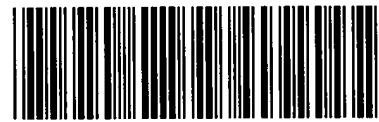


# topbonus Limited

## Financial statements

For the year ended 31 December 2015

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COMPANIES HOUSE

Registered number: 08273499

Registered Office: Altrincham | United Kingdom

## Financial statements

for the year ended 31 December 2015

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## Company information

*for the year ended 31 December 2015*

### Directors

Peter Baumgartner (Chairman)  
Julio Contreras  
Bassam Al Mossa  
Vydyanathan Venkateswaran  
Darren Peisley  
Anton Lill  
Stefan Pichler

### Company registration number

08273499

### Registered office

3rd Floor  
1 Ashley Road  
Altrincham  
Cheshire  
WA14 2DT  
United Kingdom

### Auditor

Deloitte LLP  
3 Rivergate,  
Temple Quay  
Bristol, BS1 6GD  
United Kingdom

### Bankers

HSBC Trinkaus & Burkhardt AG  
Königsallee 21-23  
40212 Düsseldorf  
Germany

Commerzbank AG Berlin  
Potsdamer Str. 125  
10783 Berlin  
Germany

### Solicitors

SCHÜRMANN WOLSCHEIDT DREYER  
Neue Grünstraße 17/18  
10179 Berlin  
Germany

## Directors' report

*for the year ended 31 December 2015*

On behalf of the Board of Directors, we are delighted to present the audited financial statements of topbonus Limited ("topbonus" or the "Company") for the year ended 31 December 2015.

### Principal activities

The Company owns and operates the topbonus customer loyalty programme whereby customers are awarded topbonus miles that can be redeemed for award flights and further exclusive benefits from Air Berlin PLC & Co. Luftverkehrs KG ("airberlin"), its partner airlines, non-partner airlines and affiliated online shops. The Company operated from its branch in Berlin, Germany.

### Results

Loss for the year was EUR 194,411 (2014: profit for the year of EUR 4,328,381). Further detail of the results and financial position of the company for the year ended 31 December 2015 are set out on pages 6-7 of the accompanying financial statements.

### Financial statements

The directors reviewed and approved the financial statements of the Company for the year ended 31 December 2015

### Going Concern

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

Further details regarding the adoption of the going concern basis can be found in the Statement of accounting policies, note 2 (c), in the financial statements.

### Financial risk management objectives and policies

The Board of Directors ("the Board") has an overall responsibility for the establishment, oversight and monitoring of the Company's risk management framework. The management is responsible for designing, developing and monitoring the Company's risk management policies, which are approved by the Board. The management reports regularly to the Board on its risk management activities. Please refer note 4 to the financial statements for details on financial and risk management policies adopted by the Company.

### Dividends

The directors do not recommend payment of a dividend.

### Future developments

The company expects a growth in billings to Air partners over the next 3 to 5 years. The growth will be driven by increased penetration in the airline revenue. The management has planned a strategy for that i.e. to further enhance the attractiveness of the program vis a vis increasing the active member count and engagement into the business.

On the non-air side, the company expects 2016 to be a challenging year with a forecasted decrease in billings due to a new EU regulation on Interchange. However, the management expects to pick up on growth from 2017 onwards drawn on new partner acquisition strategy.

### Directors

The directors of the Company throughout the year and to the date of this report were

Peter Baumgartner (Chairman)

Bassam Al Mossa

Vydyanathan Venkateswaran (appointed 14-01-2015)

Darren Peisley (appointed 14-01-2015)

Anton Lill (Executive Director)

Julio Contreras (appointed 01-06-2015)

Stefan Pichler (appointed 27-01-2015)

James Hogan (resigned 14-01-2015)

James Denis Rigney (resigned 14-01-2015)

Goetz Ahmelmann (appointed 21-08-2014 and resigned 01-06-2015)

Wolfgang Prock-Schauer (resigned on 27-02-2015)

## Directors' report

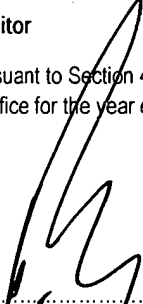
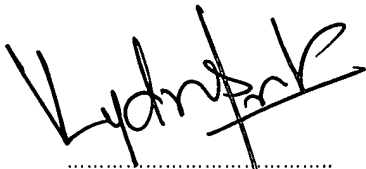
*for the year ended 31 December 2015*

### Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

### Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and Deloitte LLP will therefore continue in office for the year ended 31 December 2016.

  
.....  
Peter Baumgartner  
Chairman  
.....  
Vydyanathan Venkateswaran  
Director  
.....  
Anton Lill  
Executive Director

## Strategic report

for the year ended 31 December 2015

### Business review

2015 has been a year of growth in membership count (+9%) as well as billings to our air and non-air partners. Airline partners account for 73% of the total billing with airberlin being the largest partner. Landesbank Berlin remained the largest non-air partner of topbonus.

Staff and management structures were carefully expanded and the business has built a solid operational base.

The online reward shop drove redemptions significantly. All systems worked reliably with no incidents or disruptions. During the year, the Company has also successfully launched a new "points engine" website powered by Comarch.

### Principal risks and uncertainties

#### Risks

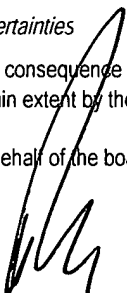
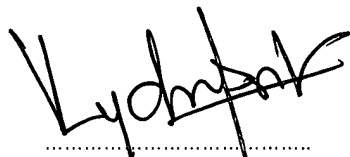
topbonus' biggest partner is airberlin, contributing close to 63% of annual gross billings, therefore the commercial performance of the airline, measured in passengers and RASKs ('revenue per available Seat-Kilometer'), has a direct impact on the performance of the program.

Redemption targets on airlines did not reach the contractual minimum (resulting in a differential payment to airberlin). This will remain an area of focus for the Company over the next years.

#### Uncertainties

As a consequence of the reliance on the airline, airberlin's performance remains the single largest uncertainty for topbonus, covered to a certain extent by the commercial agreement with the airline.

On behalf of the board,

  
Peter Baumgartner  
Chairman  
Vydyanathan Venkateswaran  
Director  
Anton Lill  
Executive Director

## Statement of directors' responsibility in respect of the directors' and strategic reports and the financial statements

*for the year ended 31 December 2015*

The directors are responsible for preparing the Directors' and Strategic Reports and the financial statements in accordance with applicable law and regulations.

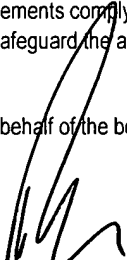
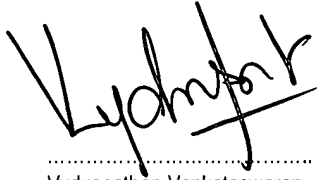
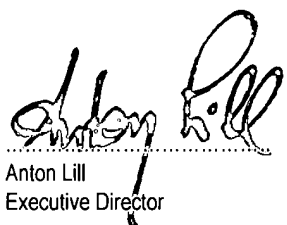
Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with IFRSs as adopted by the EU and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgments and estimates that are reasonable and prudent
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities

On behalf of the board,

  
.....  
Peter Baumgartner  
Chairman  
.....  
Vydyanathan Venkateswaran  
Director  
.....  
Anton Lill  
Executive Director

## Auditor's report

We have audited the financial statements of topbonus Limited for the year ended 31 December 2015 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows, and the related notes 1 to 24. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters 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 and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Sonya Butters FCA (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
Bristol, United Kingdom

28 September 2016

## Statement of comprehensive income

for the year ended 31 December 2015

Figures in EUR

	Note	2015	2014
Revenue	6	36,031,497	24,603,479
Direct costs		(15,089,704)	(8,295,507)
Gross profit		20,941,793	16,307,972
Other operating income	7	1,208,712	4,618,533
Administrative and marketing expenses	8	(20,186,518)	(11,985,777)
Operating profit for the year		1,963,987	8,940,728
Net finance costs	9	(1,895,389)	(2,608,970)
Profit before tax for the year		68,598	6,331,758
Tax	10	(263,009)	(2,003,377)
(Loss)/ profit after tax and total comprehensive (loss)/ income for the year		(194,411)	4,328,381

The notes set out on pages 11 to 25 form an integral part of these financial statements

# Topbonus Limited



## Statement of financial position

as at 31 December 2015

Figures in EUR

Assets	Note	2015	2014
<b>Non current assets</b>			
Intangible assets	11	194,192,493	200,001,419
Property, plant and equipment	12	46,983	34,816
<b>Total non current assets</b>		<b>194,239,476</b>	<b>200,036,235</b>
<b>Current assets</b>			
Trade and other receivables	13	8,327,544	6,214,153
Cash and cash equivalents	14	1,273,395	4,832,882
<b>Total current assets</b>		<b>9,600,939</b>	<b>11,047,035</b>
<b>Total assets</b>		<b>203,840,415</b>	<b>211,083,270</b>

### Equity and liabilities

<b>Equity</b>			
Ordinary share capital	15	400	400
Share premium	15	52,000,200	52,000,200
Retained earnings		4,055,112	4,249,523
<b>Total equity</b>		<b>56,055,712</b>	<b>56,250,123</b>
<b>Non current liabilities</b>			
Deferred tax liability	16	2,122,538	1,836,440
Trade and other payables	18	24,049,869	17,424,915
<b>Total non current liabilities</b>		<b>26,172,407</b>	<b>19,261,355</b>
<b>Current liabilities</b>			
Loan from the parent company	17	87,066,918	111,089,813
Trade and other payables	18	34,545,378	24,481,978
<b>Total current liabilities</b>		<b>121,612,296</b>	<b>135,571,791</b>
<b>Total liabilities</b>		<b>147,784,703</b>	<b>154,833,146</b>
<b>Total equity and liabilities</b>		<b>203,840,415</b>	<b>211,083,269</b>

The notes set out on pages 11 to 25 form an integral part of these financial statements.

The financial statements were approved by the board of directors on 25.8.2016 and signed on its behalf by:

Peter Baumgartner  
Chairman

Vydyanathan Venkateswaran  
Director

Anton Lill  
Executive Director

## Statement of changes in equity

*for the year ended 31 December 2015*

Figures in EUR

	Attributable to equity holders			
	Share capital	Share premium	Retained earnings	Total
At 1 January 2014	400	52,000,200	(78,858)	51,921,742
Total comprehensive income for the year	-	-	4,328,381	4,328,381
<b>At 31 December 2014</b>	<b>400</b>	<b>52,000,200</b>	<b>4,249,523</b>	<b>56,250,123</b>
Total comprehensive loss for the year	-	-	(194,411)	(194,411)
<b>At 31 December 2015</b>	<b>400</b>	<b>52,000,200</b>	<b>4,055,112</b>	<b>56,055,712</b>

**Statement of cash flows**
*for the year ended 31 December 2015*

Figures in EUR

<b>Cash flows from operating activities</b>		<b>Note</b>	<b>2015</b>	<b>2014</b>
Loss for the year			(194,411)	4,328,381
Adjustments for:				
Tax	10		263,009	2,003,377
Net finance costs	9		1,909,302	2,620,359
Depreciation and amortisation	8		7,092,546	13,691
			<u>9,070,446</u>	<u>8,965,808</u>
Change in trade and other receivables			(2,113,391)	(62,565)
Change in trade and other payables			16,688,354	17,829,543
Taxes refunded / (paid)			23,089	(23,089)
<b>Net cash from operating activities</b>			<u><b>23,668,498</b></u>	<u><b>26,709,697</b></u>
<b>Cash flows from investing activities</b>				
Purchase of intangible assets	11		(1,249,895)	(1,483)
Purchase of furniture and equipment	12		(45,893)	(20,687)
<b>Net cash used in investing activities</b>			<u><b>(1,295,788)</b></u>	<u><b>(22,170)</b></u>
<b>Cash flows from financing activities</b>				
Repayment of shareholder loan	17		(24,000,000)	(24,000,000)
Interest paid	9		(1,932,197)	(2,651,379)
<b>Net cash used in financing activities</b>			<u><b>(25,932,197)</b></u>	<u><b>(26,651,379)</b></u>
<b>Net (decrease) / increase in cash and cash equivalents</b>			<b>(3,559,487)</b>	<b>36,148</b>
<b>Cash and cash equivalents at beginning of year</b>			<b>4,832,882</b>	<b>4,796,734</b>
<b>Cash and cash equivalents at end of year</b>	14		<u><b>1,273,395</b></u>	<u><b>4,832,882</b></u>

The notes set out on pages 11 to 25 form an integral part of these financial statements

## Notes to the financial statements

for the year ended 31 December 2015

### 1. Legal status and principal activities

topbonus Limited (the "Company") is incorporated in the UK, with its principal place of business in Germany

The principal activity of the Company is the operation of the topbonus customer loyalty programme whereby customers are awarded topbonus miles that can be redeemed for award flights and further exclusive benefits from airberlin, its partner airlines, non-partner airlines and affiliated online shops.

### 2. Basis of preparation

#### *(a) Statement of compliance*

These financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs").

#### *(b) Basis of preparation*

The financial statements have been prepared under the historical cost convention.

#### *(c) Going concern*

The financial statements have been prepared on a going concern basis. The Company has secured financing from its parent company, Etihad Airport Services LLC. The facility has been provided and was repayable within the next twelve months. After the reporting date the agreement has been extended by one year to ensure going concern. Nevertheless the Company's going concern is dependent on a further extension of the loan agreement in December 2016. Therefore the ultimate parent, Etihad Airways PJSC, has provided a letter stating their intention to support topbonus Limited for a period of at least 12 months from the date of signing these financial statements and that they intend to renew the existing loan facility.

The directors have prepared forecasts for the coming financial year which shows the Company operating within these facilities with sufficient headroom, once appropriate sensitivities are applied. The directors, having taken into account the above, have concluded it is appropriate to prepare the financial statements on a going concern basis

#### *(d) Functional and presentation currency*

Items included in the financial statements are measured and presented using Euro ("EUR") which is the currency of the primary economic environment in which the Company operates.

#### *(e) Use of estimates and judgements*

The preparation of the financial statements in conformity with adopted IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

### 3. Significant accounting policies

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

#### *(a) Foreign currency transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at 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 comprehensive income.

## Notes to the financial statements

for the year ended 31 December 2015

### 3. Significant accounting policies (continued)

#### *(b) Financial instruments*

##### *Financial assets*

The Company classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets.

Loans and receivables are initially measured, on the date on which they originate, at fair value plus any directly attributable transaction costs and are subsequently carried at amortised cost using the effective interest method

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

##### *Financial liabilities*

The Company classifies its financial liabilities as financial liabilities at amortised cost. These financial liabilities are initially recognised at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these are carried at amortised cost using the effective interest method.

##### *Offsetting*

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

#### *(c) Property, plant and equipment*

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, in accordance with IAS 16.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment to its residual value. Land is not depreciated. The estimated useful lives are as follows

Fixtures, fittings and equipment	3 to 5 years
----------------------------------	--------------

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date

#### *(d) Intangible assets and goodwill*

Intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and less accumulated impairment losses.

Amortisation is charged to the income statement on a straight line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Goodwill is systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use or from the date that their useful lives are no longer considered to be indefinite. Following a review of its useful life, the customer relationship that was acquired as part of the topbonus frequent flyer scheme has been assessed to have a revised useful life of 13 years. refer to note 5 for further detail on this revision.

## Notes to the financial statements

for the year ended 31 December 2015

### 3. Significant accounting policies (continued)

#### *(e) Impairment*

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is any indication of impairment. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit on a pro rata basis. A cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

The recoverable amount of other assets is the greater of their fair values less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

#### *(f) Cash and cash equivalents*

Cash and cash equivalents are classified as loans and receivables and comprise cash balances and call deposits

#### *(g) Share capital*

Ordinary shares issued are classified as equity.

#### *(h) Interest-bearing borrowings*

Interest-bearing borrowings are classified as financial liabilities at amortised cost and comprise the loan from the parent company

#### *(i) Provisions*

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are not recognised for future operating losses. Provisions are determined by discounting the expected future cash flows at a rate that reflects the current market assessment of time value of money and the risk of specific liability.

#### *(j) Taxation*

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

## Notes to the financial statements

for the year ended 31 December 2015

### 3. Significant accounting policies (continued)

#### *(k) Revenue*

##### **Redemption revenue**

The Company derives its cash inflows primarily from the sale of "Loyalty Units", which are defined as the miles issued under the program to Partners and from services rendered or to be rendered to customers, which is referred to as Gross Billings. Miles issued for promotional purposes, at a discount or no value, are also included in Gross Billings at their issue price. These Gross billings are deferred and recognized as revenue upon the redemption of miles.

Amount taken to deferred revenue and subsequently recognized as redemption revenue is measured based on management's estimate of the fair value of the expected awards for which the points will be redeemed

##### **Breakage revenue**

Breakage represents the estimated miles that are not expected to be redeemed by members. Breakage is estimated by management based on the terms and conditions of membership and historical accumulation and redemption patterns, as adjusted for changes to any terms and conditions that may affect members' future redemption practices

The amount of revenue recognized related to breakage is based on the number of miles redeemed in a period in relation to the total number expected to be redeemed, which factors in the Company's estimate for breakage.

##### **Marketing revenue**

Marketing revenue associated with the issuance of points is recognised when the service is performed (typically on the issuance of the point to the members that coincide with the billing to the partners for such points). Marketing revenue is measured as the difference between the cash received on issuance of a point and the redemption revenue

##### **Other revenue**

Other revenue is recognised in the period the services are performed

#### *(l) Employee benefits*

##### **Defined contribution plans**

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

The Company has no defined benefit plans.

#### *(m) Finance expenses*

Financing expenses comprise interest payable and are recognised in profit or loss as it accrues, using the effective interest method

#### *(n) Leases*

Leases of assets where the group assumes substantially all the benefits and risks of ownership are classified as finance leases. Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases

##### **Operating leases – lessee**

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease liability.

#### *(o) New standards and interpretations effective and adopted in the current period*

The following new standards, amendments to standards and interpretations was made effective in the current annual periods and have been applied in preparing these financial statements:

- Annual Improvements to IFRSs 2010 - 2012 Cycle that includes amendments to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38; and

- Annual Improvements to IFRSs 2011 - 2013 Cycle that includes amendments to IFRS 1, IFRS 3, IFRS 13 and IAS 40.

The adoption of these amendments has not had a material impact on the financial statements of the Company

## Notes to the financial statements

for the year ended 31 December 2015

### 3. Significant accounting policies (continued)

#### *(p) New standards and interpretations not yet adopted*

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2016, and have not been applied in preparing these financial statements:

- Amendments to IAS 1: Presentation of Financial Statements, effective 1 January 2016;
- IFRS 9: Financial Instruments - effective 1 January 2018;
- Amendments to IFRS 7 Financial Instruments: Disclosures, effective when IFRS 9 is first applied;
- IFRS 7 Financial Instruments: Disclosures, effective when IFRS 9 is first applied;
- IFRS 15: Revenue from Contracts with Customers, effective 1 January 2018; and
- IFRS 16: Leases, effective 1 January 2019.

Management anticipates that these new and revised standards, interpretations and amendments will be adopted in the Company's financial statements for the year beginning 1 January 2016 or as and when they are applicable. The adoption of these new standards, interpretations and amendments, except for IFRS 16, will have no material impact on the financial statements of the Company in the period of initial application.

Management anticipates that IFRS 16 will be adopted by the Company from 1 January 2019. The application of IFRS 16 may have significant impact on amounts reported and disclosures made in the Company's financial statements. However, it is not practicable to provide a reasonable estimate of effects of the application of this standard until the Company performs a detailed review.

### 4. Financial risk management

#### *Overview*

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

- Credit risk
- Market risk
- Liquidity risk
- Capital risk

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

#### *Risk management framework*

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

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

#### *Credit risk*

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from trade receivables, the balance due from the parent company and bank balances. The carrying amount of these financial assets represent the maximum credit exposure.

Trade receivables comprise a spread customer base. The credit quality of trade and other receivables is evaluated by management on an ongoing basis. If customers are independently rated then these ratings are used. In the absence of an independent rating management assesses the credit quality of the customer, taking into account its financial position, payment history and other factors available.

## Notes to the financial statements

for the year ended 31 December 2015

### 4. Financial risk management (continued)

The credit quality of trade receivables neither past due nor impaired has been assessed as high. Sales are mostly made to local counterparties.

At 31 December 2015, all bank balances were placed with a local bank. Bank balances are assessed to have low credit risk of default since this bank is among the major local banks and is highly regulated by the central bank.

#### Market risk

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

#### Currency risk

The Company is not exposed to currency risk as the majority of its transactions are denominated in EUR.

#### Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether these changes are caused by factors specific to the individual instrument or its issuers or factors affecting all the instruments traded in the market. The Company has no significant exposure to price risk.

#### Interest rate risks

The Company's interest rate risk arises from the loan from the parent company as this is a significant interest-bearing liability which impact the Company's income and operating cash flows as they are substantially dependent on changes in market interest rates. At 31 December 2015, if interest rates on borrowings had been 100 basis point higher/lower with all other variables held constant, profit for the year would have been EUR 607,727 (2014: EUR 775,407) lower/ higher, mainly as a result of higher/lower interest expense.

#### Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The Company maintains flexibility in funding by keeping committed credit lines available and commitments from shareholders.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 31 December 2015	Carrying amount EUR	Contractual cash outflows EUR	Less than 1 year EUR	Between 2 and 5 years EUR	Over 5 years EUR
Amounts due to related parties	87,066,918	87,066,918	87,066,918	-	-
Trade and other payables	8,472,428	8,472,428	8,472,428	-	-
	<b>95,539,346</b>	<b>95,539,346</b>	<b>95,539,346</b>	<b>-</b>	<b>-</b>
At 31 December 2014	Carrying amount EUR	Contractual cash outflows EUR	Less than 1 year EUR	Between 2 and 5 years EUR	Over 5 years EUR
Amounts due to related parties	111,089,813	111,089,813	111,089,813	-	-
Trade and other payables	2,884,832	2,884,832	2,884,832	-	-
	<b>113,974,645</b>	<b>113,974,645</b>	<b>113,974,645</b>	<b>-</b>	<b>-</b>

**Notes to the financial statements***for the year ended 31 December 2015***4. Financial risk management (continued)*****Capital risk***

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to the shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may ask related parties to extend their funding or to utilise available credit facilities from banks.

**5. Accounting estimates and judgements**

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

***a) Estimated useful lives of intangible assets arising on acquisition.***

Management assigns useful lives and residual values to property, plant and equipment based on the intended use of assets and the economic lives of those assets. Subsequent changes in circumstances such as technological advances or prospective utilisation of the assets concerned could result in the actual useful lives or residual values differing from initial estimates. Management has reviewed the useful lives and residual values of major items of property, plant and equipment and revised the useful life of the assets as mentioned below:

	Previously assessed useful life	Revised useful life
Customer relationships	indefinite	13 years

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

	2015 EUR	2016 EUR	2017 EUR
Increase in amortisation expense	6,953,846	6,953,846	6,953,846

***b) Impairment of goodwill***

Determining whether goodwill has been impaired requires an estimation of the value in use of the cash-generating unit to which the goodwill is allocated. The value-in-use calculation requires management to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate present value. The estimates made in arriving at the value-in-use calculation are set out in note 11.

***c) Redemption rate of sold miles***

Management determines redemption rate of sold miles based on historical trend and expectations about future. If the redemption rate was increased/decreased by 1%, revenue for the year would have been lower/higher and loss for the year would have been higher/lower by EUR 126,271 (2014: EUR 97,401).

***d) Timing of redemption***

Predicting the timing of redemption of sold miles requires significant judgment. The split of deferred revenue between current and non-current is based on management's best estimates and reflects historical trends and expectations about future redemption.

## Notes to the financial statements

for the year ended 31 December 2015

### Figures in EUR

6. Revenue	2015	2014
Revenue from sale of miles		
- Redemption and breakage	24,357,690	15,993,304
- Marketing incentive	8,901,455	7,149,537
Other revenue	2,772,351	1,460,638
	<u>36,031,497</u>	<u>24,603,479</u>
7. Other operating income	2015	2014
Revenue from advertising services	1,208,593	4,615,077
Other income	119	3,456
	<u>1,208,712</u>	<u>4,618,533</u>
8. Administrative and marketing expenses	2015	2014
Advertising expenses	3,151,028	5,758,397
Shared services costs	3,109,310	2,092,963
Staff costs (refer note 21)	2,489,453	1,635,331
Other operating expenses	3,984,285	2,107,076
Operating lease charges	105,682	92,526
Legal and professional charges		
- Auditor's remuneration (refer note below)	61,100	136,756
- Other professional charges	193,114	149,037
Depreciation and amortisation	7,092,546	13,691
	<u>20,186,518</u>	<u>11,985,777</u>
Auditor's remuneration:		
- Audit of these financial statements	61,100	54,000
- Tax consultancy	-	82,756
	<u>61,100</u>	<u>136,756</u>
* Deloitte was appointed in 2015, the prior year fees relate to services provided by the previous auditors.		
9. Net finance costs	2015	2014
Interest on loan	1,909,302	2,620,359
Other interest income	(1,569)	
Foreign exchange gain	(12,344)	(11,389)
	<u>1,895,389</u>	<u>2,608,970</u>
10. Tax	2015	2014
<b>Recognised in the statement of comprehensive income</b>		
<i>Current tax expense</i>		
Current tax credit /(expense)	-	(23,089)
Adjustment for prior periods	23,089	-
<i>Deferred tax expense</i>		
Origination and reversal of temporary differences	(286,098)	(1,980,288)
Total tax expense	<u>(263,009)</u>	<u>(2,003,377)</u>
<b>Reconciliation of tax charge</b>		
Profit before tax	68,598	6,331,758
Tax using the applicable tax rate of 30.2%	(20,717)	(1,912,191)
<i>Effects of:</i>		
Non-deductible expenditure	(265,381)	(91,186)
Adjustment for prior periods	23,089	-
Total tax expense	<u>(263,009)</u>	<u>(2,003,377)</u>

## Notes to the financial statements

for the year ended 31 December 2015

Figures in EUR

### 11. Intangible assets

	Goodwill	Customer relationships	Software license	Total
<i><b>Cost or revaluation</b></i>				
At 1 January 2014	109,600,000	90,400,000	968	200,000,968
Additions	-	-	1,483	1,483
At 31 December 2014	109,600,000	90,400,000	2,451	200,002,451
Additions	-	-	1,249,895	1,249,895
At 31 December 2015	<b>109,600,000</b>	<b>90,400,000</b>	<b>1,252,346</b>	<b>201,252,346</b>
<i><b>Amortisation and impairment</b></i>				
At 1 January 2014	-	-	(215)	(215)
Charge for the year	-	-	(817)	(817)
At 31 December 2014	-	-	(1,032)	(1,032)
Charge for the year	-	(6,953,846)	(104,975)	(7,058,821)
At 31 December 2015	-	<b>(6,953,846)</b>	<b>(106,007)</b>	<b>(7,059,853)</b>
<i><b>Net book value</b></i>				
At 31 December 2014	109,600,000	90,400,000	1,419	200,001,419
At 31 December 2015	<b>109,600,000</b>	<b>83,446,154</b>	<b>1,146,339</b>	<b>194,192,493</b>

Customer relationships arose on topbonus's acquisition of FFP business from airberlin during 2012. During the year, management reassessed useful life of the intangible and started amortising it over 13 years period. Please refer note 5 (a) for more details.

#### Impairment testing

For the purpose of testing goodwill for impairment, the recoverable amount for the cash generating unit has been determined on the basis of value-in-use calculations using cash flow forecasts approved by management covering a period of five years. Cash flows beyond such period have been extrapolated using terminal growth rates of 0.5% (2014: 0.5%). The key assumptions used in the value-in-use calculations include a risk adjusted pre-tax discount rate and a growth rate based on management's expectations for business development. The pre-tax peer-group weighted average cost of capital considered for the testing (WACC) was 10.12% (2014: 12.8%). The breakage rate used in forecasting is based on historical trends and expectations for the future and show a declining trend over the forecasted period.

## Notes to the financial statements

for the year ended 31 December 2015

Figures in EUR

### 12. Furniture and equipment

	Fixtures, fittings and equipment	Total
<i>Cost or revaluation</i>		
At 1 January 2014	40,114	40,114
Additions	20,687	20,687
At 31 December 2014	60,801	60,801
Additions	45,893	45,893
At 31 December 2015	106,694	106,694
<i>Accumulated depreciation</i>		
At 1 January 2014	(13,112)	(13,112)
Charge in the period	(12,874)	(12,874)
At 31 December 2014	(25,986)	(25,986)
Charge in the period	(33,725)	(33,725)
At 31 December 2015	(59,711)	(59,711)
<i>Net book value</i>		
At 31 December 2014	34,816	34,816
At 31 December 2015	46,983	46,983

13. Trade and other receivables	2015	2014
Due from related parties	4,819,014	4,098,607
Trade receivables	1,843,037	1,517,165
Other receivables	1,553,467	593,413
Prepaid expenditure and accrued income	112,026	4,968
	8,327,544	6,214,153

#### Trade receivables past due but not impaired

Trade receivables including due from related parties, which are less than 60 days past due are not considered to be impaired. At 31 December, the ageing of receivables which were past due but not impaired is as follows:

Up to three months overdue	2,886,576	2,246,315
Between three months and one year overdue	21,474	8,772
More than one year overdue	-	-
	2,908,050	2,255,087

No debts have been provided for as irrecoverable.

14. Cash and cash equivalents	2015	2014
Cash at bank	1,273,395	4,832,882

## Notes to the financial statements

for the year ended 31 December 2015

Figures in EUR

### 15. Share capital

Called up share capital

*Allotted, called up and fully paid*

400 Ordinary shares of EUR 1.00 each

400 400

Share premium

52,000,200 52,000,200

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

### 16. Deferred tax liabilities

2015 2014

Opening balance	(1,836,440)	143,848
Charged through profit and loss	(286,098)	(1,980,288)
Closing balance	(2,122,538)	(1,836,440)

*Recognised deferred tax assets and liabilities*

Deferred tax assets and liabilities are attributable to the following:

Other non-current assets	(10,306,955)	(8,381,944)
Accruals and deferred income	4,848,736	4,419,230
Tax losses carried forward	3,335,681	2,126,274
Net deferred tax liability	(2,122,538)	(1,836,440)

*Movement in deferred tax*

	Other non-current assets	Accruals and deferred income	Tax losses carried forward	Total
At 1 January 2014	(4,358,611)	3,135,780	1,366,679	143,848
charge for the year	(4,023,333)	1,283,450	759,595	(1,980,288)
At 31 December 2014	(8,381,944)	4,419,230	2,126,274	(1,836,440)
charge for the year	(1,925,011)	429,506	1,209,407	(286,098)
At 31 December 2015	(10,306,955)	4,848,736	3,335,681	(2,122,538)

## Notes to the financial statements

for the year ended 31 December 2015

Figures in EUR

17. Loan from the parent company	2015	2014
Amount due to related parties	87,066,918	111,089,813

Interest is payable on the amount due to related parties at a rate of 3 month EURIBOR plus 1.85% per annum. Terms of the loan including interest rate are at arm's length. The financial liability is measured at amortised cost. Terms of the loan were subsequently renewed and the repayment date was extended for another 12 months.

The maturity of the financial liabilities at 31 December is as follows:

Within one year (current liability)	87,066,918	111,089,813
Total over one year (non current liability)	-	-
	87,066,918	111,089,813

18. Trade and other payables	2015	2014
Trade payables	911,554	1,092,740
Due to a related party	1,755,104	1,157,723
Other payables	129,866	108,374
Accrued expenses	5,192,728	525,995
Provision for legacy miles	483,176	-
Deferred income	50,122,819	39,022,061
	58,595,247	41,906,893
<b>less: non-current portion</b>		
Deferred income	23,910,869	17,424,915
Provision for legacy miles	139,000	-
<b>Total non-current portion</b>	24,049,869	17,424,915
<b>Current portion</b>	34,545,378	24,481,978

### Movement in deferred income

Opening balance	39,022,061	23,055,118
Miles issued during the year - Gross billings	46,234,372	39,109,784
Revenue recognised during the year	(35,133,615)	(23,142,841)
<b>At 31 December</b>	50,122,819	39,022,061

### Split between:

Non-current portion	23,910,869	17,424,915
Current portion	26,211,950	21,597,146
	50,122,819	39,022,061

The split is based on Management's best estimate of the expected redemption during next 12 months.

### Provision for legacy miles

Legacy miles represent miles earned by members of topbonus before the acquisition of business i.e. 19 December 2012. As per commercial agreement, airberlin was liable to bear the cost of redemption of legacy miles till 18 December 2015. Provision for legacy miles represents expected redemption costs of those miles during 2016 and onwards.

## Notes to the financial statements

for the year ended 31 December 2015

Figures in EUR

### 19. Related party transactions and balances

2015

2014

The ultimate holding company is Etihad Airways PJSC (owned by Government of Abu Dhabi, UAE via Etihad Aviation Group PJSC). The immediate parent company is Etihad Airport Services LLC, incorporated in UAE, with a participation of 70%, and airberlin PLC & Co. Luftverkehrs KG, incorporated in England and Wales, with a participation of 30%. Etihad Aviation Group PJSC is the ultimate parent company holding investments in Etihad Airways PJSC and prepares consolidated financial statements.

#### Related party transactions

Sale of miles to airberlin - a	(32,719,163)	(28,124,328)
Fee received from airberlin (barter)- b	(3,200,000)	(3,671,011)
Interest payments to the parent company	1,909,302	2,619,898
Fee charged by airberlin (including barter)- b	7,306,755	7,243,514
Purchase of tickets from airberlin for redemption of miles - a	15,089,704	8,295,507
Salaries and other benefits paid to Managing Director		
Salaries and wages	267,853	146,875
Social security costs	13,401	6,389
Other pension costs	-	197
	<b>281,254</b>	<b>153,461</b>

a) Under the terms of a commercial agreement with airberlin, the Company has a minimum commitment per year to purchase tickets from airberlin for redemption of miles by the members and airberlin has a minimum commitment to purchase miles from the Company for the first five years of the agreement as summarised below:

Purchase of tickets		
Within 1 year	16,900,000	12,400,000
Between 2 to 5 years	21,400,000	38,300,000
Sale of miles		
Within 1 year	35,800,000	31,600,000
Between 2 to 5 years	39,000,000	74,800,000

b) The Company has entered into a barter marketing arrangement with airberlin for a period of five years to communicate and promote each other in their respective media channels.

#### Transactions with key management personnel

The key management personnel of the Company are considered to be the Directors. There were no transactions with the Directors within the year and no balances outstanding at the end of the year, other than those with the Managing Director, as disclosed above.

#### Related party balances

Amounts due (to)/from related parties		
airberlin PLC & Co. Luftverkehrs KG (refer note 13 and note 18) - net	3,063,910	2,940,884
Etihad Airport Services LLC (refer note 17)	(87,066,918)	(111,089,813)

### 20. Employee benefits

The Company operates a defined contribution pension plan. The total expense relating to this plan in the current year was EUR 168,081 (2014: EUR 117,502).

**Notes to the financial statements***for the year ended 31 December 2015***Figures in EUR****21. Employees and directors' remuneration****2015****2014**

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
Operations and administration	37	33

The aggregate payroll costs of these persons were as follows:

Salaries and wages	2,059,549	1,385,793
Social security costs	261,823	132,036
Other pension costs	168,081	117,502
	<u>2,489,453</u>	<u>1,635,331</u>

Other than salaries and other benefits paid to managing director as disclosed in note 19, directors are remunerated by the Company's shareholders.

**22. Operating lease commitments****2015****2014**

The operating leases held by the Company relate to long term leases with the Bilfinger Real Estate Wohnen GmbH.

As at reporting date, the non-cancellable operating lease commitments are as follows:

Not later than 1 year	66,250	66,250
Later than 1 year and not later than 5 years	99,376	165,626
Later than 5 years	-	-
	<u>165,626</u>	<u>231,876</u>

**23. Financial instruments****a) Fair value approximation**

Management considers that the fair values of financial assets and financial liabilities in these financial statements approximate their carrying amounts.

**b) Category of financial instruments****Financial assets****Loans and receivables**

Trade and other receivables	6,662,051	5,615,772
Cash and cash equivalents	1,273,395	4,832,882
	<u>7,935,446</u>	<u>10,448,654</u>

**Financial liabilities****Financial liabilities at amortised cost**

Loan from the parent company	87,066,918	111,089,813
Trade and other payables	8,472,428	2,884,832

## Notes to the financial statements

*Non-deductible expenditure*

Figures in EUR

### 24. Comparative figures

2015

2014

Certain reclassifications have been made to the comparative figures for the year ended 31 December 2015 to comply with the current period classification. Such reclassifications did not have any impact on net profit or retained earnings of current or prior period. Accordingly, a statement of financial position as at the beginning of earliest comparative period is not presented.

	As previously reported	Reclassifications	As reclassified
Revenue from advertising services	4,675,295	3,466,702	1,208,593
Advertising expenses	6,617,730	3,466,702	3,151,028