# SEYCHELLES PROGRESS LIMITED

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

**SEYCHELLES PROGRESS LIMITED**

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**CORPORATE INFORMATION**

| | | |
|---|---|---|
| **DIRECTORS** | : | S Fanny (Chairperson)<br>B Jivan<br>F Joubert |
| **SECRETARY** | : | CW Support Limited<br>Bank Chambers<br>15-19 Athol Street,<br>Douglas<br>Isle of Man, IM1 1LB |
| **REGISTERED OFFICE** | : | Bank Chambers<br>15-19 Athol Street,<br>Douglas<br>Isle of Man, IM1 1LB |
| **PRINCIPAL PLACE OF BUSINESS** | : | Seychelles Petroleum Company Limited<br>New Port, Mahé<br>Seychelles |
| **AUDITORS** | : | BDO Associates<br>Chartered Accountants<br>P O Box 18, Mahé<br>Seychelles |

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, 2019.

## 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 | **345,249** |
| Revenue deficit brought forward | **(4,181,535)** |
| **Revenue deficit carried forward** | **(3,836,286)** |

## DIVIDENDS

The Directors did not recommend the payment of any dividend for the year under review (2018: Nil).

## EQUIPMENT

The Board is of the opinion that the fair value of the double hull tanker as at December 31, 2019 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

| | | |
|---|---|---|
| **B Fanny**<br>Director | **B Jivan**<br>Director | **F Joubert**<br>Director |

Date: 29 MAY 2020
Victoria, Seychelles

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The Creole Spirit
Quincy Street, Mahé
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**SEYCHELLES PROGRESS LIMITED**



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

**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, 2019, 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, 2019 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**

*(i) Shareholders' deficit*
The Company had shareholders' deficit of **€ 3.8m** (2018: € 4.2m). 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.

*(ii) Effect of Covid-2019 pandemic*
We draw attention to Note 14 of the financial statements which describes a material uncertainty regarding the Coronavirus pandemic which is affecting severely the whole World including Seychelles. Actions adopted by countries such as closing borders, grounding flights and vessels as well as confinements of population accross the world are impacting heavily on all industries including shipping and chartering business locally and internationally, thereby raising a significant uncertainty on going concern of the Company.

The Directors of the Company together with Management are confident that they will continue to have the financial and otherwise support from their Holding Company and are therefore of the opinion that the going concern basis of preparation of these financial statements remains appropriate in the foreseeable future.

*Our opinion is not qualified in respect of the above matters.*

**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.

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 PROGRESS LIMITED



INDEPENDENT AUDITOR'S 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 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.

**Other Matter**

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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company or the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

BDO Associates

**BDO ASSOCIATES**
*Chartered Accountants*

Dated: 29 MAY 2020
Victoria, Seychelles

SEYCHELLES PROGRESS LIMITED



## STATEMENT OF FINANCIAL POSITION - DECEMBER 31, 2019

| | Notes | 2019 | 2018 |
|---|---|---|---|
| **ASSETS** | | € | € |
| **Non-current asset** | | | |
| Equipment and Total assets | 5 | 8,925,653 | 9,774,089 |
| | | | |
| **EQUITY AND LIABILITIES** | | | |
| **Capital and reserves** | | | |
| Share capital | 6 | 2,662 | 2,662 |
| Revenue deficit | | (3,836,286) | (4,181,535) |
| **Owners' deficit** | | (3,833,624) | (4,178,873) |
| | | | |
| **LIABILITIES** | | | |
| **Non-current liability** | | | |
| Borrowing | 7 | 12,756,777 | 13,950,462 |
| | | | |
| **Current liability** | | | |
| Other payables - accruals | | 2,500 | 2,500 |
| | | | |
| **Total liabilities** | | 12,759,277 | 13,952,962 |
| | | | |
| **Total equity and liabilities** | | 8,925,653 | 9,774,089 |

These financial statements have been approved for issue by the Board of Directors on: 29 MAY 2020

S Fanny
Director

B Jivan
Director

F Joubert
Director

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 PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME -YEAR ENDED DECEMBER 31, 2019

| | Notes | 2019 | 2018 |
|---|---|---|---|
| | | € | € |
| Revenue | 2(h) | 1,206,216 | 1,121,581 |
| Depreciation | 5 | (848,436) | (848,436) |
| | | 357,780 | 273,145 |
| Administrative expenses | 8 | (12,531) | (8,112) |
| **Profit and total comprehensive income for the year** | 9 | 345,249 | 265,033 |

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, 2019**

| | Share Capital | Revenue deficit | Total |
|---|---|---|---|
| | € | € | € |
| **At January 1, 2019** | **2,662** | **(4,181,535)** | **(4,178,873)** |
| **Total comprehensive income for the year** | **-** | **345,249** | **345,249** |
| **At December 31, 2019** | **2,662** | **(3,836,286)** | **(3,833,624)** |
| 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) |

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, 2019

| | Notes | 2019 | 2018 |
|---|---|---|---|
| | | € | € |
| **Cash generated from operations** | | | |
| Profit for the year | | 345,249 | 265,033 |
| *Adjustment for:* | | | |
| Depreciation | 5 | 848,436 | 848,436 |
| **Net cash inflow from operating activities** | | 1,193,685 | 1,113,469 |
| **Cash flows from financing activity** | | | |
| Repayment of borrowing and **Net cash outflow from financing activity** | 7(a) | (1,193,685) | (1,114,326) |
| **Net decrease in cash and cash equivalents** | | - | (857) |
| At January 1, | | - | 857 |
| Decrease | | - | (857) |
| **At December 31,** | | - | - |

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 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. Where necessary, comparative figures have been amended to conform with change in presentation in the current year.

***Amendments to published Standards effective in the reporting period***

### (i) *IFRS 16 Leases*

IFRS 16 Leases results in the recognition of almost all leases on Statement of Financial Position. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. The Company has adopted IFRS 16 from 1 January 2019 with retrospective effect .

*Transition*

IFRS 16 provides for certain optional practical expedients, including those related to the initial adoption of the standard. The Company applied the following practical expedients when applying IFRS16 to leases previously classified as operating leases under IAS 17:

(a) Apply a single discount rate to a portfolio of leases with reasonably similar characteristics;
(b) Exclude initial direct costs from the measurement of right-of-use assets at the date of initial application for leases where the right-of-use asset was determined as if IFRS 16 had been applied since the commencement date;
(c) Reliance on previous assessments on whether leases are onerous as opposed to preparing an impairment review under IAS 36 as at the date of initial application; and
(d) Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term remaining as of the date of initial application.
*The Standard has no impact on the Company's financial statements.*

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

**(a) Basis of preparation (Cont'd)**

***Amendments to published Standards effective in the reporting period (Cont'd)***

**(ii) *IFRIC 23 Uncertainty over Income Tax Treatments***

IFRIC 23 Uncertainty over Income Tax Treatments explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. There are no new disclosure requirements but requirement to provide information about judgements and estimates made in preparing the financial statements. *The interpretation has no impact on the Company's financial statements*.

**(iii) *Prepayment features with negative compensation (Amendments to***

Prepayment Features with negative compensation (Amendments to IFRS 9) enable entities to measure certain prepayable financial assets with negative compensation at amortised cost. These assets, which include some loan and debt securities, would otherwise have to be measured at fair value through profit or loss. To qualify for amortised cost measurement, the negative compensation must be 'reasonable compensation for early termination of the contract' and the asset must be held within a 'held to collect' business model. *The amendments have no impact on the Company's financial statements*

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

Long- term Interests in Associates and Joint Ventures (Amendments to IAS 28) clarify the accounting for long-term interests in an associate or joint venture, which in substance form part of the net investment in the associate or joint venture, but to which equity accounting is not applied. Entities must account for such interests under IFRS 9 before applying the loss allocation and impairment requirements in IAS 28. *The amendments have no impact on the Company's financial statements.*

**(v) *Annual Improvements to IFRSs 2015-2017 Cycle***

IFRS 3 - clarified that obtaining control of a business that is a joint operation is a business combination achieved in stages;
IFRS 11 - clarified that party obtaining joint control of a business that is a joint operation should not remeasure its previously held interest in the joint operation;
IAS 12 - clarified that income tax consequences of dividends on financial instrumentsclassified as equity should be recognised according to where the past transactions or events that generated distributable profits were recognised; and
IAS 23 - clarified that, if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings.
*The amendments have no impact on the Company's financial statements.*

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

### (a) Basis of preparation (Cont'd)

***Amendments to published Standards effective in the reporting period (Cont'd)***

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

The amendment clarify that entities must:

- Calculate the current service cost and net interest for the remainder of the reporting period after a plan amendment, curtailment or settlement by using the updated assumptions from the date of the change;
- Recognise any reduction in a surplus immediately in profit or loss, either as part of past service cost or as a gain or loss on settlement. In other words, a reduction in a surplus must be recognised in profit or loss even if that surplus was not previously recognised because of the impact of the asset ceiling; and
- Separately recognise any changes in the asset ceiling through other comprehensive income.

*The amendments have 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 1 January 2020 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 17 Insurance Contracts;
- Definition of a Business (Amendments to IFRS 3);
- Definition of Material (Amendments to IAS 1 and IAS 8); and
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7).

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)

### (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:
- Currency risk;
- 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>Currency risk</u>

The Company was exposed to foreign exchange risk arising from various currency exposures, primarily with respect to US Dollars.

If the Euro had weakened/strengthened against the US Dollar by ±5% with all other variables remaining constant, the impact on the results for the year would have been **±€ 637,839** (2018: ±€697,523) mainly as a result of foreign exchange (losses)/gains on translation of US dollar denominated borrowings.

(ii) <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)

(ii) 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, 2019** | | | | | |
| **Borrowing from shareholder** | - | - | - | **12,757** | **12,757** |
| **Other payables** | **3** | - | - | - | **3** |
| At December 31, 2018 | | | | | |
| Borrowing from shareholder | - | - | - | 13,950 | 13,950 |
| Other payables | 3 | - | - | - | 3 |

(iii) Interest rate risk

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

(iv) 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 2019, the Company's strategy, which was unchanged from 2018, 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, 2019 and at December 31, 2018 were as follows:

| | THE COMPANY | |
|---|---|---|
| | 2019 | 2018 |
| | €'000 | €'000 |
| Total debt | 12,757 | 13,950 |
| Total capital | 3 | 3 |
| Net debt | 12,757 | 13,950 |
| Total capital plus debt | 12,760 | 13,953 |
| 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.

<u>Critical accounting estimates and assumptions</u>

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 | |
|---|---|---|
| | **2019** | **2018** |
| | **€** | **€** |
| *Cost* | | |
| At January 1, and at **December 31,** | **35,676,010** | 35,676,010 |
| *Accumulated depreciation* | | |
| At January 1, | **25,901,921** | 25,053,485 |
| Charge for the year | **848,436** | 848,436 |
| **At December 31,** | **26,750,357** | 25,901,921 |
| Net book value | **8,925,653** | 9,774,089 |

## 6. SHARE CAPITAL

| | **2019 & 2018** |
|---|---|
| | **€** |
| Authorised, issued and fully paid up | |
| - 2,000 ordinary shares of 1 UK Pound (£) each | **2,662** |

## 7. BORROWING

### (a) Amount payable to shareholder

| | 2019 | 2018 |
|---|---|---|
| | € | € |
| At January 1, | 13,950,462 | 15,064,788 |
| Repayment during the year | (1,193,685) | (1,114,326) |
| At December 31, | 12,756,777 | 13,950,462 |

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

(ii) The carrying amount of borrowings is not materially different from their amortised cost.

(iii) The carrying amount of the Company's borrowing is denominated in US Dollars.

## 8. EXPENSES BY NATURE

| | 2019 | 2018 |
|---|---|---|
| | € | € |
| Legal and professional fees | 12,531 | 8,112 |

## 9. ADMINISTRATIVE EXPENSES

Profit for the year is arrived at after:

| | 2019 | 2018 |
|---|---|---|
| | € | € |
| **Crediting:** | | |
| Rental income | 1,206,216 | 1,121,581 |
| **and (charging):** | | |
| Depreciation on equipment - owned (note 5) | (848,436) | (848,436) |
| Auditor's remuneration | (2,500) | (2,500) |
| Directors' remuneration | - | - |

## 10. TAXATION

No provision is required for the current year as the Company's income is taxed at 0% as per the provisions of the Isle of Man Income Tax Act, 1970 (2018: 0%).

## 11. COMMITMENTS

**(a) Capital commitments**

There were no capital commitments as at December 31, 2019 (2018: 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:

| | 2019 | 2018 |
|---|---|---|
| | € | € |
| Not later than one year | **1,206,216** | 1,121,581 |
| Later than one year and not later than five years | **4,824,864** | 4,486,324 |
| | **6,031,080** | 5,607,905 |

## 12. RELATED PARTY TRANSACTIONS

| (a) Holding Company | 2019 | 2018 |
|---|---|---|
| | € | € |
| Amount payable to shareholder (note 7) | **12,756,777** | 13,950,462 |
| Rental income | **1,206,216** | 1,121,581 |

(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. EVENT AFTER REPORTING DATE

The COVID-19 - pandemic outbreak is having serious consequences in Seychelles and abroad. The general economic outlook of the whole World is morose. The shipping, aviation and transport industries have been severely affected as countries have closed their borders and, placed their population under confinement for health reasons.

The Company's operations and activities are in the International seas and heavily dependent on the request of Chartering business negotiated by its Holding Company which would have been heavily impacted since the start of the pandemic.

As a result, there exists significant uncertainties about the going concern of the Company.

The Directors at the Company together with Management are however confident that they will continue to have the financial and otherwise support from their Holding Company and are therefore of the opinion that the going concern basis of preparation of these financial statements remains appropriate in the foreseeable future.

## 15. FIVE YEAR FINANCIAL SUMMARY

| | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|
| | €'000 | €'000 | €'000 | €'000 | €'000 |
| Profit for the year | 345 | 265 | 298 | 256 | 78 |
| Revenue deficit broughtforward | (4,182) | (4,447) | (4,745) | (5,001) | (5,079) |
| **Revenue deficit carriedforward** | (3,837) | (4,182) | (4,447) | (4,745) | (5,001) |
| **OWNERS' DEFICIT** | | | | | |
| Share capital | 3 | 3 | 3 | 3 | 3 |
| Revenue deficit | (3,837) | (4,182) | (4,447) | (4,745) | (5,001) |
| | (3,834) | (4,179) | (4,444) | (4,742) | (4,998) |