**25,970**	18,963	(100,592)	(77,886)	(63,312)