Air Seychelles Limited

Financial statements

31 December 2014

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

Air Seychelles Limited

Financial statements
31 December 2014

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Directors' Report

The Directors are pleased to submit the report of Air Seychelles (the "Company") Limited together with its audited financial statements for the year ended 31 December 2014.

1. Principal activities

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

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

2. Equity

On 15 March 2012 the Government of Seychelles ('GOS') and Etihad Airways PJSC ('Etihad') signed an investment agreement for Etihad to acquire a 40% equity stake in the Company for consideration of $20 million. As part of this agreement Etihad also committed to provide a shareholder loan facility of $25 million to the Company for managing its working capital and the GOS agreed to settle certain liabilities existing prior to the date of this agreement.

3. Results

Net profit

Net profit of the Company for the year ended 31 December 2014 amounted to $3.2m *(year ended 31 December 2013: Net profit of $3m).*

4. Dividends

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

5. Directors

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

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

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

6. Statement of Directors' Responsibilities

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

The Board is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in compliance with the Companies Act, 1972. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. The Directors have the general responsibility of safeguarding the assets, both owned by the Company and those that are held in trust and used by the Company.
The Directors consider they have met their aforesaid responsibilities.

7. Auditors

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

8. By Order of the Board

Approved by the Board of Directors on

and signed by:

Minister Joel Morgan
Chairman

Jean Weeling-Lee
Board Member

Bassam A Al Mosa
Board Member

Maurice Loustau-Lalanne
Board Member

Kevin Knight
Board Member

~~Steve Fanny~~ Pierre Laporte
Board Member

KPMG Lower Gulf Limited
Nation Tower 2, Corniche
Abu Dhabi
United Arab Emirates

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Independent auditors' report

The Shareholders
Air Seychelles Limited
P O Box 386
Victoria
Seychelles

Report on the financial statements

We have audited the accompanying financial statements of Air Seychelles Limited (the "Company"),which comprise the statement of financial position as at 31 December 2014, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

KPMG

Opinion

In our opinion, the financial statements of the Company for the year ended 31 December 2014 are prepared, in all material respects, in accordance with International Financial Reporting Standards.

Emphasis of matter

Without modifying our opinion, we draw attention to the accounting policy applied by the Company with respect to the grants received from the Government as described in note 3(b) and waiver of certain liabilities as described in note 3(g) (ii). The recognition of income from such transactions requires the exercise of significant judgment, as described in note 6(c) and 6(e). The total income recognized from such transactions is summarized in note 8 and 10 to the financial statements.

Report on Other Legal and Regulatory Requirements

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

KPMG

24 MAR 2015

KPMG Lower Gulf Limited
Munther Dajani
Registration No. 268

KPMG

Opinion

In our opinion, the financial statements of the Company for the year ended 31 December 2014 are prepared, in all material respects, in accordance with International Financial Reporting Standards.

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KPMG

24 MAR 2015

KPMG Lower Gulf Limited
Munther Dajani
Registration No. 268

Air Seychelles Limited

Statement of profit or loss and other comprehensive income

for the year ended 31 December

in thousands of USD	*Note*	2014	2013
Revenue	*7*	106,894	88,734
Other income	*8*	23,410	16,048
Direct operating costs	*9*	(116,953)	(88,106)
Administrative and marketing expenses	*10*	(8,508)	(12,901)
Results from operating activities		4,843	3,775
Finance income	*12*	6	51
Finance costs	*12*	(1,650)	(800)
Net finance costs		(1,644)	(749)
Net profit		3,199	3,026
Other comprehensive income			
Items that are or may be reclassified to profit or loss			
Available-for-sale financial assets - net change in fair value	*19*	221	52
Other comprehensive income for the year		221	52
Total comprehensive income for the year		3,420	3,078

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

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

Air Seychelles Limited

Statement of financial position

as at 31 Decmber

in thousands of USD

	Note	2014	2013
Assets			
Non Current Assets			
Property, plant and equipment	13	31,527	14,785
Intangible assets - software	14	254	211
Deposits	15	-	56
Available-for-sale financial asset	19	709	488
Total non current assets		32,490	15,540
Current assets			
Inventories	16	6,776	6,667
Trade and other receivables	17	28,346	24,745
Amounts due from related parties	18	4,300	2,019
Cash and cash equivalents	20	14,256	9,243
Total current assets		53,678	42,674
Total assets		86,168	58,214
Equity and liabilities			
Equity			
Share capital	23	72,617	72,617
Accumulated losses		(63,956)	(67,155)
Reserves	24	709	488
Total equity		9,370	5,950
Liabilities			
Non-current liabilities			
Trade and other payables	21	2,463	2,026
Loans and borrowings	22	14,859	187
Total non-current liabilities		17,322	2,213
Current liabilities			
Trade and other payables	21	13,789	16,934
Loans and borrowings	22	1,131	52
Amounts due to related parties	18	35,014	24,535
Unearned revenue		9,542	8,530
Total current liabilities		59,476	50,051
Total liabilities		76,798	52,264
Total equity and liabilities		86,168	58,214

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

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

These financial statements were approved and authorized for issued by Board of Directors on 04 MAR 2015 and signed on their behalf by:

Minister Joel Morgan
Chairman

Jean Weeling-Lee
Board Member

Bassam A Al Mosa
Board Member

Maurice Loustau-Lalanne
Board Member

Kevin Knight
Board Member

~~Steve Fanny~~ Pierre Laporte
Board Member

Air Seychelles Limited

Statement of changes in equity

for the year ended 31 December

in thousands of USD

	Share capital	Accumulated losses	Reserves	Total equity
At 1 January 2013	72,617	(70,181)	436	2,872
Total comprehensive income:				
Profit for the year	-	3,026	-	3,026
Net change in fair value of available-for-sale financial assets	-	-	52	52
Total comprehensive income for the year 2013	**72,617**	**(67,155)**	**488**	**5,950**
At 31 December 2013	**72,617**	**(67,155)**	**488**	**5,950**
Total comprehensive income:				
Profit for the year		3,199		3,199
Net change in fair value of available-for-sale financial assets			221	221
Total comprehensive income for the year 2014	**-**	**3,199**	**221**	**3,420**
At 31 December 2014	**72,617**	**(63,956)**	**709**	**9,370**

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

Air Seychelles Limited

Statement of cash flows

for the year ended 31 December

in thousands of USD	*Note*	2014	2013
Net profit		**3,199**	3,026
Adjustments for:			
-Depreciation	13	**1,934**	2,018
-Amortisation	14	**47**	8
-Loss on disposal and write-offs of property plant and equipment	13	**36**	781
-Loss on write-off of deposits	15	**56**	-
-Reversal of provision for impairment of property plant and equipment	13	**-**	(283)
-Reversal of provision for impairment of trade receivables	10	**(255)**	(560)
-Reversal of provision for Impairment for obsolescence of inventories	16	**-**	(1,634)
-Bad debts written off	10	**-**	23
-Charge for staff terminal benefits during the year	21	**840**	549
Finance costs	12	**1,422**	440
Finance income	12	**(6)**	(51)
Extinguishment and reversal of payables and accruals	18	**(8,926)**	(6,305)
		(1,653)	(1,988)
Changes in:			
- inventories	16	**(109)**	(457)
- trade and other receivables	17	**(3,346)**	(17,721)
- amounts due from related parties	18	**(2,281)**	(1,723)
- Deposits	15	**-**	281
- trade and other payables	21	**5,781**	3,832
- amounts due to related parties	18	**10,479**	13,017
- unearned revenue		**1,012**	3,612
Cash generated from / (used in) operating activities		**9,883**	(1,385)
Staff terminal benefits paid	21	**(403)**	(238)
Taxes paid		**-**	(3)
Net cash from / (used in) operating activities		**9,480**	(1,388)
Cash flows from investing activities			
Acquisition of property, plant and equipment	13	**(18,712)**	(3,831)
Acquisition of intangible assets	14	**(90)**	(156)
Proceeds from disposal of property, plant and equipment	13	**-**	75
Dividends received	12	**-**	42
Interest received	12	**6**	9
Net cash used in investing activities		**(18,796)**	(3,861)

Air Seychelles Limited

Statement of cash flows *(continued)*

for the year ended 31 December

in thousands of USD

		2014	2013
Cash flows from financing activities			
Proceeds from / (repayment of) loans and borrowings	*22*	**15,751**	(57)
Interest paid (net)	*12*	**(759)**	(504)
Net cash from / (used in) financing activities		**14,992**	(561)
Net increase / (decrease) in cash and cash equivalents		**5,676**	(5,810)
Cash and cash equivalents at 1 January 2014	*20*	**9,243**	14,989
Effect of movements in exchange rates on cash held		**(663)**	64
Cash and cash equivalents at 31 December 2014	*20*	**14,256**	9,243

The notes set out on pages 12 to 35 form an integral part of these financial statements.
The independent auditors' report is set out on pages 5 and 6.

Notes to the financial statements

1. Legal status and principal activities

Air Seychelles Limited (the "Company") is a limited liability company, incorporated and domiciled in the Republic of Seychelles. The registered office of the Company is located at "The Creole Spirit" building, Point Larue, Mahé, Seychelles. The Company was first established on 15 September 1977, following the merger of Air Mahé and Inter-Island Airways and was registered as Seychelles Airlines under the Seychelles Companies Ordinance 1972. The present title was adopted in September 1978. The Company's share capital is held by the Government of Seychelles (60%) and Etihad Airways PJSC (40%), a Company incorporated under the laws of the United Arab Emirates. The other activities have remained unchanged during the year.

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

2. Basis of preparation

(a) Going concern

These financial statements have been prepared on a going concern basis, which assumes that the Company will continue to operate, notwithstanding that at 31 December 2014, the Company had accumulated losses of USD 63,956 thousand (31 December 2013: USD 67,155 thousand) and had net current liabilities amounting to USD 5,798 thousand (31 December 2013: USD 7,377 thousand). The shareholders have committed to provide the Company with such financial support as may be required to meet its liabilities as and when they fall due. The Company's restructuring plan was approved by the Board of Directors pursuant to the Investment agreement, which entitles the Company to draw down for USD25 million as shareholders loan . Based on review and approval of the future cash flow forecasts the directors are satisfied that the Company has access to sufficient cash facilities to meet its obligations for the foreseeable future, and for a period of at least 12 months from the date of approval of these financial statements. Accordingly, the financial statements have been prepared on the going concern basis.

(b) Statement of compliance

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

(c) Basis of measurement

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

(d) Use of estimates and judgments

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

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

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

Notes to the financial statements

3. Significant accounting policies

(a) Revenue and other income

Passenger and cargo sales including charter are recognised as revenue when the transportation service is provided. Passenger tickets and cargo airway bills sold but unused are classified in the statement of financial position under current liabilities as unearned revenue. Unused coupons are recognised as revenue based on the terms and conditions of the ticket.

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

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

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

(b) Government grants

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

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

(c) Finance income and finance costs

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

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

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

(d) Leases

Finance leases as lessee

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

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

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

Notes to the financial statements

3. Significant accounting policies *(continued)*

(e) Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. The cost of self constructed assets includes the following:
- the cost of materials and direct labour;
- any other costs directly attributable to bringing the assets to a working condition for their intended use; and
- when the Company has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which assets are located.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.
Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

Subsequent costs

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

Depreciation

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

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

The Company has re-assessed the useful lives of the property, plant and equipment. The changes are applied prospectively as from 1st January 2014.

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

	Life in years	
Buildings and leasehold improvements	20	(2013 - 10 years)
Aircraft and accessories	20	(2013 - 10 years)
Aircraft engines	5	
Technical spares	10	
Operating equipment	5 - 10	
Motor vehicles	4	

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

in thousands of USD	2014	2015	2016
Decrease in depreciation expense	1,321	1,490	1,340

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

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

Notes to the financial statements

3. Significant accounting policies *(continued)*

(e) Property, plant and equipment (continued)

Capital projects

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

(f) Intangible assets

Recognition and measurement

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

Subsequent expenditure

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

Amortisation

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

(g) Financial instruments

(i) Non-derivative financial assets

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

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

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

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

Loans and receivables

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

Loans and receivables comprise of trade and other receivables, amounts due from related parties and cash at banks.

Notes to the financial statements

3. Significant accounting policies *(continued)*

(g) Financial instruments (continued)

Available-for-sale financial assets

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

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

(ii) Non-derivative financial liabilities

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

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

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

(h) Impairment

(i) Non-derivative financial assets

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

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

Loans and receivables

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

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

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

Notes to the financial statements

3. Significant accounting policies *(continued)*

(h) Impairment (continued)

(i) Non-derivative financial assets (continued)

Available-for-sale financial assets

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

(ii) Non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable value of an asset is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated cash flows, discounted to their present value using a discount rate that reflects current market assessment of the time value of money and the risk specific to the asset.

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

(i) Foreign currency transactions

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

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

(j) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is determined using the first in first out method, with the exception of aircraft related consumables, which are measured using specific-identification method. Cost includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Allowance for obsolete and slow moving items is made to reduce the carrying value of these items to their net realisable value. Net realisable value is the estimated selling price, in the ordinary course of business, less estimated selling expenses.

(k) Provisions

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

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

Notes to the financial statements

3. Significant accounting policies *(continued)*

(l) Employee benefits

Defined contribution plans

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

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

Defined benefit plans

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

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

Short-term employee benefits

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

(m) Taxation

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

(n) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2014, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Company, except for IFRS 9 Financial instruments and IFRS 15 Revenue from Contract with Customers, which becomes mandatory for the Company's 2018 and 2017 financial statements respectively and could change the classification and measurement of financial assets and recognition and measurement of revenue. The Company does not plan to adopt this standard early and the extent of the impact has not been determined.

Notes to the financial statements

4. Determination of fair values

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

Equity securities
Fair value of equity securities is determined by reference to their quoted closing price at the reporting date.

Financial instruments not measured at fair value
Fair values of financial instruments are calculated using present value of future cash flows discounted at the market rate of interest at the reporting date.

5. Financial risk management

Overview

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

- Credit risk
- Liquidity risk
- Market risk

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

Risk management framework

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

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

Credit risk

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

Notes to the financial statements

5. Financial risk management *(continued)*

Credit risk (continued)

Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Company's customer base, including the default risk of the industry and countries in which customers operate, as these factors may have an influence on credit risk. Although geographically there is no significant concentration of risk, at the reporting date, majority of the Company's trade receivables from customers were domiciled domestically.

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

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

Liquidity risk

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

The Treasury department of the Company ensures that sufficient cash is available based on rolling short-term forecasts of expected cash flows. Additionally management also ensures the availability of funding through an adequate amount of committed credit facilities. Pursuant to the Investment Agreement entered by the Company, the Government of Seychelles and Etihad Airways PJSC, the Company received cash flows in the form of grants during the year.

Market risk

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

Currency risk

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

Notes to the financial statements

5. Financial risk management *(continued)*

Market risk (continued)

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

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

Market risks are thoroughly discussed in monthly management meetings. The Planning department carries out regular reviews of the market outlook for fuel prices and interest rates to analyse possible risk exposures to the Company and plan for appropriate courses of action. Market risks and strategies to combat these risks are also discussed by members at the Board of Directors' meetings.

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

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

The Board regularly review the Company's capital strucutre and makes adjustments to reflect future capital commitments, business strategies and economic conditions. The Company is not subject to any externally imposed capital requirements. There were no changes in the Company's approach to capital management during the year.

	2014	2013
	December	December
Loans and borrowings	15,990	239
Less: Cash and cash equivalents	(14,256)	(9,243)
Net debts	1,734	(9,004)
Total capital	72,617	72,617
Total capital and net debt	74,351	63,613

6. Significant accounting estimates and judgements

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

(a) Impairment losses on receivables

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

(b) Impairment of aircraft

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

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

Notes to the financial statements

6. Significant accounting estimates and judgements (continued)

(c) Government Grants

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

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

Management assigns useful lives and residual values to property, plant and equipment based on the intended use of assets and the economic lives of those assets. Subsequent changes in circumstances such as technological advances or prospective utilisation of the assets concerned could result in the actual useful lives or residual values differing from initial estimates. Management has reviewed the residual values and useful lives of major items of property, plant and equipment and has revised the useful lives of aircrafts and buildings from 10 to 20 years. The correponding adjustments have been booked in the current year.

(e) Extinguishment of shareholders' liabilities

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

7. Revenue

	2014 December	2013 December
Passenger services	82,304	67,456
Cargo services	13,359	10,533
Charter services	1,673	1,540
Ground handling services	9,558	9,205
	106,894	88,734

8. Other income

in thousands of USD	2014 December	2013 December
Government grants [1]	15,500	8,333
Others [2]	7,909	7,715
	23,410	16,048

1 During the year, the Company received reimbursements from Government of Seychelles, pursuant to the investment agreement with Etihad Airways and fulfillment of conditions by the Company, towards liabilities accounted prior to the date of the investment agreement amounting to USD 3,830 thousand (USD 8,333 thousand in 2013). Furthermore, grant for the international expansion on new routes (Paris, Mumbai, Dar Es Salaam and Antananarivo) to the extent of USD 10,000 thousand (USD Nil in 2013) was also provided to the company by Government of Seychelles in 2014.

2 Extinguishment of EY liabilities pertaining to administrative and executives services amountig to USD 4,500 thousand (USD Nil in 2013) have been recognised under other income.

Notes to the financial statements

9. Direct operating costs

in thousands of USD	2014 December	2013 December
Fuel and oil	45,724	37,765
Aircraft and engine maintenance	2,246	1,142
Aircraft and engine operating leases	27,160	19,374
Landing and parking	2,450	1,711
Overflying	4,882	3,366
Staff costs	8,707	6,265
In-flight	6,878	4,030
Handling	3,730	2,036
Crew layover	5,646	4,376
Commission and incentives	5,023	4,040
Depreciation	1,507	1,019
Aircraft insurance	306	327
Impairment, obsolescence and write-offs	-	484
Other direct operating costs	2,694	2,171
	116,953	88,106

10. Administrative and marketing expenses

in thousands of USD	2014 December	2013 December
Staff costs	5,479	6,380
Rent and utilities	1,066	1,057
Communications	2,178	1,820
Transport and vehicle	207	169
General repairs and maintenance	514	525
Legal and professional	1,284	684
Advertisement and promotion	905	244
Depreciation and amortisation	481	843
Bad and doubtful debts	(255)	23
Other administrative and marketing expenses[1]	(3,351)	1,156
	8,508	12,901

[1]Extinguishment of EY provision pertaining to administrative and executive services amounting to USD 4,426 thousand (2013 : USD Nil) has been netted-off against other administrative and marketing expenses.

Notes to the financial statements

11. Staff related costs

in thousands of USD	2014 December	2013 December
Salaries and allowances	9,453	8,499
Other staff related costs	306	4,146
	9,760	12,645

12. Finance income and finance costs

in thousands of USD	2014 December	2013 December
Interest expense	759	504
Net foreign exchange loss	892	296
Finance costs	1,651	800
Dividend income	-	42
Interest income	6	9
Finance income	6	51

13. Property, plant and equipment

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

Notes to the financial statements

14. Intangible assets - softwares

in thousands of USD	2014 December	2013 December
Cost		
At beginning of the year	252	96
Additions	90	156
At 31 December	342	252
Accumulated amortisation		
At beginning of the year	41	33
Charge for the year	47	8
At 31 December	88	41
Carrying amount	254	211

15. Deposits

in thousands of USD	2014 December	2013 December
At beginning of the year	56	337
Less: reversed during the year	(56)	(281)
At 31 December	-	56

16. Inventories

in thousands of USD	2014 December	2013 December
Aircraft consumables	7,483	7,384
In-flight	518	708
Others	764	564
Less: allowance for slow-moving / obsolete inventories	(1,989)	(1,989)
	6,776	6,667

The movement in allowance for slow-moving and obsolete inventories during the current year and comparative period are as follows:

	2014	2013
At beginning of the year	1,989	3,623
Reversed during the year	-	(1,634)
At 31 December	1,989	1,989

Notes to the financial statements

17. Trade and other receivables

in thousands of USD	2014 December	2013 December
Trade receivables [1]	7,691	5,526
Deposits and advances	1,204	1,174
Interline receivables	4,562	8,075
Accrued Income (grant receivable from Government of Seychelles)	5,000	4,701
Other receivables	9,889	5,269
	28,346	24,745

[1] Trade receivables are stated net of allowance for impairment amounting to USD 535 thousand *(31 December 2013: USD 790 thousand).*

18. Related parties

Identity of related parties

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

Transactions with government-owned entities

IAS 24,"Related Parties" (revised) requires Government owned entities to disclose transactions with other state / government owned entities. Most infrastructure related entities are owned by the Government of Seychelles and the Company necessarily enters into transaction with those entities in the normal course of business on an arm's length basis. The Company also transacts with these entities in respect of aviation fuel, landing and parking, overflying and lease of properties (refer Note 9). During the year, the Company procured the following services from government owned-entities based on list prices that are comparable to prices charged to non-government entities or market terms:

in thousands of USD	2014 December	2013 December
Aviation fuel	7,214	8,036
Landing and parking	768	2,952
Overflying	668	524
Operating lease of land and buildings	232	332

Other related party transactions

in thousands of USD	2014 December	2013 December
Government Grant (reimbursements)	15,500	8,333
Fees payable to Etihad Airways PJSC	2,261	2,788
Loans injected by Etihad Airways PJSC	15,804	-
Operating lease expenses for the aicraft on operating lease from Etihad Airways	27,160	19,374
Extinguishment and reversal of Etihad Airways PJSC liabilities in respect of administrative and executive services	(8,926)	-

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

Notes to the financial statements

27. Financial instruments *(continued)*

(a) Credit risk (continued)

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

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

The ageing of trade receivables at the reporting date was:

in thousands of USD	**31 December 2014**		31 December 2013	
	Gross	**Impairment**	Gross	Impairment
Not past due	**6,155**	**-**	2,565	-
Past due 1-30 days	**976**	**-**	1,150	-
Past due 31-60 days	**290**	**-**	1,107	(209)
Past due 61-90 days	**182**	**(176)**	776	(58)
Over 90 days	**623**	**(359)**	718	(523)
	8,226	**(535)**	6,316	(790)

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

in thousands of USD	**2014 December**	*2013* December
- Four or more years of trading history with the Company	**4,494**	1,115
- Less then Four years of trading history with the Company	**1,661**	1,450
	6,155	2,565

Impairment losses

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

in thousands of USD	**2014 December**	2013 December
At beginning of the year	**790**	1,350
Impairment loss during the year	**-**	-
Impairment loss reversed during the year	**(255)**	(560)
At 31 December	**535**	790

(b) Interest rate risk

Cash flow sensitivity analysis for variable rate instruments

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

Notes to the financial statements

27. Financial instruments *(continued)*

(b) Interest rate risk (continued)

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

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

(c) Liquidity risk

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

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

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

Notes to the financial statements

27. Financial instruments (continued)

(d) Currency risk

Exposure to currency risk

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

in thousands of currency units	31 December 2014 SCR	ZAR	EUR	31 December 2013 SCR	ZAR	EUR
Trade receivables	30,148	6,483	3,240	20,997	3,975	2,567
Cash at banks	12,807	21,073	2,378	2,510	1,787	4,727
Trade payables	(11,607)	(299)	(246)	(5,781)	(13)	(19)
Gross statement of financial position exposure	31,348	27,257	5,372	17,726	5,749	7,275
In USD	2,459	2349	6,531	1,390	496	8,844

The following significant exchange rates applied during the year:

USD	Average rates Dec-14	Dec-13	Reporting date spot rates Dec-14	Dec-13
SCR 1	0.083	0.082	0.078	0.088
EUR 1	1.297	1.338	1.216	1.378
ZAR 1	0.091	0.107	0.086	0.095

Sensitivity analysis

A strengthening (weakening) of USD against SCR,EUR and ZAR at 31 December would have (decreased) / increased profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the reporting date and considers the gross statement of financial position exposure shown above. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecasted sales and purchases. The analysis is performed on the same basis for December 2013.

Sensitivity analysis

Effect on profit or loss in thousands of USD	Strengthening	Weakening
31 December 2014		
SCR (1% movement)	(25)	25
EUR (1% movement)	(65)	65
ZAR (1% movement)	(23)	23
31 December 2013		
SCR (1% movement)	(16)	16
EUR (1% movement)	(100)	100
ZAR (1% movement)	(5)	5

Notes to the financial statements

27. Financial Instruments (continued)

(e) Accounting classifications and fair values

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

in thousands of USD
31 December 2014

	Carrying Amount				Fair Value			
	Available for sale financial assets	Loans and Receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value								
Available for sale financial assets	709	-	-	709	709	-	-	709
	709	-	-	709	709	-	-	709
Financial assets not measured at fair value								
Amounts due from related parties	-	4,300	-	4,300	-	-	-	-
Trade and other receivables	-	28,346	-	28,346	-	-	-	-
Cash and Cash equivalents	-	14,256	-	14,256	-	-	-	-
	-	46,902	-	46,902	-	-	-	-
Financial liabilities not measured at fair value								
Amounts due to related parties	-	-	35,014	35,014	-	-	-	-
Trade and other payables	-	-	13,789	13,789	-	-	-	-
Loans and Borrowings	-	-	15,990	15,990	-	-	-	-
Unearned revenue	-	-	9,542	9,542	-	-	-	-
	-	-	74,335	74,335	-	-	-	-

in thousands of USD
31 December 2013

	Carrying Amount				Fair Value			
	Available for sale financial assets	Loans and Receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value								
Available for sale financial assets	488	-	-	488	488	-	-	488
	488	-	-	488	488	-	-	488
Financial assets not measured at fair value								
Amounts due from related parties	-	2,019	-	2,019	-	-	-	-
Deposits	-	56	-	56	-	-	-	-
Trade and other receivables	-	24,745	-	24,745	-	-	-	-
Cash and Cash equivalents	-	9,243	-	-	-	-	-	-
	-	36,063	-	26,820	-	-	-	-
Financial liabilities not measured at fair value								
Amounts due to related parties	-	-	24,535	24,535	-	-	-	-
Trade and other payables	-	-	16,934	16,934	-	-	-	-
Loans and Borrowings	-	-	239	239	-	-	-	-
Unearned revenue	-	-	8,530	8,530	-	-	-	-
	-	-	50,238	50,238	-	-	-	-

Fair value hierarchy
The different levels of valuation for financial instruments carried at fair value have been defined as follows:
Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

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

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

28. Taxation

In accordance with Schedule II, article 26, of the Seychelles Business Tax Act of 30 December 2009, the Company is exempt from corporate tax on its income.

29. Subsequent events

Subsequent to the year-end, the Company had entered into a contractual arrangement with Jet International for the disposal of B-767 spare parts and rotables.

Notes to the financial statements

in thousands of USD

Schedule I - Property, plant and equipment

	Land and buildings	Aircraft, engines, accessories and technical spares	Aircraft and engine overhaul	Operating equipment	Furniture and fittings	Computers and office equipment	Motor vehicles	Capital work in progress	Total
Cost									
At 1 January 2013	6,590	16,265	2,073	6,793	1,622	1,908	1,824	3	37,078
Additions	-	1,590	-	14	60	164	-	2,003	3,831
Disposals / write-offs	-	(1,300)	(365)	(204)	(124)	(35)	(516)		(2,544)
At 31 December 2013	6,590	16,555	1,708	6,603	1,558	2,037	1,308	2,006	38,365
At 1 January 2014	6,590	16,555	1,708	6,603	1,558	2,037	1,308	2,006	38,365
Additions	-	1,729	454	18	105	152	10	16,244	18,712
Transfers		13,146						(13,146)	-
Disposals / write-offs	-	(286)	(506)			(7)			(799)
At 31 December 2014	6,590	31,144	1,656	6,621	1,663	2,182	1,318	5,104	56,278
Accumulated depreciation									
At 1 January 2013	3,434	7,961	1,259	4,350	1,332	1,615	1,695	-	21,646
Charge for the year	578	281	459	393	101	126	80	-	2,018
Disposals / write-offs	-	(540)	(365)	(176)	(65)	(2)	(516)	-	(1,664)
At 31 December 2013	4,012	7,702	1,353	4,567	1,368	1,739	1,259	-	22,000
At 1 January 2014	4,012	7,702	1,353	4,567	1,368	1,739	1,259	-	22,000
Charge for the year	130	888	171	448	110	139	48	-	1,934
Disposals / write-offs		(286)	(470)			(7)		-	(763)
At 31 December 2014	4,142	8,304	1,054	5,015	1,478	1,871	1,307	-	23,171
Accumulated impairment losses									
At 1 January 2013	23	1,721	-	119	-	-	-	-	1,863
Reversed during the period		(283)	-	-	-	-	-	-	(283)
At 31 December 2013	23	1,438	-	119	-	-	-	-	1,580
At 1 January 2014	23	1,438	-	119	-	-	-	-	1,580
Reversed during the period			-	-	-	-	-	-	-
At 31 December 2014	23	1,438	-	119	-	-	-	-	1,580
Carrying amounts									
At 1 January 2014	2,555	7,415	355	1,918	190	298	49	2,006	14,785
At 31 December 2014	2,425	21,402	602	1,487	185	311	11	5,104	31,527

Capital work in progress include advances paid to aircraft manufacturer (pre delivery payments) of USD 4,777 thousand (2013: USD 1,800 thousand).

Borrowing costs amounting to USD 247 thousand has been capitalised during the year (2013: USD Nil)