SEYCHELLES PROGRESS LIMITED

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

SEYCHELLES PROGRESS LIMITED

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CORPORATE INFORMATION

DIRECTORS	:	S Fanny (Chairperson) B Jivan F Joubert
SECRETARY	:	CW Support Limited Bank Chambers 15-19 Athol Street, Douglas Isle of Man, IM1 1LB
REGISTERED OFFICE	:	Bank Chambers 15-19 Athol Street, Douglas Isle of Man, IM1 1LB
PRINCIPAL PLACE OF BUSINESS	:	Seychelles Petroleum Company Limited New Port, Mahé Seychelles
AUDITORS	:	BDO Associates Chartered Accountants P O Box 18, Mahé Seychelles
BANKER	:	KfW IPEX - Bank GmbH Palmengartenstraße 5-9 60325 Frankfurt am Main Germany

The Directors have pleasure in submitting their report on Seychelles Progress Limited together with the audited financial statements of the Company for the year ended December 31, 2018.

PRINCIPAL ACTIVITY

The Company is engaged in the rental of its double hull tanker to its holding Company, Seychelles Petroleum Company Limited, under a bareboat charter agreement for the transportation of petroleum products and chemicals.

There has been no significant change in the nature of this principal activity during the financial year under review.

RESULTS

	€
Profit for the year	265,033
Revenue deficit brought forward	(4,446,568)
Revenue deficit carried forward	**(4,181,535)**

DIVIDENDS

The Directors did not recommend the payment of any dividend for the year under review (2017: Nil).

EQUIPMENT

The Board is of the opinion that the fair value of the double hull tanker as at December 31, 2018 does not differ materially from its carrying amount at the end of the reporting period.

DIRECTORS AND DIRECTORS' INTEREST:

S Fanny (Chairperson)
B Jivan
F Joubert

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

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 International Financial Reporting Standards and in compliance with the Isle of Man Companies Acts, 1931 to 2004. 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 that fall within the accounting policies adopted by the Group; 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.

AUDITORS

The retiring auditors, BDO Associates, being eligible offer themselves for re-appointment.

BOARD APPROVAL

S Fanny	**B Jivan**	**F Joubert**
Director	Director	Director

Date: 27 SEP 2019
Victoria, Seychelles

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS

This report is made solely to the members of **SEYCHELLES PROGRESS LIMITED** (the "Company"), as a body, in accordance with the provisions of the Isle of Man Companies Acts, 1931 to 2004. 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company or the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Report on the audit of the Financial Statements

Opinion

We have audited the Company's financial statements on pages 4 to 18 which comprise the Statement of Financial Position as at December 31, 2018, the Statement of Profit or Loss, Statement of Other Comprehensive Income, Statement of Changes in Equity and the Statement of Cash Flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements on pages 4 to 18 give a true and fair view of the financial position of the Company as at December 31, 2018 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and in accordance with the provisions of the Isle of Man Companies Acts, 1931 to 2004.

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.

Emphasis of matter

Going concern

The Company had shareholders' deficit of **€ 4.2m** at December 31, 2018 (2017: € 4.4m). The main shareholder has confirmed its continuous financial support to the Company and consequently the financial statements have been prepared on a going concern basis.

Our opinion is not qualified in this respect

Responsibilities of Directors and Those Charged with Governance for the Financial Statements

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and in compliance with the provisions of the Isle of Man Companies Acts, 1931 to 2004 and Public Enterprise Monitoring Commission Act, 2013, 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.

Responsibilities of Directors and Those Charged with Governance for the Financial Statements

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.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment 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.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on Other Legal Regulatory Requirements

The provisions of the Isle of Man Companies Acts

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 we have 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

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

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

BDO Associates

BDO ASSOCIATES
Chartered Accountants

Dated: 27 SEP 2019
Victoria, Seychelles

STATEMENT OF FINANCIAL POSITION - DECEMBER 31, 2018

	Notes	2018	2017
ASSETS		**€**	€
Non-current asset			
Equipment	5	**9,774,089**	10,622,525
Current asset			
Cash at bank		-	857
Total assets		**9,774,089**	10,623,382
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	6	**2,662**	2,662
Revenue deficit		**(4,181,535)**	(4,446,568)
Owners' deficit		**(4,178,873)**	(4,443,906)
LIABILITIES			
Non-current liability			
Borrowings	7	**13,950,462**	15,064,788
Current liability			
Other payables - accruals		**2,500**	2,500
Total liabilities		**13,952,962**	15,067,288
Total equity and liabilities		**9,774,089**	10,623,382

These financial statements have been approved for issue by the Board of Directors on 27 SEP 2019

S Fanny	**B Jivan**	**F Joubert**
Director	Director	Director

The notes on pages 8 to 18 form an integral part of these financial statements.
Auditors' report on pages 3 and 3(b).

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME - YEAR ENDED DECEMBER 31, 2018

	Notes	2018	2017
		€	€
Revenue	2(h)	**1,121,581**	1,226,097
Cost of sales	8	**(848,436)**	(848,436)
		273,145	377,661
Administrative expenses	8	**(8,112)**	(36,253)
Profit from operations		**265,033**	341,408
Interest expense - borrowings		**-**	(43,291)
Profit and total comprehensive income for the year	9	**265,033**	298,117

The notes on pages 8 to 18 form an integral part of these financial statements.
Auditors' report on pages 3 and 3(b).

STATEMENT OF CHANGES IN EQUITY - YEAR ENDED DECEMBER 31, 2018

	Share Capital	Revenue deficit	Total
	€	€	€
At January 1, 2018	**2,662**	**(4,446,568)**	**(4,443,906)**
Total comprehensive income for the year	**-**	**265,033**	**265,033**
At December 31, 2018	**2,662**	**(4,181,535)**	**(4,178,873)**
At January 1, 2017	2,662	(4,744,685)	(4,742,023)
Total comprehensive income for the year	-	298,117	298,117
At December 31, 2017	2,662	(4,446,568)	(4,443,906)

The notes on pages 8 to 18 form an integral part of these financial statements.
Auditors' report on pages 3 and 3(b).

STATEMENT OF CASH FLOWS - YEAR ENDED DECEMBER 31, 2018

	Notes	2018	2017
		€	€
Cash generated from operations			
Profit for the year		**265,033**	298,117
Adjustments for:			
Interest expense		**-**	43,291
Depreciation	5	**848,436**	848,436
		1,113,469	1,189,844
Changes in working capital			
- Decrease in other payables		**-**	(41,562)
Net cash inflow from operating activities		**1,113,469**	1,148,282
Cash flows from financing activities			
Interest paid		**-**	(43,291)
Received from Shareholder	7(a)	**-**	1,370,512
Repayment of borrowings	7(a),(b)	**(1,114,326)**	(2,475,503)
Net cash outflow from financing activities		**(1,114,326)**	(1,148,282)
Net decrease in cash and cash equivalents		**(857)**	-
At January 1,		**857**	857
Decrease		**(857)**	-
At January 1 & December 31,		**-**	857

The notes on pages 8 to 18 form an integral part of these financial statements.
Auditors' report on pages 3 and 3(b).

1. GENERAL INFORMATION

Seychelles Progress Limited is a limited liability company incorporated and domiciled in the Isle of Man. The Company rents its double hull tanker to its holding Company, (Seychelles Petroleum Company Limited), on a bareboat charter agreement for the transportation of chemicals and petroleum products. Its registered office is situated at Bank Chambers, 15-19 Athol Street, Douglas, Isle of Man IM1 1LB.

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

2. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The financial statements of **Seychelles Progress Limited** comply with the Isle of Man Companies Acts, 1931 to 2004 and have been prepared in accordance with International Financial Reporting Standards (IFRS). These financial statements are prepared under the historical cost convention, except that borrowings, loans and receivables and other financial assets and financial liabilities are carried at amortised cost.

Amendments to published Standards effective in the reporting period

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. *The Company adopted IFRS 9 Financial Instruments from January 1, 2018. However, the adoption has had no impact on the Company's financial statements.*

IFRS 15 Revenue from Contracts with Customers is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The Company has adopted IFRS 15 Revenue from Contracts with Customers from 1 January 2018. *The amendment had no impact on the Company's financial statements.*

Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)

The amendments clarify the measurement basis for cash-settled share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. *The amendment had no impact on the Company's financial statements.*

Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments to IFRS 4)

The amendment provides two different solutions for insurance companies: a temporary exemption from IFRS 9 for entities that meet specific requirements (applied at the reporting entity level), and the 'overlay approach'. Both approaches are optional. *The amendment had no impact on the Company's financial statements.*

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(a) Basis of preparation (Cont'd)

Annual Improvements to IFRSs 2014 - 2016 cycle

IFRS 1 - deleted short-term exemptions covering transition provisions of IFRS 7, IAS 19 and IFRS 10 which are no longer relevant.

IAS 28 - clarifies that the election by venture capital organisations, mutual funds, unit trusts and similar entities to measure investments in associates or joint ventures at fair value through profit or loss should be made separately for each associate or joint venture at initial recognition.

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

IFRIC 22 Foreign Currency Transactions and Advance Consideration. The interpretation clarifies how to determine the date of transaction for the exchange rate to be used on initial recognition of a related asset, expense or income where an entity pays or receives consideration in advance for foreign currency-denominated contracts. *The amendment had no impact on the Company's financial statements.*

Transfers of Investment Property (Amendments to IAS 40). The amendments clarify that transfers to, or from, investment property can only be made if there has been a change in use that is supported by evidence. A change in use occurs when the property meets, or ceases to meet, the definition of investment property. A change in intention alone is not sufficient to support a transfer. *The amendment had no impact on the Company's financial statements.*

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

Certain standards, amendments to published standards and interpretations have been issued that are mandatory for accounting periods beginning on or after January 1, 2019 or later periods, but which the Company has not early adopted.

At the reporting date of these financial statements, the following were in issue but not yet effective:

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

IFRS 16 Leases

IFRS 17 Insurance Contracts

IFRIC 23 Uncertainty over Income Tax Treatments

Prepayment Features with negative compensation (Amendments to IFRS 9)

Long- term Interests in Associates and Joint Ventures (Amendments to IAS 28)

Annual Improvements to IFRSs 2015-2017 Cycle

Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)

Definition of a Business (Amendments to IFRS 3)

Definition of Material (Amendments to IAS 1 and IAS 8)

Where relevant, the Company is still evaluating the effect of these Standards, Amendments to published Standards and Interpretations issued but not yet effective, on the presentation of its financial statements.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(a) Basis of preparation (cont'd)

The preparation of financial statements in compliance with adopted IFRS requires the use of certain critical accounting estimates. It also requires the Company's management to exercise judgment in applying the Company's accounting policies. The areas where significant judgments and estimates have been made in preparing the financial statements and their effect are disclosed in note 4.

(b) Equipment

Equipment is initially stated at cost. Subsequent to initial recognition, equipment is stated at historical cost less accumulated depreciation. Cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the assets' carrying amount or recognised as a separate asset as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Depreciation is calculated on the straight line method to write off the cost of the asset, to its residual value over its estimated useful life as follows:

Double hull tanker	25 years

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

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposals of equipment are determined by comparing proceeds with carrying amount and are included in the Statement of Profit or Loss.

(c) Financial instruments

Financial assets and liabilities are recognised on the Company's Statement of Financial Position when the Company has become a party to the contractual provisions of the instrument. The Company's accounting policies in respect of the main financial instruments are set out below.

(i) Borrowings

Borrowings are recognised initially at fair value being their issue proceeds net of transaction costs incurred.

Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Statement of Profit or Loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the date of the reporting period.

(ii) Other payables

Other payables are stated at fair value and subsequently measured at amortised cost using the effective interest method.

(iii) Share capital

Ordinary shares are classified as equity.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(d) Foreign currencies

(i) Functional and presentation currency

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

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Profit or Loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Profit or Loss within 'finance income or cost'. All other foreign exchange gains and losses are presented in the Statement of Profit or Loss.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date the fair value was determined.

(e) Deferred income tax

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred tax arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for.

Deferred tax is determined using tax rates that have been enacted by the end of the reporting period and are expected to apply in the period when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which deductible temporary differences can be utilised.

(f) Impairment of 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 cash flows (cash-generating units).

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(g) Operating leases - Company is the lessor

Assets leased out under operating leases are recognised as equipment in the statement of financial position. They are depreciated over their expected useful lives on a basis consistent with similar fixed assets.

(h) Revenue recognition

Revenue represents rental income from the lease of the Company's double hull tanker. Rental income is recognised on a straight line basis over the lease term.

(i) Provisions

Provisions are recognised when the Company has a present or constructive obligation as a result of past events and it is probable that an outflow of resources that can be reliably estimated will be required to settle the obligation.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial Risk Factors

The company's activity exposes it to a variety of financial risks, including:
- Liquidity risk;
- Interest rate risk; and
- Credit risk

A description of the significant risk factors is given below together with the risk management policies applicable.

(i) <u>Liquidity risk</u>

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Company aims at maintaining flexibility in funding by keeping committed credit lines available.

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.1 Financial Risk Factors (Cont'd)

(i) Liquidity risk (Cont'd)

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	€'000	€'000	€'000	€'000	€'000
At December 31, 2018					
Borrowing from shareholder	-	-	-	**13,950**	**13,950**
Other payables	**3**	-	-	-	**3**
At December 31, 2017					
Borrowing from shareholder	-	-	-	15,065	15,065
Other payables	3	-	-	-	3

(ii) Interest rate risk

The Company's income and operating cash flows are not exposed to interest rate risk as its borrowing is interest free.

(iii) Credit risk

The Company is not exposed to credit risk since its only customer is its Holding Company which is financially sound.

3.2 Fair value estimation

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cashflows at the current market interest rate that is available to the Company for similar financial instruments.

3.3 Capital Risk Management

The Company's objective when managing capital is to safeguard the entity's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders.

The Company sets the amount of capital in proportion to risk. The Company manages the capital structure and makes adjustments to it in the light of the changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Company monitors capital on the basis of the gearing ratio which is the net debt divided by total capital plus debt. Net debt is calculated as total debts (as shown in the statement of financial position) less cash at bank.

During 2018, the Company's strategy, which was unchanged from 2017, was to maintain the gearing ratio at a reasonable level in order to secure access to finance at a reasonable cost.

3.3 Capital Risk Management

The net debt at December 31, 2018 and at December 31, 2017 were as follows:

	THE COMPANY	
	2018	2017
	€'000	€'000
Total debt	**13,950**	15,065
Less: cash and cash equivalents	-	(1)
Net debt	**13,950**	15,064
Total capital	**3**	3
Net debt	**13,950**	15,064
Total capital plus debt	**13,953**	15,067
Gearing ratio	**100%**	100%

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. However, in the financial statements, there are no estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

(a) *Useful lives and residual values*

Determining the carrying amounts of equipment requires the estimation of the useful lives and residual values of these assets which carry a degree of uncertainty. The Directors have used historical information relating to the Company and the relevant industry in which it operates in order to best determine the useful lives and residual values of its tanker.

(b) *Functional Currency*

The choice of the functional currency of the Company has been based on factors such as the primary economic environment in which the entity operates, the currency that mainly influences sales prices for goods and services, cost of providing goods and services and labour costs. The functional currency has been assumed by the Directors to be the EURO.

5. EQUIPMENT

	Double hull tanker	
	2018	2017
	€	€
Cost		
At January 1, and at **December 31,**	**35,676,010**	35,676,010
Accumulated depreciation		
At January 1,	**25,053,485**	24,205,049
Charge for the year	**848,436**	848,436
At December 31,	**25,901,921**	25,053,485
Net book value	**9,774,089**	10,622,525

(a) Depreciation has been fully charged to cost of sales.

(b) The double hull tanker was pledged as security for bank borrowings. Bank borrowing was fully repaid in the prior year.

6. SHARE CAPITAL

	2018 & 2017
	€
Authorised, issued and fully paid up	
- 2,000 ordinary shares of 1 UK Pound (£) each	**2,662**

7. BORROWINGS

(a) Amount payable to shareholders

	2018	2017
	€	€
At January 1,	**15,064,788**	14,269,779
Repayment during the year	**(1,114,326)**	(575,503)
Received during the year	**-**	1,370,512
At December 31,	**13,950,462**	15,064,788

(b) Bank loan

	2018	2017
At January 1,	**-**	1,900,000
Repayment during the year	**-**	(1,900,000)
Total borrowings	**-**	-

(i) The bank loan was secured on the double hull tanker of the Company. The effective interest rates at the end of the prior year period was 5.25%. The bank loan was fully repaid during the year ended December 31, 2017.

(ii) The amount payable to shareholder is unsecured, non-interest bearing and has no fixed repayment term. The Directors have estimated that this amount should be recognised as a non-current liability.

(iii) The carrying amount of borrowing is not materially different from its amortised cost.

(iv) The borrowing is denominated in Euros.

(v) Exposures of borrowings to maturity profile and interest rate risk are disclosed in notes 3.1(i) and (ii) respectively.

8. EXPENSES BY NATURE

	2018	2017
	€	€
Depreciation (note 5)	**848,436**	848,436
Legal and professional fees	**8,112**	20,374
Other expenses	**-**	15,879
	856,548	884,689
EXPENSES BY NATURE		
Analysed as:		
- Cost of sales	**848,436**	848,436
- Administrative expenses	**8,112**	36,253
	856,548	884,689

9. PROFIT FOR THE YEAR

Profit for the year is arrived at after:

	2018	2017
	€	€
Crediting:		
Rental income	**1,121,581**	1,226,097
and (charging):		
Depreciation on equipment - owned (note 5)	**(848,436)**	(848,436)
Auditor's remuneration	**(2,500)**	(2,500)
Directors' remuneration	**-**	-
Interest expense	**-**	(43,291)

10. TAXATION

No provision is required for the current year as the Company does not have any taxable income as per the provisions of the Isle of Man Income Tax Act, 1970 (2017: Nil). The Company has **€ 223,496** (2017: € 248,559) of unutilised tax losses to use against future taxable income.

11. COMMITMENTS

(a) Capital commitments

There were no capital commitments as at December 31, 2018 (2017: Nil).

(b) Operating lease commitments - where the Company is the lessor

The future minimum lease payments receivable under non-cancellable operating leases are as follows:

	2018	2017
	€	€
Not later than one year	**1,121,581**	1,226,097
Later than one year and not later than five years	**4,486,324**	4,904,388
	5,607,905	6,130,485

12. RELATED PARTY TRANSACTIONS

(a) Holding Company

	2018	2017
	€	€
Amount payable to shareholder (note 7)	**13,950,462**	15,064,788
Rental income	**1,121,581**	1,226,097

(b) The above transactions have been made at arm's length, on normal commercial terms and in the ordinary course of business.

(c) Outstanding balances at the year-end are unsecured and interest free. There has been no guarantees provided for any related party payables.

13. HOLDING COMPANY

The company considers Seychelles Petroleum Company Limited as its Holding Company and Societe Seychelloise D'investissement Limited (SSI) as the Ultimate Holding Company, both Companies are incorporated and domiciled in Seychelles.

14. FIVE YEAR FINANCIAL SUMMARY

	2018	2017	2016	2015	2014
	€'000	€'000	€'000	€'000	€'000
Profit/(Loss) for the year	**265**	298	256	78	(246)
Revenue deficit brought forward	**(4,447)**	(4,745)	(5,001)	(5,079)	(4,833)
Revenue deficit carried forward	**(4,182)**	(4,447)	(4,745)	(5,001)	(5,079)
OWNERS' DEFICIT					
Share capital	**3**	3	3	3	3
Revenue deficit	**(4,182)**	(4,447)	(4,745)	(5,001)	(5,079)
	(4,179)	(4,444)	(4,742)	(4,998)	(5,076)