

SEYCHELLES PIONEER LIMITED
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

SEYCHELLES PIONEER LIMITED

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CORPORATE INFORMATION

DIRECTORS : S Fanny
F Joubert
B Jivan

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 Pioneer Limited together with the audited financial statements of the Company for the year ended December 31, 2016.

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	267,570
Revenue deficit brought forward	(4,438,121)
Revenue deficit carried forward	(4,170,551)

DIVIDENDS

The Directors did not recommend the payment of any dividend for the year under review (2015: Nil).

EQUIPMENT

The Board is of the opinion that the fair value of the double hull tanker as at December 31, 2016 does not differ materially from its carrying amount at the end of the reporting period.

DIRECTORS AND DIRECTORS' INTEREST

The Directors of the Company from the date of the last report and to-date are:

S Fanny
F Joubert
B Jivan

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.

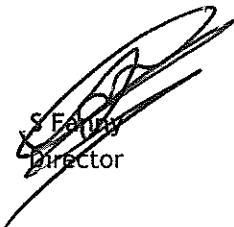
The Board is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in compliance with the Isle of Man Companies Acts, 1931 to 2004. This responsibility includes: designing, implementing and maintaining internal 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.

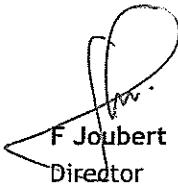
AUDITORS

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

BOARD APPROVAL



S Ferney
Director



F Joubert
Director



B Jivan
Director

Date: 11 SEP 2017
Victoria, Seychelles

SEYCHELLES PIONEER LIMITED

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS

This report is made solely to the members of SEYCHELLES PIONEER 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 19 which comprise the Statement of Financial Position as at December 31, 2016, 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 19 give a true and fair view of the financial position of the Company as at December 31, 2016 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.

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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS (CONT'D)

Responsibilities of Directors and Those Charged with Governance for the Financial Statements (Cont'd)

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.

SEYCHELLES PIONEER LIMITED

3(b)

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS (CONT'D)**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 performance of the audit. We remain solely responsible for our audit opinion.

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

Report on Other Legal 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

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

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

BDO Associates
BDO ASSOCIATES
Chartered Accountants

Dated: 11 SEP 2017
Victoria, Seychelles

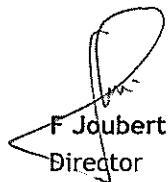
STATEMENT OF FINANCIAL POSITION - DECEMBER 31, 2016

	Notes	2016	2015
		€	€
ASSETS			
Non-current asset			
Equipment	5	<u>10,820,282</u>	<u>11,636,126</u>
Current asset			
Cash at bank		<u>1,844</u>	<u>1,852</u>
Total assets		<u>10,822,126</u>	<u>11,637,978</u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	6	2,662	2,662
Revenue deficit		<u>(4,170,551)</u>	<u>(4,438,121)</u>
Owners' deficit		<u>(4,167,889)</u>	<u>(4,435,459)</u>
LIABILITIES			
Non-current liability			
Borrowings	7	<u>13,474,631</u>	<u>14,032,627</u>
Current liabilities			
Borrowings	7	1,497,132	1,996,166
Other payables - accruals		<u>18,252</u>	<u>44,644</u>
		<u>1,515,384</u>	<u>2,040,810</u>
Total liabilities		<u>14,990,015</u>	<u>16,073,437</u>
Total equity and liabilities		<u>10,822,126</u>	<u>11,637,978</u>

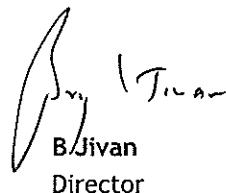
These financial statements have been approved for issue by the Board of Directors on 11 SEP 2017



S. Rambey
Director



F. Joubert
Director



B. Jivan
Director

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME -YEAR ENDED DECEMBER 31, 2016

	Notes	2016 €	2015 €
Revenue	2(h)	1,239,967	1,231,915
Cost of sales	8	(815,844)	(815,844)
		424,123	416,071
Administrative expenses	8	(5,882)	(39,237)
Profit from operations		418,241	376,834
Interest expense - borrowings		(150,671)	(217,704)
Profit and total comprehensive income for the year	9	267,570	159,130

The notes on pages 8 to 19 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, 2016

	Share Capital €	Revenue deficit €	Total €
At January 1, 2016	2,662	(4,438,121)	(4,435,459)
Total comprehensive income for the year	-	267,570	267,570
At December 31, 2016	<u>2,662</u>	<u>(4,170,551)</u>	<u>(4,167,889)</u>
At January 1, 2015	2,662	(4,597,251)	(4,594,589)
Total comprehensive income for the year	-	159,130	159,130
At December 31, 2015	<u>2,662</u>	<u>(4,438,121)</u>	<u>(4,435,459)</u>

The notes on pages 8 to 19 form an integral part of these financial statements.
 Auditors' report on pages 3 and 3(b).

STATEMENT OF CASH FLOWS - YEAR ENDED DECEMBER 31, 2016

	Note	2016 €	2015 €
Cash generated from operations			
Profit for the year		267,570	159,130
<i>Adjustments for:</i>			
Interest expense		150,671	217,704
Depreciation	5	815,844	815,844
		1,234,085	1,192,678
<i>Changes in working capital</i>			
- Other payables		(26,393)	(23,485)
Net cash inflow from operating activities		1,207,692	1,169,193
Cash flows from financing activities			
Interest paid		(150,671)	(217,704)
Repayment of borrowings		(1,057,030)	(951,487)
Net cash outflow from financing activities		(1,207,701)	(1,169,191)
Net (decrease)/increase in cash and cash equivalents		(8)	2
At January 1,		1,852	1,850
(Decrease)/Increase		(8)	2
At December 31,		1,844	1,852

The notes on pages 8 to 19 form an integral part of these financial statements.
 Auditors' report on pages 3 and 3(b).

1. GENERAL INFORMATION

Seychelles Pioneer 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 Pioneer 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.

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

IFRS 14 Regulatory Deferral Accounts provides relief for first-adopters of IFRS in relation to accounting for certain balances that arise from rate-regulated activities ('regulatory deferral accounts'). IFRS 14 permits these entities to apply their previous accounting policies for the recognition, measurement, impairment and derecognition of regulatory deferral accounts. *The standard is not expected to have any impact on the Company's financial statements.*

Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11). The amendments clarify the accounting for the acquisition of an interest in a joint operation where the activities of the operation constitute a business. They require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a business. Existing interests in the joint operation are not remeasured on acquisition of an additional interest, provided joint control is maintained. The amendments also apply when a joint operation is formed and an existing business is contributed. *The amendment has no impact on the Company's financial statements.*

Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38). The amendments clarify that a revenue-based method of depreciation or amortisation is generally not appropriate. Amendments clarify that a revenue-based method should not be used to calculate the depreciation of items of property, plant and equipment. IAS 38 now includes a rebuttable presumption that the amortisation of intangible assets based on revenue is inappropriate. This presumption can be overcome under specific conditions. *The amendment has no impact on the Company's financial statements.*

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)**(a) Basis of preparation (Cont'd)*****Standards, Amendments to published Standards and Interpretations effective in the reporting period (Cont'd)***

Equity method in separate financial statements (Amendments to IAS 27). The amendments allow entities to use the equity method in their separate financial statements to measure investments in subsidiaries, joint ventures and associates. IAS 27 currently allows entities to measure their investments in subsidiaries, joint ventures and associates either at cost or at fair value in their separate FS. The amendments introduce the equity method as a third option. The election can be made independently for each category of investment (subsidiaries, joint ventures and associates). Entities wishing to change to the equity method must do so retrospectively. *The amendment has no impact on the Company's financial statements.*

Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41). IAS 41 now distinguishes between bearer plants and other biological asset. Bearer plants must be accounted for as property plant and equipment and measured either at cost or revalued amounts, less accumulated depreciation and impairment losses. *The amendment has no impact on the Company's financial statements.*

Annual Improvements to IFRSs 2012-2014 cycle

IFRS 5 is amended to clarify that when an asset (or disposal group) is reclassified from 'held for sale' to 'held for distribution' or vice versa, this does not constitute a change to a plan of sale or distribution and does not have to be accounted for as such. *The amendment has no impact on the Company's financial statements.*

IFRS 7 amendment provides specific guidance for transferred financial assets to help management determine whether the terms of a servicing arrangement constitute 'continuing involvement' and, therefore, whether the asset qualifies for derecognition. *The amendment has no impact on the Company's financial statements.*

IFRS 7 is amended to clarify that the additional disclosures relating to the offsetting of financial assets and financial liabilities only need to be included in interim reports if required by IAS 34. *The amendment has no impact on the Company's financial statements.*

IAS 19 amendment clarifies that when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important and not the country where they arise. *The amendment has no impact on the Company's financial statements.*

IAS 34 amendment clarifies what is meant by the reference in the standard to 'information disclosed elsewhere in the interim financial report' and adds a requirement to cross-reference from the interim financial statements to the location of that information. *The amendment has no impact on the Company's financial statements.*

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)**(a) Basis of preparation (Cont'd)**

Standards, Amendments to published Standards and Interpretations effective in the reporting period (Cont'd)

Annual Improvements to IFRSs 2012-2014 cycle (Cont'd)

Disclosure Initiative (Amendments to IAS 1). The amendments to IAS 1 provide clarifications on a number of issues. An entity should not aggregate or disaggregate information in a manner that obscures useful information. Where items are material, sufficient information must be provided to explain the impact on the financial position or performance. Line items specified in IAS 1 may need to be disaggregated where this is relevant to an understanding of the entity's financial position or performance. There is also new guidance on the use of subtotals. Confirmation that the notes do not need to be presented in a particular order. The share of OCI arising from equity-accounted investments is grouped based on whether the items will or will not subsequently be reclassified to profit or loss. Each group should then be presented as a single line item in the statement of other comprehensive income.

Investment entities: Applying the consolidation exception (Amendments to IFRS 10, IFRS 12 and IAS 28). The amendments clarify that the exception from preparing consolidated financial statements is also available to intermediate parent entities which are subsidiaries of investment entities. An investment entity should consolidate a subsidiary which is not an investment entity and whose main purpose and activity is to provide services in support of the investment entity's investment activities. Entities which are not investment entities but have an interest in an associate or joint venture which is an investment entity have a policy choice when applying the equity method of accounting. The fair value measurement applied by the investment entity associate or joint venture can either be retained, or a consolidation may be performed at the level of the associate or joint venture, which would then unwind the fair value measurement. *The amendment has 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, 2017 or later periods, but which the Company has not early adopted.

IFRS 9 Financial Instruments

IFRS 15 Revenue from Contract with Customers

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

IFRS 16 Leases

Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)

Amendments to IAS 7 Statement of Cash Flows

Clarifications to IFRS 15 Revenue from Contracts with Customers

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

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

Annual Improvements to IFRSs 2014-2016 Cycle

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)**Standards, Amendments to published Standards and Interpretations issued but not yet effective (Cont'd)****IFRIC 22 Foreign Currency Transactions and Advance Consideration
Transfers of Investment Property (Amendments to IAS 40)**

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.

(b) Equipment

Equipment is stated at historical cost less accumulated depreciation. Historical 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.

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2016

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(c) Financial instruments (Cont'd)

(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.

(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 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.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)**(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).

(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) Liquidity risk

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	Between 1	Between 2	Over 5	Total
	1 year	and 2 years	and 5 years	years	
	€'000	€'000	€'000	€'000	€'000
At December 31, 2016					
Bank borrowings	1,497	-	-	-	1,497
Borrowings from shareholders	-	-	-	13,475	13,475
Other payables	18	-	-	-	18
At December 31, 2015					
Bank borrowings	2,495	1,497	-	-	3,992
Borrowings from shareholders	-	-	-	12,036	12,036
Other payables	45	-	-	-	45

(ii) Interest rate risk

The Company's income and operating cash flows are exposed to interest rate risk as it sometimes borrows at variable rates.

At December 31, 2016, if interest rates on floating rate borrowings had been ±0.10% higher/(lower) with all other variables held constant, results for the year would have been higher/(lower) by Euro'000 15 (2015: Euro'000 22) due to impact on interest expense on loans.

(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 2016, the Company's strategy, which was unchanged from 2015, was to maintain the gearing ratio at a reasonable level in order to secure access to finance at a reasonable cost.

The net debt at December 31, 2016 and at December 31, 2015 were as follows:

	THE COMPANY	
	2016	2015
	€'000	€'000
Total debt	14,990	16,028
Less: cash and cash equivalents	(2)	(2)
Net debt	<u>14,988</u>	<u>16,026</u>
 Total capital	3	3
Net debt	<u>14,988</u>	<u>16,026</u>
Total capital plus debt	<u>14,991</u>	<u>16,029</u>
 Gearing ratio	<u>100%</u>	<u>100%</u>

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2016

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.

(a) *Equipment*

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 equipment.

(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	
	2016	2015
	€	€
<u>Cost</u>		
At January 1, and at December 31,	<u>35,491,332</u>	<u>35,491,332</u>
<u>Accumulated depreciation</u>		
At January 1,	23,855,206	23,039,362
Charge for the year (note 8)	<u>815,844</u>	<u>815,844</u>
At December 31,	<u>24,671,050</u>	<u>23,855,206</u>
Net book value	<u>10,820,282</u>	<u>11,636,126</u>

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

(b) The double hull tanker has been pledged as security for bank borrowings.

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2016

6. SHARE CAPITAL

	<u>2016 & 2015</u>	€
Authorised, issued and fully paid up		
- 2,000 ordinary shares of 1 UK Pound (£) each	<u>2,662</u>	

7. BORROWINGS

	<u>2016</u>	2015
	€	€
Non current		
At January 1,	14,032,627	14,984,114
Repayment during the year	(1,996,174)	(1,996,166)
Proceeds during the year	1,438,178	1,044,679
At December 31,	<u>13,474,631</u>	<u>14,032,627</u>
Current		
- Bank loan (notes 7(a),(b),(f) & (g))	<u>1,497,132</u>	<u>1,996,166</u>
Total borrowings	<u>14,971,763</u>	<u>16,028,793</u>

(a) The bank loan is secured on the double hull tanker of the Company. The effective interest rates at the end of the reporting period was 5.02% (2015: 5.02%).

(b) The maturity of the non-current bank loan is as follows:

	<u>2016</u>	2015
	€	€
After one year and before two years	-	<u>1,497,132</u>

(c) The amount payable to shareholder is unsecured, non-interest bearing and has no fixed repayment

(d) The carrying amounts of borrowings are not materially different from their amortised cost.

(e) The carrying amounts of the Company's borrowings are denominated in Euros.

(f) Bank loan comprise loan from KfW IPEX Bank GmbH. Installments repayable for some of the loans from KfW IPEX Bank GmbH were re-negotiated and rescheduled in 2013.

(g) Bank loan installment is repayable twice yearly in April and October.

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

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2016

8. EXPENSES BY NATURE

	2016	2015
	€	€
Depreciation (note 5)	815,844	815,844
Legal and professional fees	3,378	22,607
Insurance	-	1,443
Other expenses	2,504	15,187
	<u>821,726</u>	<u>855,081</u>
Analysed as:		
- Cost of sales	815,844	815,844
- Administrative expenses	5,882	39,237
	<u>821,726</u>	<u>855,081</u>

9. LOSS FOR THE YEAR

	2016	2015
	€	€
Profit for the year is arrived at after:		
Crediting:		
Rental income	1,239,967	1,231,915
and (charging):		
Depreciation on equipment - owned (note 5)	(815,844)	(815,844)
Auditor's remuneration	(2,500)	(2,500)
Directors' remuneration	-	-
Interest expense	<u>(150,671)</u>	<u>(217,704)</u>

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 (2015: Nil).

11. COMMITMENTS

(a) Capital commitment

There was no capital commitment as at December 31, 2016 (2015: 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:

	2016	2015
	€	€
Not later than one year	1,239,967	1,231,915
Later than one year and not later than five years	4,959,868	4,927,661
	<u>6,199,835</u>	<u>6,159,576</u>

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2016

12. RELATED PARTY TRANSACTIONS

(a) Holding Company

	2016	2015
	€	€
Amount payable to (note 7)	13,474,631	12,036,453
Rental income	<u>1,239,967</u>	<u>1,231,915</u>

- (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.
- (d) There is no key management personnel at Company's level.

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, a company incorporated and domiciled in Seychelles.

14. FIVE YEAR FINANCIAL SUMMARY

	2016 €'000	2015 €'000	2014 €'000	2013 €'000	2012 €'000
Profit/(Loss) for the year	268	159	(192)	(313)	(225)
Revenue deficit brought forward	<u>(4,438)</u>	<u>(4,597)</u>	<u>(4,405)</u>	<u>(4,092)</u>	<u>(3,867)</u>
Revenue deficit carried forward	<u>(4,170)</u>	<u>(4,438)</u>	<u>(4,597)</u>	<u>(4,405)</u>	<u>(4,092)</u>
OWNERS' DEFICIT:					
Share capital	3	3	3	3	3
Revenue deficit	<u>(4,170)</u>	<u>(4,438)</u>	<u>(4,597)</u>	<u>(4,405)</u>	<u>(4,092)</u>
	<u>(4,167)</u>	<u>(4,435)</u>	<u>(4,594)</u>	<u>(4,402)</u>	<u>(4,089)</u>