

# topbonus Limited

## Financial statements

For the year ended 31 December 2016



Registered number: 08273499

Registered Office: Altrincham | United Kingdom

# Financial statements

for the year ended 31 December 2016

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## Company information

*for the year ended 31 December 2016*

### **Directors**

Gavin Halliday  
Bassam Al Mossa  
Abdulmohsen Al Sayegh  
Yaser Al Yousuf  
Anton Lill

### **Company registration number**

08273499

### **Registered office**

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

### **Auditor**

Crowe Clark Whitehill LLP  
St Bride's House  
10 Salisbury Square  
London, EC4Y 8EH  
United Kingdom

### **Bankers**

HSBC Trinkhouse  
Königsallee 21-23  
40212 Düsseldorf  
Germany

Commerzbank AG Berlin  
Potsdamer Str. 125  
10783 Berlin  
Germany

### **Solicitors**

SCHÜRMANN WOLSCENDORF DREYER  
Neue Grünstraße 17/18  
10179 Berlin  
Germany

# Strategic report

for the year ended 31 December 2016

## 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.

## Business review and performance against key performance indicators

The company reported a loss of EUR 194,372,526 (2015: EUR 194,411). The principal reason for the loss is the impairment of the company's intangible assets of approximately EUR 186,880,104. Further detail of the results and financial position of the company for the year ended 31 December 2016 are set out on pages 7-10 of the accompanying financial statements. The key performance indicators are membership count (+5%) as well as billings to our air (+6% or 2m€) and non-air partners (+3% or 0.4m€). Airline partners account for 74% 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.

## Principal risks and uncertainties

The principal operational risks faced by the Company comprise:

Retention and growth of members – The Company, together with its key partners undertakes extensive marketing and engagement with its members to ensure its benefit programme remains attractive.

Fulfilment of members benefits – Not being able to properly fulfil its members benefits would have significant reputational consequences for the Company. In conjunction with its key partner, airberlin, the Company has developed and operated a leading membership database to track, monitor and ensure the appropriate fulfilment of benefit miles.

Information system and data security – The nature of the Company's business is such that it is heavily dependent on a number of information systems for both member facing activities and internal administration. The directors chose to outsource a number of these systems to its key partner, airberlin, who already had an established and sufficiently resilient IT platform. The directors monitor the output to ensure it is providing the information they require to run the business.

Although the above risks remain important to a business such as topbonus, these have been overshadowed by the insolvency of airberlin which is detailed on page 3 to the financial statements. This significant post balance sheet event has adversely impacted the directors' assessment of the Company's ability to continue as a going concern. Consequently, the directors consider the most significant risk on which they and the insolvency administrator are focussed is identifying and securing a suitable investor for the business before the 1st April 2018 after which it is most likely, formal insolvency proceedings will commence.

A subsidiary but important risk arising from the insolvency of airberlin flows from the termination of the delivery of services previously outsourced to that company. The termination of those services has, despite engagement with airberlin's insolvency administrator, meant that the company has been unable to access its own detailed financial data. To address this risk, the directors have to the extent possible, reconstructed its records which have been used to prepare these financial statements. Although the reconstructed records do not contain the level of detail of the original records, the directors remain satisfied they are sufficiently detailed and complete to prepare financial statements to show a true and fair view.

On behalf of the Board,

A handwritten signature in black ink, appearing to read 'Anton Lill'.

Anton Lill  
Executive Director

14 March 2018

## Directors' report

*for the year ended 31 December 2016*

On behalf of the Board of Directors ("the Board"), we are presenting the audited financial statements of topbonus Limited ("topbonus" or the "Company") for the year ended 31 December 2016.

### Financial statements

The directors reviewed and approved the financial statements of the Company for the year ended 31 December 2016.

### Subsequent Events and future developments

On August 15, 2017 the principal business partner and minority shareholder, airberlin, opened insolvency proceedings. As a consequence of these insolvency proceedings, topbonus has lost its major customer and provider of certain key services. Accordingly, the directors have applied for the opening of insolvency proceedings in Germany, the principal location of its business on August 25, 2017. The Charlottenburg district court has appointed attorney Christian Otto as the preliminary insolvency administrator for topbonus. No insolvency proceedings have commenced in the UK.

The appointment of the preliminary German insolvency administrator is regarded very much as a precautionary step to allow the directors to act in the best interests of the members of the Company's loyalty programme and shareholders by identifying the best way forward for the Company. The Managing Director, Anton Lill, together with Christian Otto are reviewing the restructuring prospects of topbonus and suitable strategic investors are being sought.

At the date of approving these financial statement topbonus is currently still in preliminary insolvency proceedings in Germany. Negotiations with potential investors are ongoing. The directors' expectation is that the legal entity and business of topbonus shall continue as part of this process as this should provide the optimum basis for investors to acquire assets of the company, which include the customer database, while still complying with local customer data protection regulations.

Due to these customer data protection regulations the company in whole or the customer data base in part can only be restructured / sold through an insolvency plan proceeding according to German insolvency law. The insolvency plan is currently being drafted and will be submitted to the court if a suitable investor has been found. It is estimated that the insolvency plan proceedings will last until end of June 2018.

### Basis of preparation of the financial statements

Whilst the directors and insolvency administrator continue to explore restructuring options and potential investors for the Company, the combined impact of the loss of airberlin as a key customer and the inevitable challenges in securing suitable investors to assist with the securing the future of the Company, means there is significant doubt over the company's ability to continue as a going concern. Consequently, the directors have reassessed the carrying value of the Company's assets and liabilities and reviewed the adequacy of the associated disclosures to ensure they properly reflect the impact of the subsequent event referred to above. However, as negotiations with potential investors are ongoing and the requirement for an insolvent liquidation has not been enacted the directors do not consider it appropriate to re-classify non-current assets and non-current liabilities as current or to provide for liquidations costs which could be required if a cessation basis of accounting was applied.

### Financial risk management objectives and policies

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 (2015: nil)

## Directors' report (continued)

for the year ended 31 December 2016

### Directors

The Directors of the Company during the year and to the date of this report were:

Gavin Halliday (appointed 23-09-2017)	Stefan Pichler (resigned 31-01-2017)
Bassam Al Mossa	Peter Baumgartner (resigned 24-03-2017)
Anton Lill (Executive Director)	Vydyanathan Venkateswaran (resigned 24-03-2017)
Yaser Al Yousuf (appointed 24-03-2017)	Julio Contreras (resigned 24-03-2017)
Abdumohsen Al Sayegh (appointed 24-03-2017)	Darren Peisley (resigned 22-09-2017)
	Thomas Winkelmann (appointed 01-02-2017 - resigned 11-01-2018)
	Götz Ahmelmann (appointed 24-03-2017 - resigned 11-01-2018)

### Directors indemnity insurance

The directors are the beneficiaries of a directors and officers indemnity policy the cost of which is met by its parent company

### Charitable Donations

The company made charitable donations of 53k€ during the year to Fly&Help.

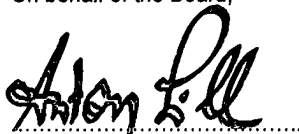
### Disclosure of information to auditor

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

Following the resignation of Deloitte LLP the directors have appointed Crowe Clark Whitehill LLP as successor auditors.

On behalf of the Board,



Anton Lill  
Executive Director

14 March 2018

## Directors' responsibilities statement

*for the year ended 31 December 2016*

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 the directors 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 judgements and accounting 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, to disclose with reasonable accuracy at any time the financial position of the Company to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other regularities.

On behalf of the Board,



Anton Lill  
Executive Director

14 March 2018

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TOPBONUS LIMITED**

We have audited the financial statements of Topbonus Limited for the year ended 31 December 2016 which comprise of the Statement of Financial Position, the Statement of Comprehensive Income, the Cash Flow Statement, the Statement of Changes in Equity and the related notes numbered 1 to 25. 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 auditors**

As explained more fully in the Statement of Directors' Responsibilities, 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 Strategic Report and the Directors' 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 2016 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.

### **Emphasis of matter – Going concern**

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in notes 2b and 2c to the financial statements concerning the Company's ability to continue as a going concern. As described in those notes, the Company's principal business partner, minority shareholder and major customer has gone into insolvency. Notes 2b and 2c describe that the directors are actively working with a German preliminary insolvency administrator to identify a suitable potential investor for the Company to allow it to continue in operation. A material uncertainty exists over the Company's ability to continue and, consequently, the directors have not used the going concern basis when preparing these financial statements. The directors have disclosed in note 2c the basis on which they have reassessed the carrying value and presentation of its assets and liabilities and the adequacy of the associated disclosures. Further explanation is also provided within the accounting policies and key estimates and judgements which are set out in note 3. The financial statements do not include the further adjustments that could result if the Company were unable to continue to operate and had to apply the cessation basis of accounting.



## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TOPBONUS LIMITED (Continued)

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

In our opinion based on the work undertaken in the course of our audit:

- 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; and
- the Directors' Report and Strategic report have been prepared in accordance with applicable legal requirements.

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

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Other than as reported above, 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.

*Crowe Clark Whitehill LLP*

Rhodri Whitlock

Senior Statutory Auditor

For and on behalf of

Crowe Clark Whitehill LLP

Statutory Auditor

London

*15 March 2018*

# Statement of comprehensive income

for the year ended 31 December 2016

Figures in EUR

	Note	2016	2015
<b>Revenue</b>	<b>6</b>	<b>31.224.211</b>	36.031.497
Direct costs		(20.372.179)	(15.089.704)
<b>Gross profit</b>		<b>10.852.032</b>	20.941.793
Other operating income	7	1.892.086	1.208.712
Administrative and marketing expenses	8	(20.497.619)	(20.186.518)
Impairment of intangible assets	8	(187.225.907)	-
<b>Operating (loss)/ profit for the year</b>		<b>(194.979.408)</b>	1.963.987
Net finance costs	9	(1.515.656)	(1.895.389)
<b>(Loss) / profit before tax for the year</b>		<b>(196.495.064)</b>	68.598
Taxation	10	2.122.538	(263.009)
<b>Loss after tax and total comprehensive loss for the year</b>		<b>(194.372.526)</b>	(194.411)

The notes set out on pages 12 to 25 form an integral part of these financial statements.

# Statement of financial position

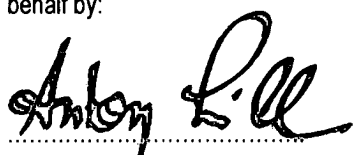
for the year ended 31 December 2016

Figures in EUR

Assets	Note	2016	2015
<b>Non current assets</b>			
Intangible assets	11	-	194.192.493
Property, plant and equipment	12	7.895	46.983
<b>Total non current assets</b>		<b>7.895</b>	<b>194.239.476</b>
<b>Current assets</b>			
Trade and other receivables	13	7.238.780	8.327.544
Cash and cash equivalents	14	4.482.193	1.273.395
<b>Total current assets</b>		<b>11.720.973</b>	<b>9.600.939</b>
<b>Total assets</b>		<b>11.728.868</b>	<b>203.840.415</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Ordinary share capital	15	400	400
Share premium	15	52.000.200	52.000.200
Retained (deficit) / earnings		(190.317.412)	4.055.112
<b>Total equity</b>		<b>(138.316.812)</b>	<b>56.055.712</b>
<b>Non current liabilities</b>			
Deferred tax liability	16	-	2.122.538
Deferred revenue	19	52.325.867	24.049.869
<b>Total non current liabilities</b>		<b>52.325.867</b>	<b>26.172.407</b>
<b>Current liabilities</b>			
Loan from the parent company	17	74.065.165	87.066.918
Trade and other payables	18	9.433.423	7.989.252
Deferred revenue	19	14.221.225	26.556.126
<b>Total current liabilities</b>		<b>97.719.813</b>	<b>121.612.296</b>
<b>Total liabilities</b>		<b>150.045.680</b>	<b>147.784.703</b>
<b>Total equity and liabilities</b>		<b>11.728.868</b>	<b>203.840.415</b>

The notes set out on pages 12 to 25 form an integral part of these financial statements.

The financial statements were approved by the board of directors and authorised for issue on 16. March '18 and signed on its behalf by:

  
 Anton Lill  
 Executive Director

# Statement of changes in equity

for the year ended 31 December 2016

Figures in EUR

	Attributable to equity holders			Total
	Share capital (note 15)	Share premium (note 15)	Retained earnings / accumulated losses	
At 1 January 2015	400	52.000.200	4.249.523	56.250.123
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>
Total comprehensive loss for the year	-	-	(194.372.524)	(194.372.524)
<b>At 31 December 2016</b>	<b>400</b>	<b>52.000.200</b>	<b>(190.317.412)</b>	<b>(138.316.812)</b>

The notes set out on pages 12 to 25 form an integral part of these financial statements.

# Statement of cash flows

for the year ended 31 December 2016

Figures in EUR

Cash flows from operating activities	Note	2016	2015
<b>Loss for the year</b>		<b>(194.372.526)</b>	<b>(194.411)</b>
Adjustments for:			
Tax	10	(2.122.538)	263.009
Net finance costs	9	1.559.813	1.909.302
Depreciation and amortisation	8	7.185.333	7.092.546
Impairment	8	187.225.907	
		<b>(524.011)</b>	<b>9.070.446</b>
Change in trade and other receivables		1.088.765	(2.113.391)
Change in trade, other payables and deferred income		17.385.269	16.688.354
Taxes refunded		-	23.089
<b>Net cash inflows from operating activities</b>		<b>17.950.023</b>	<b>23.668.498</b>

## Cash flows from investing activities

Purchase of intangible assets	11	(149.102)	(1.249.895)
Purchase of furniture and equipment	12	(30.559)	(45.893)
<b>Net cash used in investing activities</b>		<b>(179.661)</b>	<b>(1.295.788)</b>

## Cash flows from financing activities

Repayment of shareholder loan	17	(13.000.000)	(24.000.000)
Interest paid	9	(1.561.564)	(1.932.197)
<b>Net cash used in financing activities</b>		<b>(14.561.564)</b>	<b>(25.932.197)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>3.208.798</b>	<b>(3.559.487)</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>1.273.395</b>	<b>4.832.882</b>
<b>Cash and cash equivalents at end of year</b>	14	<b>4.482.193</b>	<b>1.273.395</b>

The notes set out on pages 12 to 25 form an integral part of these financial statements.

# Notes to the financial statements

for the year ended 31 December 2016

## 1. Legal status and principal activities

topbonus Limited (the "Company") is incorporated in the UK (for details please see "company information"), 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

Due to the circumstances detailed in 2c, Subsequent events, the directors consider there is significant doubt over the ability of the Company to continue as a going concern. Consequently the directors have not used the going concern basis to prepare the financial statements. The directors have instead reassessed the carrying value of the Company's assets and liabilities and reviewed the adequacy of the associated disclosures to ensure they properly reflect the impact of the subsequent event referred to below. The financial statements do not include the further adjustments that could result if the Company were unable to continue to operate and had to apply the cessation basis of accounting.

### (c) Subsequent events

On August 15, 2017 the principal business partner and minority shareholder, airberlin, opened insolvency proceedings. As a consequence of these insolvency proceedings, topbonus has lost its major customer and provider of certain key services. Accordingly, the directors have applied for the opening of insolvency proceedings in Germany, the principal location of its business on August 25, 2017. The Charlottenburg district court has appointed attorney Christian Otto as the preliminary insolvency administrator for topbonus. No insolvency proceedings have commenced in the UK.

The appointment of the preliminary German insolvency administrator is regarded very much as a precautionary step to allow the directors to act in the best interests of the members of the Company's loyalty programme and shareholders by identifying the best way forward for the Company. The Managing Director, Anton Lill, together with Christian Otto are reviewing the restructuring prospects of topbonus and suitable strategic investors are being sought.

At the date of approving these financial statement topbonus is currently still in preliminary insolvency proceedings in Germany. Negotiations with potential investors are ongoing. The directors' expectation is that the legal entity and business of topbonus shall continue as part of this process as this should provide the optimum basis for investors to acquire assets of the company, which include the customer database, while still complying with local customer data protection regulations. Due to these customer data protection regulations the company in whole or the customer data base in part can only be restructured / sold through an insolvency plan proceeding according to German insolvency law. The insolvency plan is currently being drafted and will be submitted to the court if a suitable investor has been found. It is estimated that the insolvency plan proceedings will last until end of June 2018.

### (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. When making these estimates and making key judgements, the directors have had regard to the impact of the subsequent event referred to in note 2c and the consequential disapplication of the going concern basis for preparing the financial statements.

# Notes to the financial statements

for the year ended 31 December 2016

## 3. Significant accounting policies

### (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.

### (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 statement of financial position 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 statement of comprehensive income 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
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Depreciation methods, useful lives and residual values are reviewed at each statement of financial position date.

Following the directors decision to dis-apply the going concern basis, the carrying value of these assets has been reassessed and is based on the balance sheet of the filed documents. Based on the balance sheet of the filed documents for the preliminary insolvency, management decided to follow the same approach for the financial statements on fixtures of the property. For all other fixtures, fittings and equipment the evaluation of the independent expert opinion dated 27 September 2017 carried out by Hanseatische Industrie-Consult Holger Haun & Tom Thomsen KG in Hamburg was applied. The independent expert opinion accounted for liquidation value.

### (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 statement of comprehensive income 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 statement of financial position 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.

Following the directors decision to dis-apply the going concern basis, the carrying value of intangible assets, which are directly related to the Company's relationship with airberlin, have been fully impaired.

## Notes to the financial statements

for the year ended 31 December 2016

### 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 statement of comprehensive income.

The recoverable amount of other assets is the greater of their fair values less costs to sell and value in use. Due to the insolvency proceedings, the recoverable amount for goodwill is zero.

#### **(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 statement of comprehensive income 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 statement of financial position 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 generally 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 statement of financial position 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.

Following the disapplication of the going concern basis of accounting no future taxable profits will be available against which the balanced tax asset can be utilised; as well balanced deferred tax liabilities will no longer be necessary due to the fact that no future tax payments will arise for the company. Thus, all remaining balances and netted deferred tax positions were written down to zero.



# Notes to the financial statements

for the year ended 31 December 2016

## 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 recognised as revenue upon the redemption of miles.

Amounts taken to deferred revenue and subsequently recognised as redemption revenue are measured based on management's estimate of the fair value of the expected awards for which the points will be redeemed. Following the disapplication of the going concern basis of accounting the estimation technique used to evaluate miles earned has been revised due to the fact, that all credited miles now form a liability. The value is now based on an expert opinion dated 05 February 2018 of Dentons Europe LLP in Berlin.

#### 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 recognised 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 points 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 statement of comprehensive income in the periods during which services are rendered by employees.

The Company has no defined benefit plans.

### (m) Finance expenses

Finance 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 were made effective in the current annual periods and have been applied in preparing these financial statements:

- Annual improvements 2012-2014 Cycle that includes amendments to IFRS 5, IFRS 7, IAS 19, IAS 34.
  - Amendments to IAS 1 Disclosure Initiative;
  - Amendments to IAS 16 and IAS 38 Clarification of acceptable methods of depreciation and amortisation;
  - IFRS 14, 'Regulatory deferral accounts'
  - Amendments to IFRS 11 relating to accounting for acquisition of interests in joint ventures;
  - Amendments to IFRS 10, IFRS 12 and IAS 28 relating to applying the consolidation exception for investment entities
- 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 2016

### 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:

- IFRS 9: Financial Instruments, effective 1 January 2018;
- 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 2017 or as and when they are applicable and that adoption of these new standards, interpretations and amendments, except for IFRS 16, IFRS 15, IFRS 9 will have no material impact on the financial statements of the Company in the period of initial application.

### 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 represents 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 2016

### 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 2016, 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 impacts the Company's income and operating cash flows as they are substantially dependent on changes in market interest rates. At 31 December 2016, if interest rates on borrowings had been 100 basis points higher/lower with all other variables held constant, profit for the year would have been EUR 516,975 (2015: EUR 607,727) 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 statement of financial position 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 2016	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	74.065.165	74.065.165	74.065.165	-	-
Trade and other payables	9.433.423	9.433.423	9.433.423	-	-
	<b>83.498.588</b>	<b>83.498.588</b>	<b>83.498.588</b>	<b>-</b>	<b>-</b>
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>

The ageing of deferred income relating to the obligation to fulfil member benefits is shown in note 19.

## Notes to the financial statements

for the year ended 31 December 2016

### 4. Financial risk management (continued)

#### Capital risk

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. The key risks which impact on the Company's capital is explained in note 2c.

### 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

Due to the opening of the provisional insolvency proceedings in Germany in 2017, it was decided to impair the intangible assets. In the case of topbonus this includes the customer relationship as well as the software license.

#### b) Impairment of goodwill

The same principal applies for the goodwill, which is therefore impaired to zero.

#### c) Redemption rate of sold miles

Management determines the redemption rate of sold miles based on historical trends and expectations about the 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 184,755 (2015: EUR 126,271).

During the year, management reconsidered the redemption rate previously applied for revenue recognition. Based on historical trends of the redemptions, the rate was reduced resulting in an impact of EUR 6.6m, recognised as a reduction of redemption and breakage revenue.

Another adjustment has arisen following the disapplication of the going concern basis of accounting. In an independent expert opinion carried (05 February 2018) out by the law firm: Dentons Europe LLP in Berlin, it was determined, that the value of a mile is 0.0036€. The impact of the revised estimate amounts to EUR 2.1m.

#### d) Timing of redemption

Predicting the timing of redemption of sold miles requires significant judgement. 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 2016

### Figures in EUR

6. Revenue	2016	2015
Revenue from sale of miles		
- Redemption and breakage	21.303.167	24.357.690
- Marketing incentive	9.260.337	8.901.455
Other revenue	660.707	2.772.351
	<u>31.224.211</u>	<u>36.031.497</u>

7. Other operating income	2016	2015
Revenue from advertising services	1.891.005	1.208.593
Other income	1.081	119
	<u>1.892.086</u>	<u>1.208.712</u>

8. Administrative and marketing expenses	2016	2015
Advertising expenses	2.841.850	3.151.028
Shared service costs	2.763.062	3.109.310
Staff costs (refer note 21)	2.817.981	2.489.453
Other operating expenses	4.198.298	3.984.285
Operating lease charges	136.890	105.682
Legal and professional charges		
- Auditor's remuneration (refer note below)	103.000	61.100
- Other professional charges	451.205	193.114
Depreciation and amortisation	7.185.333	7.092.546
Impairment		
- EDV Software	787.795	-
- Customer Contract	76.492.308	-
- Goodwill	109.600.000	-
- Other assets	37.878	-
- Intangibles assets under development	307.926	-
	<u>207.723.526</u>	<u>20.186.518</u>
Auditor's remuneration:		
- Audit of these financial statements	73.000	61.100
- Tax consultancy	30.000	-
	<u>103.000</u>	<u>61.100</u>

9. Net finance costs	2016	2015
Interest expense on loan	1.559.813	1.909.302
Other interest income	(15.720)	(1.569)
Foreign exchange gain	(28.437)	(12.344)
	<u>1.515.656</u>	<u>1.895.389</u>

10. Tax	2016	2015
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### Recognised in the statement of comprehensive income

#### Current tax expense

Adjustment for prior periods

- 23.089

#### Deferred tax expense

Origination and reversal of temporary differences

2.122.538 (286.098)

Total tax credit /(expense)

2.122.538 (263.009)

#### Reconciliation of tax charge

(loss) /profit before tax

(196.495.064) 68.598

Tax using the applicable tax rate of 30.2%

59.341.509 (20.717)

#### Effects of:

Non-deductible expenditure

(57.218.971) (265.381)

Adjustment for prior periods

- 23.089

Total tax expense

2.122.538 (263.009)

## Notes to the financial statements

for the year ended 31 December 2016

Figures in EUR

### 11. Intangible assets

	Goodwill	Customer relationships	Software license	Total
<b>Cost or revaluation</b>				
At 1 January 2015	109.600.000	90.400.000	2.451	200.002.451
Additions	-	-	1.249.895	1.249.895
At 31 December 2015	109.600.000	90.400.000	1.252.346	201.252.346
Disposals	-	-	(158.824)	(158.824)
<b>At 31 December 2016</b>	<b>109.600.000</b>	<b>90.400.000</b>	<b>1.093.522</b>	<b>201.093.522</b>
<b>Amortisation and impairment</b>				
At 1 January 2015	-	-	(1.032)	(1.032)
Charge for the year	-	(6.953.846)	(104.975)	(7.058.821)
At 31 December 2015	-	(6.953.846)	(106.007)	(7.059.853)
Charge for the year	-	(6.953.846)	(199.719)	(7.153.565)
Impairment	(109.600.000)	(76.492.308)	(787.796)	(186.880.104)
<b>At 31 December 2016</b>	<b>(109.600.000)</b>	<b>(90.400.000)</b>	<b>(1.093.522)</b>	<b>(201.093.522)</b>
<b>Intangible assets under development</b>				
At 1 January 2015	-	-	-	-
Charge for the year	-	-	-	-
At 31 December 2015	-	-	-	-
Additions	-	-	307.926	307.926
Impairment	-	-	(307.926)	(307.926)
<b>At 31 December 2016</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net book value</b>				
At 31 December 2015	109.600.000	83.446.154	1.146.339	194.192.493
<b>At 31 December 2016</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Customer relationships arose on topbonus's acquisition of FFP business from airberlin during 2012. Please refer to note 5 (a) for more details.

#### Impairment

Based on the balance sheet of the filed documents for the provisional insolvency, management decided to follow the same approach for the financial statements. Subsequently all intangible assets, as well as assets under development were written down to zero. For further details please see note 3d.

# Notes to the financial statements

for the year ended 31 December 2016

Figures in EUR

## 12. Furniture and equipment

	Fixtures, fittings and equipment
<b>Cost or revaluation</b>	
At 1 January 2015	60.801
Additions	45.893
At 31 December 2015	106.694
Additions	30.559
<b>At 31 December 2016</b>	<b>137.253</b>
<b>Accumulated depreciation</b>	
At 1 January 2015	(25.986)
Charge in the year	(33.725)
At 31 December 2015	(59.711)
Charge in the year	(31.769)
<b>At 31 December 2016</b>	<b>(91.480)</b>
<b>Impairment</b>	
At 1 January 2015	-
Charge in the year	-
At 31 December 2015	-
Charge in the year	(37.878)
<b>At 31 December 2016</b>	<b>(37.878)</b>
<b>Net book value</b>	
At 31 December 2015	46.983
<b>At 31 December 2016</b>	<b>7.895</b>

Following the disapplication of the going concern basis of accounting, management decided to follow the same approach for the financial statements on fixtures of the property. For all other fixtures, fittings and equipment the evaluation of the independent expert opinion 27 September 2017 carried out by Hanseatische Industrie-Consult Holger Haun & Tom Thomsen KG in Hamburg was applied. The independent expert opinion accounted for liquidation value. For further details please see note 3c.

13. Trade and other receivables	2016	2015
Due from related parties	3.414.369	4.819.014
Trade receivables	1.532.449	1.843.037
Other receivables	2.123.773	1.553.467
Prepaid expenditure and accrued income	168.189	112.026
	<b>7.238.780</b>	<b>8.327.544</b>

### Trade receivables past due but not impaired

Trade receivables including those 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 were follows:

Up to three months overdue	128.084	2.246.315
Between three months and one year overdue	43.399	8.772
More than one year overdue	-	-
	<b>171.483</b>	<b>2.255.087</b>

No debts have been provided for as irrecoverable.

Other receivables includes €874.403 of amounts receivables from related parties.

14. Cash and cash equivalents	2016	2015
Cash at bank	4.482.193	1.273.395

## Notes to the financial statements

for the year ended 31 December 2016

### Figures in EUR

15. Share capital	2016	2015
<b>Called up share capital</b>		
<i>Allotted, called up and fully paid</i>		
400 Ordinary shares of EUR 1.00 each	400	400
<b>Share premium</b>	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	2016	2015
Opening balance	(2.122.538)	(1.836.440)
credited /(charged) through profit and loss	2.122.538	(286.098)
Closing balance	-	(2.122.538)

### Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Other non-current assets	(12.231.965)	(10.306.955)
Accruals and deferred income	7.575.665	4.848.736
Tax losses carried forward	4.607.583	3.335.681
Other deferred tax adjustment	48.717	-
Net deferred tax liability	-	(2.122.538)

### Movement in deferred tax

	Other non-current assets	Accruals and deferred income	Tax losses carried forward	Other deferred tax adjustment	Total
At 1 January 2015	(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)
Charge for the year	(1.925.010)	2.726.929	1.271.902	48.717	2.122.538
At 31 December 2016	(12.231.965)	7.575.665	4.607.583	48.717	0

### Other deferred tax adjustment

In note 3j further details on tax adjustment can be found.



## Notes to the financial statements

for the year ended 31 December 2016

### Figures in EUR

17. Loan from the parent company	2016	2015
Amount due to related parties	74.065.165	87.066.918

Interest is payable on the amount due to related parties at a rate of three 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 24 months. However, following the disapplication of the going concern basis for preparing the accounts the terms of the loan mean it is more appropriate to be classified as a current liability.

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

Within one year (current liability)	74.065.165	87.066.918
	74.065.165	87.066.918

18. Trade and other payables	2016	2015
Trade payables	457.036	2.417.766
Due to a related party	260.685	248.892
Other payables	1.390.450	129.866
Accrued expenses	7.325.252	5.192.728
	9.433.423	7.989.252

Other payables includes €1.232.680 of amounts payable to related parties.

19. Deferred revenue	2016	2015
Deferred income on sale of miles	66.547.092	50.122.819
Provision for legacy miles	-	483.176
	66.547.092	50.605.995
<b>less: non-current portion</b>		
Deferred income on sale of miles	52.325.867	23.910.869
Provision for legacy miles	-	139.000
<b>Total non-current portion</b>	52.325.867	24.049.869
<b>Current portion</b>	14.221.225	26.556.126
<i>Movement in deferred income</i>		
Opening balance	50.122.818	39.022.062
Miles issued during the year - Gross billings	46.987.777	46.234.372
Revenue recognised during the year	(30.563.504)	(35.133.615)
<b>At 31 December</b>	66.547.092	50.122.819
<b>Split between:</b>		
Non-current portion	52.325.867	23.910.869
Current portion	14.221.225	26.211.950
	66.547.092	50.122.819

### Deferred income on sales of miles

As a result of the disapplication of the going concern basis when preparing these financial statements the estimation method used for evaluating miles earned has been revised and is based on a value determined by an expert opinion determined by Dentons Europe LLP in Berlin issued on dated 05 February 2018. The expert opinion attributes a value of 0.0036€ per mile obligation.

### Provision for legacy miles

Legacy miles represented miles earned by members of topbonus before the acquisition of business on 19 December 2012. As per commercial agreement, airberlin was liable to bear the cost of redemption of legacy miles until 18 December 2015. Based on liability claims from members after the opening of the insolvency proceedings, such miles also form a claim basis and thus can no longer be treated differently. The associated accrual release has happened in the direct cost section in the statement of comprehensive income.

The split of the mile obligation is based on management's best estimate of the expected redemption during next 12 months and on the basis that the Company can secure a suitable investor as set out in note 2c. In the event that such an investor cannot be found and it becomes necessary to apply the cessation basis, the non-

# Notes to the financial statements

for the year ended 31 December 2016

## Figures in EUR

### 20. Related party transactions and balances

The ultimate holding company is Etihad Airways PJSC (owned by the Government of Abu Dhabi, UAE via Etihad Aviation Group PJSC). The immediate parent company is Etihad Airport Services LLC, incorporated in the 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	(34.733.054)	(32.719.163)
Fee received from airberlin (barter) - b	(2.950.000)	(3.200.000)
Interest payments to the parent company	1.559.813	1.909.302
Fee charged by airberlin (including barter) - b	6.776.477	7.306.755
Purchase of tickets from airberlin for redemption of miles - a	13.725.431	15.089.704
Salaries and other benefits paid to Managing Director		
Salaries and wages	299.753	267.853
Social security costs	12.712	13.401
	<b>312.465</b>	<b>281.254</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 one year	21.400.000	16.900.000
Between two to five years	-	21.400.000
Sale of miles		
Within one year	39.000.000	35.800.000
Between two to five years	-	39.000.000

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	1.909.248	4.570.121
Global Loyalty Company L.L.C. (refer note 13 and note 18) - net	1.194.750	
airberlin holidays (refer note 13 and note 18) - net	49.686	
Etihad Airport Services LLC (refer note 17)	(74.065.165)	(87.066.918)

### 21. Employee benefits and directors' remuneration

The Company operates a defined contribution pension plan. The total expense relating to this plan in the current year was EUR 196,643 (2015: EUR 168,081).

# Notes to the financial statements

for the year ended 31 December 2016

## Figures in EUR

### 21. Employees benefits and directors' remuneration (continued)

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

	2016	2015
Operations and administration	37	37

The aggregate payroll costs of these persons were as follows:

Salaries and wages	2.415.585	2.059.549
Social security costs	205.753	261.823
Other pension costs	196.643	168.081
	<b>2.817.981</b>	<b>2.489.453</b>

Other than salaries and other benefits paid to the managing director as disclosed in note 20, the directors are remunerated by the Company's shareholders.

### 22. Operating lease commitments

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

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

Not later than one year	111.816	66.250
Later than one year and not later than five years	55.908	99.376
Later than five years	-	-
	<b>167.724</b>	<b>165.626</b>

### 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	4.946.818	6.662.051
Cash and cash equivalents	4.482.193	1.273.395
	<b>9.429.011</b>	<b>7.935.446</b>

##### Financial liabilities

##### Financial liabilities at amortised cost

Loan from the parent company	74.065.165	87.066.918
Trade and other payables	9.433.423	8.472.428
	<b>83.498.588</b>	<b>95.539.346</b>