PROPERTY MANAGEMENT CORPORATION

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

PROPERTY MANAGEMENT CORPORATION

TABLE OF CONTENT - DECEMBER 31 2020

CORPORATE INFORMATION

DIRECTORS	Mr. Christian Lionet (Chairman) Mr. Jude Commettent Mrs. Roma Edmond Mr. Denis Barbe Mr. Ronny Palmyre Ms Gina Adelaide
SECRETARY	: Ms. Ajeel Barbe
REGISTERED OFFICE	: Ocean Gate House P.O box 1161 Mahé, Seychelles
PRINCIPAL PLACE OF BUSINESS	: Ocean Gate House P.O box 1161 Mahé, Seychelles
AUDITORS	: Pool and Patel Chartered Accountants Seychelles
BANKERS	Bank of Baroda The Mauritius Commercial bank (Seychelles) Limited Seychelles Commercial Bank Limited Absa Bank (Seychelles) ltd

The Directors have pleasure in submitting their report together with the audited financial statements of **Property Management Corporation** for the year ended December 31, 2020.

PRINCIPAL ACTIVITIES

The Corporation was created under the Property Management Corporation (PMC) Act 2004, and is engaged in the sale, lease and rental of flats and houses and there has been no change in these activities during the financial year under review. The operations and activities of PMC were previously integrated within those of HFC (Housing Finance Company) but the two entities were separated effective September 1, 2013.

SIGNIFICANT CURRENT YEAR EVENTS

(a) Grants

The Corporation received a grant of **SR 86.4 m** from the Ministry of Finance, Trade and Blue Economy during the year 2020, for major repairs and maintanance and repayment of loans (2019: SR62.6m). The remaining balance of **SR 24.8m** was deferred to 2021 financial year (2019: SR 4.7m).

(b) Investment properties and Leases

Additions to Investment properties amounted to **SR 118.4m** for the year under review (2019: SR 36.4m) whilst there were no disposals . Leases worth **SR 81.2m** were also granted during the year (2019: SR 116.5m).

(c) Work in progress

Additions to work in progress was **SR 106m** (2019: SR 214.9m) and transfers amounting to **SR 172.2m** were made respectively to finance leases and investment properties during the year (2019: SRE137.8m).

RESULTS FOR THE YEAR

	SR
Profit for the year	**11,822,558**
Revenue deficit brought forward	**(222,446)**
Revenue Surplus carried forward	**11,600,112**

EVENT AFTER REPORTING DATE

The outbreak of COVID-19 pandemic brought considerable uncertainty and economic disruptions around the World. The adverse consequences for Seychelles are significant with extensive impact on all industries especially tourism and related services. The general public has also not been spared as disposable income is being eroded and this may pose a significant risk on the Corporation's ability to collect income from tenants and finance lease customers. There exists an inherent risk that the going concern of the Corporation may be impacted.

The Directors together with the Management have assessed the Corporation's ability to continue as a going concern and are confident that they will continue to have the financial and otherwise support from the Government of Seychelles and they are of the opinion that the going concern basis of preparation of these financial statements remains appropriate in the foreseeable future (refer to note 26).

DIRECTORS AND DIRECTORS' INTEREST

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

Mr. Ronny Palmyre

Appointed effective May 18, 2020
Mr. Christian Lionnet (Chairman)
Mrs. Gina Adelaide

Appointed effective August 1, 2021
Mr. Jude Commettant

Ms. Roma Edmond
Mr. Denis Barbe

Resigned effective April 23, 2020
Mr. Gilbert Madeleine

Resigned effective January 26, 2021
Ms. Sitna Cesar

None of the Directors held an interest in the shares of the Corporation during the year under review.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for the overall management of the affairs of the Corporation including the operations of the Corporation and making investment decisions.

The Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS) and in compliance with the Property Management Corporation Act 2004 and PEMC Act, 2013. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances. The Directors have the general responsibility of safeguarding the assets, both owned by the Corporation and those that are held in trust and used by the Corporation.

The Directors consider that they have met their aforesaid responsibilities.

AUDITOR GENERAL

The Auditor General of Seychelles is mandated to audit the financial statements of the Corporation pursuant to Section 21 of Part IV - Financial Provisions of the Property Management Corporation Act, 2004. The Auditor General has contracted Pool and Patel Chartered Accountant to perform the statutory audit for the year under review and to report their findings to the Auditor General.

BOARD APPROVAL

Mr. Christian Lionnet Chairman	**Mr. Jude Commettant** Director	**Mr. Ronny Palmyre** Director
Ms. Roma Edmond Director	**Mr. Denis Barbe** Director	**Mrs. Gina Adelaide** Director

Dated:
Victoria, Seychelles

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Please address all correspondence to the Auditor General

OPINION OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF THE PROPERTY MANAGEMENT CORPORATION FOR THE YEAR ENDED 31 DECEMBER 2020

Adverse Opinion

The accompanying financial statements set out on pages 5 to 35, which comprise of the statement of financial position as at 31 December 2020, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies, have been audited on my behalf by Pool and Patel Chartered Accountants, appointed under Section 19 of the Auditor General Act, 2010. As per the agreement with the auditors, they have reported to me the results of their audit and on the basis of their report, where possible effects of the matters described in the 'Basis for Adverse Opinion' section of my report, the financial statements do not present fairly, in all material respects, the financial position of the Corporation as at 31 December 2020.

Accordingly, in my opinion,

(a) proper accounting records have not been kept by the Corporation as far as it appears from examination of those records; and

(b) the financial statements on pages 5 to 35 do not give a true and fair view of the financial position of the Corporation as at 31st December 2020 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the provisions of the Property Management Corporation Act, 2004.

Basis for Adverse Opinion

The audit was conducted in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the '*Auditor General's responsibilities for the audit of financial statements*' section of my report. I am independent of the Corporation in accordance with the INTOSAI Code of Ethics applicable to its members, together with other ethical requirements that are relevant to the audit of financial statements in Seychelles. I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my opinion.

Capital Work-in-progress

The Statement of Financial position of the Corporation includes Work-in-Progress of R167,541,329. This account was created in 2018, to record payment requests from MHILT in regard to housing projects they were undertaking. Once the units are completed, the MHILT sends instructions to PMC for necessary allocation for house purchase, based on a price, known as the cost of house, set by MHILT. The cost of house is a subsidised value based on the proposed tenant's income. The cost of house is then transferred from the work- in-progress account. If the tenant is able to meet the monthly repayment of house purchase lease, then the amount is transferred to Finance Lease Receivables. If the tenant is unable to pay the monthly repayment of the house purchase, they are transferred to a rental agreement instead and the cost of house is then transferred to Investment Properties.

For the additions during the year of SR106,078,647 and transfers of SR172,221,052 (Finance Lease - SR81,272,502, Self-Financing projects SR40,988,000 and Investment Properties SR49,960,550), we obtained an independent confirmation ledger from MHILT for which payments during the year did not agree with the Corporation's ledger. The Corporation did not maintain a complete listing detailing the cost per project; the ad-hoc list provided by the Corporation did not agree to its own ledger. There was no reconciliation between the list and the ledger performed by the Corporation to justify the significant difference of SR13m. Since the costs of house are not transferred at actual costs, there remains a difference between the actual costs of a project, and their costs transferred to cost of house from the work-in-progress account attributed to completed projects.

Finance Lease Receivables and Investment properties

The Statement of Financial position of the Corporation contains balances of Finance Lease Receivables of SR1,020,805,851 and Investment properties of SR295,854,438. During our procedure to confirm opening of Finance Lease Receivable and Investment Properties, we noted significant differences in reported balances as at 31.12.2019 and system generated report of 01.01.2020. The Management informed that an exercise was carried out during 2020 to 'clean up' the existing system for migration of clean data to the new system. The Management informed that in the old system there existed inactive accounts that the system had been applying rental fee to on a monthly basis, although these were not considered in building the schedules at year-end; only active accounts are taken into consideration. In order to properly close these accounts in the old system, journal vouchers were raised to clear these amounts in the general ledger, which adversely affected the balances being reported mainly for Investment Properties. Adjusting entries of cost of negative SR94,016,340 and accumulated depreciation of negative SR43,823,472 has been reported in Note 6, as well as SR6,389,768 in the Statement of cash flows to balance off the accounts. This exercise was ongoing in 2021 also.

In order to rectify this, the Corporation was requested to reconcile the balances as at 31.12.2019 and 01.01.2020 and any adjustments, relating to the closure of accounts should be properly documented, including the effects on the different components of the accounts and any impairment in Finance Lease Receivables and Investment Properties should be approved by the Board.

As a result of these matters, it could not be determined as to whether any adjustments might have been found necessary in respect of recorded or unrecorded Work–in-Progress, Investment Properties, or Finance Leases and the other elements making up the statement of comprehensive income, statement of changes in equity and statement of cash flows.

Responsibilities of the Management and those charged with Governance

The Management is responsible for the preparation of the financial statements in accordance with International Financial Reporting Standards and in compliance with the requirements of the Property Management Corporation Act, 2004, and Public Enterprise Monitoring Commission Act, 2013 and for such internal control as the management and the board determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Government either intend to liquidate the Corporation or to cease operations, or have no realistic alternative but to do so.

Auditor General's responsibilities for the audit of financial statements

The audit objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and issue an auditor's report in accordance the Property Management Corporation Act, 2004. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of the audit in accordance with ISAs, the auditor exercises professional judgement and maintains professional scepticism throughout the audit. The auditor also:

- identifies and assesses the risk of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtains audit evidence that is sufficient and appropriate to provide a basis for the opinion. The risk of not detecting material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omission or misrepresentation, or the override of internal control;
- obtains an understanding of the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control;

- evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors;
- concludes on the appropriateness of the Board of Directors' use of going concern basis of accounting and, based on the audit evidence obtained, concludes whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If the auditor concludes that a material uncertainty exists, the auditor is required to draw attention in the auditor's report to the related disclosures in the financial statements or if such disclosures are inadequate, to modify the opinion. My conclusions are based on audit evidence obtained to the date of my auditor's report. However, future unforeseeable events or conditions may cause the Corporation to cease to continue as a going concern;
- evaluates the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtains sufficient appropriate audit evidence regarding the financial information of the entity or business activities within the Corporation to express an opinion on the financial statements. The auditor is responsible for the direction, supervision and performance of the audit. I remain responsible for the audit opinion;
- communicates with directors among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

Report on Other Regulatory Requirement

In satisfying both the Property Management Corporation Act, 2004 and the Public Enterprise Monitoring Commission Act, 2013, the Auditor informed that he has no relationship with, or interests in, the Corporation other than in its capacity as auditor and dealing in the ordinary course of business and that he has obtained all information and explanations required and that proper accounting records have been kept by the Corporation as far as it appears from his examination of those records.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Gamini Herath
Auditor General

26 July 2022
Victoria, Seychelles

STATEMENT OF FINANCIAL POSITION - DECEMBER 31, 2020

	Notes	2020	2019
		SR	SR
ASSETS			
Non-current assets			
Property and equipment	5	**1,020,288**	1,233,932
Investment properties	6	**295,854,438**	225,526,920
Work in progress	7	**167,541,329**	233,683,734
Right-of-use assets	8	**1,832,845**	3,798,186
Finance lease receivables	10	**558,118,662**	516,127,116
Home Saving Scheme receivables	9	**24,881,524**	16,117,301
		1,049,249,086	980,369,888
Current assets			
Finance lease receivables	10	**32,389,383**	40,638,672
Inventories	11	**172,500**	1,480,800
Trade and other receivables	12	**19,209,385**	9,409,079
Cash and cash equivalents	22	**100,328,116**	62,956,566
		152,099,384	130,602,418
TOTAL ASSETS		**1,201,348,470**	1,110,972,306
EQUITY AND LIABILITIES			
Reserve / (Deficit)			
Capital reserve	13	**60,162,984**	60,162,984
Revenue Surplus / (deficit)		**11,600,112**	(222,446)
		71,763,096	59,940,538
LIABILITIES			
Non-current liabilities			
Lease liabilities	8	**1,832,845**	1,965,341
Deferred revenue	14	**738,868,235**	653,929,866
Borrowings	15	**253,032,099**	278,885,112
Retirement benefit obligations	16	**1,079,128**	706,052
		994,812,307	935,486,371
Current liabilities			
Lease liabilities	8	**-**	1,832,845
Deferred revenue	14	**91,484,808**	51,114,984
Borrowings	15	**32,560,288**	29,968,047
Trade and other payables	17	**10,727,971**	32,629,521
		134,773,067	115,545,397
Total liabilities		**1,129,585,374**	1,051,031,768
Total equity and liabilities		**1,201,348,470**	1,110,972,306

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

Mr. Christian Lionnet Chairman	**Mr. Jude Commettent** Vice Chairman	**Mr. Ronny Palmyre** Director
Ms. Roma Edmond Director	**Mr. Denis Barbe** Director	**Mrs. Gina Adelaide** Director

The notes on pages 9 to 35 form an integral part of these financial statements

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME - YEAR ENDED DECEMBER 31, 2020

	Notes	2020	2019
		SR	SR
Revenue	18	**69,784,625**	66,147,512
Operating expenses	19	**(64,372,937)**	(64,605,041)
Administrative expenses	19	**(18,900,783)**	(18,100,697)
Other income	20	**22,964,950**	26,200,027
Expected credit loss reversal / (charge)	12(d)	**2,346,703**	(2,618,053)
Profit and Total Comprehensive Income for the year		11,822,558	7,023,748

The notes on pages 9 to 35 form an integral part of these financial statements

STATEMENT OF CHANGES IN EQUITY - YEAR ENDED DECEMBER 31, 2020

	Notes	Capital reserve	Revenue Surplus	Total
		SR	SR	SR
At January 1, 2020		60,162,984	(222,446)	59,940,538
Total comprehensive income for the year		-	11,822,558	11,822,558
At December 31, 2020		60,162,984	11,600,112	71,763,096
At January 1, 2019		60,162,984	(7,246,194)	52,916,790
Total comprehensive income for the year		-	7,023,748	7,023,748
At December 31, 2019		60,162,984	(222,446)	59,940,538

The notes on pages 9 to 35 form an integral part of these financial statements

	Notes	2020	2019
		SR	SR
Cash generated from operations			
Profit for the year		11,822,558	7,023,748
Adjustments for non-cash items:			
Depreciation of Property & equipment	5	642,032	876,103
Depreciation of Investment properties	6	14,111,572	14,125,117
Finance income from leases	10	(23,014,193)	(18,822,397)
Amortisation of right-of-use assets	8	1,965,341	1,706,667
Finance costs on lease liabilities	8	75,314	65,463
Movement in allowance for credit impairment	12(d)	(2,346,703)	2,618,053
Retirement benefit obligations charge	16	1,001,143	792,062
		4,257,064	8,384,816
Changes in working capital			
-(Increase) / Decrease in inventory	11	1,308,300	(1,480,800)
-(Increase) / Decrease in trade and other receivables	12	(16,217,824)	(1,014,274)
-Increase / (Decrease) in trade and other payables	17	21,901,550	30,439,112
Cash generated from operations		11,249,090	36,328,854
Retirement obligations paid	16	(628,067)	(977,376)
Finance costs on lease liabilities	8(c)	(75,314)	(65,463)
Net cash inflow from operating activities		10,545,709	35,286,015
Cash flows from investing activities			
Additions to property and equipment	5	(428,388)	(666,482)
Additions to Investment properties	6	(68,500,000)	-
Additions to work in progress	7	(106,078,647)	(214,997,943)
Transfer House Rental to finance lease	6(a)	(16,171,408)	-
Finance income received	10	23,014,193	18,822,397
Adjustment (Closure of Account)		6,389,768	
Net cash used in investing activities		(161,774,482)	(196,842,028)
Cash flows from financing activities			
Repayment of principal portion of lease liabilities	8(c)	(1,965,341)	(1,706,667)
Finance leases granted - net of discount & finance costs	10	9,130,861	(12,322,827)
Net receipts from finance leases	10	38,399,383	30,601,093
Receipt of Self Financing Units	7	40,988,000	-
Movement in deferred revenue	14	125,308,193	4,663,814
Loan received - PMC 5% Bond	15	12,403,000	200,000,000
Loan repayments net of finance costs	15	(35,663,772)	(29,904,279)
Net cash generated from financing activities		188,600,324	191,331,134
Net movement in cash and cash equivalents		37,371,551	29,775,121
Movements in cash and cash equivalents			
At January 1		62,956,565	33,181,445
Increase		37,371,551	29,775,121
At December 31,	22	100,328,116	62,956,566

The notes on pages 9 to 35 form an integral part of these financial statements

1. GENERAL INFORMATION

Property Management Corporation (PMC) is a corporate body incorporated under the Property Management Corporation Act 2004, with perpetual succession and a common seal and is domiciled in Seychelles.

The principal activities of the Corporation are as stated in the Directors' Report on page 2.

These financial statements will be submitted for consideration and approval by the Board of Directors of the Corporation.

2. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

The financial statements of PMC have been prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB') and Interpretations as issued by the IFRS Interpretations Committee, and comply with the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council ("FRSC") and the requirements of the Property Management Corporation Act, 2004 and Public Enterprise Monitoring Commission Act, 2013.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation to fair value as described in the accounting policies below.

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

(b) New and amended standards adopted by the Corporation

The Corporation adopted the following new, revised or amended accounting pronoucements as issued by the IASB effective January 1, 2020:

(i) IFRS 10 and IAS 28 - Sale contribution of assets between investor and its associates or joint venture.
(ii) Amendement to IFRS 3 - Definition of a business.
(iii) Amendement to IAS 1 & 8 - Definition of maritially, presentation of financial statemetns, accounting policies and changes in estimates.
(iv) IFRS 7, 9 and IAS 39 - Interest rate benchmark reform.
(v) IFRS 16 amendement - Covid-19-Related Concessions.

New standards and amendments issued but not yet effective

(vi) IAS 1 amendments on classification of liabilities as current and non-current.
(vii) IFRS 17 - Insurance contracts and amendments to insurance contracts.
(viii) Amendments to IAS 16 - Proceeds before intended use.
(ix) Annual Improvements to IFRS Standards 2018-2020.
(x) Amendments to IAS 37 - Onerous contracts.
(xi) Amendments to IFRS 3 updating a reference to the Conceptual Framework.
(xii) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16 - Interest Rate Benchmark Reform - Phase 2.

The above standards have not, and not expected to have, a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and any impairment in value. Historical cost consists of purchase cost, together with any incidental expenses of acquisition and installation.

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

Properties in the course of construction are carried at cost less any recognised impairment loss. Cost includes professional fees and for qualifying assets, borrowing costs capitalised. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is calculated on the straight line method to write off the cost of the assets to their residual values over their estimated useful lives as follows:

Furniture and equipment	3-5 years
Motor vehicle	3 years
Land is not depreciated.	

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

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

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

(d) Work in progress

Assets in the course of construction, classified as work in progress, are carried at cost less any impairment loss. Cost includes professional fees and other costs incurred. Upon completion, assets are transferred to finance leases and investment properties and depreciation of these assets commences when the assets are ready for their intended use.

(e) Investment properties

Properties held to earn rentals or for capital appreciation or both and not occupied by the Corporation are initially measured at cost or deemed costs including transaction costs. Costs associated with maintaining investment properties are recognised as an expense in the Statement of Profit or Loss. Subsequent to initial measurement, Investment properties are carried at historical cost less accumulated depreciation and impairment.

Investment properties are depreciated on straight line over 25 years.

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Leases

With effect from January 1, 2019 the Corporation changed its accounting policy for leases where the Corporation is the lessee. The accounting policy is described below and the impact of the change in note 2(b)(i).

(i) The Corporation as a lessee

The Corporation recognises right-of-use assets and corresponding lease liabilities on the Statement of Financial Position for leases at the date at which the leased asset is available for use by the Corporation. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the Statement of Profit or Loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes. Right-of-use assets are measured at cost comprising the amount of the initial measurement of the lease liability.

The lease payments are discounted using the incremental borrowing rate since interest rate implicit in the lease cannot be readily determined. Lease liabilities include the net present value of fixed payments (including fixed payments). Variable lease payments that depend on an index or a rate are initially measured using the index or rate as at the commencement date.

Lease payments made under reasonably certain extension options are also included in the measurement of the liability.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in Statement of Profit and Loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise mainly small items of office equipment and furniture.

(g) Inventory

Inventory comprises parcels of land which are initially recognised at cost. Subsequent to intial recognition, inventories are stated at the lower of cost and net realisable value.Net realisable value is the estimated selling price in ordinary course of business and applicable variable selling expenses. Net realisable value is determined after review of individual items of inventories by management for any required impairment.

(h) Financial instruments

(i) Financial assets

Recognition and measurement

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Financial instruments (cont'd)

(i) Financial assets (cont'd)

Financial assets and financial liabilities of the Corporation are initially measured at fair value and subsequently at amortised cost and are subject to impairment. Gains and losses are recognised in Statement of Profit or Loss when the asset is derecognised, modified or impaired.

Amortised cost and effective interest method

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income over the relevant period.

Impairment of financial assets

The Corporation recognises a loss allowance for expected credit losses on investments in financial instruments that are measured at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The Corporation always recognises lifetime ECL for its trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Corporation's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. The Corporation recognises an impairment loss in the Statement of Profit or Loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

No ECL was provided on finance leases and cash and bank balances. Refer to notes 9 & 21 for more details.

Offsetting financial instruments

Where a legally enforceable right exists to set off recognised amounts of financial assets and liabilities and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously, which are in determinable monetary amounts, the relevant financial assets and liabilities are offset. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the respective company or counterparty.

Derecognition of a financial asset

The Corporation derecognises a financial asset where the contractual rights to 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Financial instruments (cont'd)

(i) Financial assets (cont'd)

The Corporation's financial assets at amortised cost includes, finance lease receivables, trade and other receivables and cash and bank balances.

Finance lease receivables

Leases are classified as finance lease where the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee.

At the inception of a lease, a finance lease is recorded as a receivable at an amount equal to the net investment of the lease. The net investment in the lease is the present value of the minimum lease payments and any unguaranteed residual value accruing to the lessor. The difference between gross receivable and the present value of the receivable is recognised as unearned finance income.

Lease income is recognised in the Statement of Profit or Loss over the term of the lease using the net investment method, which reflects a constant periodic return.

Cash and cash equivalents

Cash and cash equivalents include cash in hand and cash at bank. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

(ii) Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Trade and other payables

These amounts represent liabilities for goods and services provided to the Corporation prior to the end of the reporting period which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period.

Borrowings and finance costs

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Finance costs include all borrowing costs incurred on borrowing instruments together with related costs of debt facilities management. Such costs include facility commitment fees which are expensed in borrowing costs as incurred and facility raising fees which are amortised through borrowing costs over the life of the related facilities. Borrowing costs, other than borrowing costs capitalised, are recognised in the Statement of Profit or Loss in the period in which they are incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Capital reserve

The stated capital originates from the contra credit entries to net assets transferred from HFC transferred to the Corporation at nil consideration in 2013. Subsequent movements represent further additions to properties transferred from the Government of Seychelles also at nil consideration. It also includes revaluations by Directors of assets previously transferred. Releases from capital reserve to the Statement of Profit or Loss are of the amortisation charged to Statement of Profit or Loss.

(j) Retirement benefit obligation

The Corporation provides for a payment of compensation to permanent employees on completion of 2 or more years. The amount provisioned every year is based on the number of years the employee has worked after the last payment date. This type of employee benefits has the characteristics of a defined benefit plan. The liability recognised in the Statement of Financial Position in respect of the defined benefit plan is the present value of the defined obligation at the reporting date less fair value of plan assets together with adjustments for unrecognised actuarial gains and losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability.

The Corporation does not carry out an actuarial valuation since Management has based itself on the method as prescribed by the Seychelles Employment Act and they have estimated that the amount of liability provided will not be materially different had it been computed by an external Actuary.

(k) Impairment of non financial assets

At the end of each financial year, the Corporation reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Corporation estimates the recoverable amount of the cash generating unit (CGU) to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). If the recoverable amount of a CGU is estimated to be less than its carrying amount, the carrying amount of the CGU is reduced to its recoverable amount. An impairment loss is recognised immediately in the Statement of Profit or Loss.

(l) Revenue recognition

Revenue comprises of rental income and interest income from finance leases.

Interest income from finance leases
Interest revenue is recognized on a time proportionate basis after taking into account the capital amount outstanding and effective rate over the period to maturity.

Rental income
Rental income is accounted on accrual basis.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) Revenue recognition (cont'd)

Other income comprises the following:

Deferred income
Deferred income is recognised as revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral party of the lease.

Government grants
Government grants are initially recognised as deferred income at cost if there is reasonable assurance that they will be received and the Corporation will comply with the conditions associated with the grant; they are then recognised in Statement of Profit or Loss as other income on a systematic basis over the usage of the grant.

Other income from rental of flats and other related income is recognised on accrual basis.

(m) Provisions

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

(n) Tax

Based on Section 23 of the Property Management Corporation Act, 2004, the Corporation is not liable to any tax in respect of its income and profits.

(o) Foreign currencies

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date these assets were recognised in the Financial Statements. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date the fair value was determined.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Corporation's activities expose it to the following financial risks: credit risk, fair value or cash flow interest rate risk and liquidity risk. The Corporation's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise the potential adverse effect on it's financial performance.

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.1 Financial risk factors (cont'd)

The Corporation's activities expose it to the following financial risks: credit risk, fair value or cash flow interest rate risk and liquidity risk. The Corporation's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise the potential adverse effect on it's financial performance.

A description of the significant risk factors is given on the following page together with the risk management policies applicable.

(a) Credit risk

In order to minimise credit risk, the Corporation has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. Credit approvals and other monitoring procedures are also in place to ensure that follow-up action is taken to recover overdue debts.

Furthermore, the Corporation reviews the recoverable amount of each trade debt and debt investment on an individual basis at the end of the reporting period to ensure that adequate loss allowance is made for irrecoverable amounts. In this regard, the Directors of the Corporation consider that the Corporation's credit risk is significantly reduced. Trade receivables consist of a large number of customers.

3. FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Credit risk (Cont'd)

Risk concentration

Concentration of risk is managed by sub-groups and for the Corporation, these are Commercial Properties, Expatriates and Social Housing. Concentration of credit risks exists when a number of counterparties are engaged in similar activities or operate in the same geographical areas, industry sections and have similar economic characteristics so that their ability to meet contractual obligations is similarly affected by changes in economic, political and other conditions.

The following table shows the level of concentration of trade receivables of the Corporation at December 31,

	Trade Receivables at amortised cost		Provision for credit impairment		Carrying Amount	
	2020	2019	2020	2019	2020	2019
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
Sub Group						
(i) Commercial Properties	**599,475**	698,075	**320,749**	359,548	**278,726**	338,527
(ii) Expatriates	**1,455,136**	3,606,795	**1,311,710**	2,879,207	**143,426**	727,588
(iii) Social Housing	**12,916,914**	14,029,964	**9,446,104**	10,186,511	**3,470,810**	3,843,453
(iv) Others (**)	**8,082,711**	2,910,159	**-**	-	**8,082,711**	2,910,159
TOTAL	23,054,236	21,244,993	11,078,563	13,425,266	11,975,673	7,819,727

Others include also loans and other receivables (see note 12(e)).

3. FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Credit risk (Cont'd)

For trade receivables, the Corporation has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Corporation determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix. Note 12(c) include further details on the loss allowance for these assets respectively.

(b) Liquidity risk

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Corporation through its regular budgets and forecasts manages liquidity to ensure that it will always have sufficient liquidity to meet its liabilities as and when they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Corporation's reputation.

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

	Less than 1 year	Between 1 to 5 years	After 5 years	Total
	SR	SR	SR	SR
At 31 December 2020:				
Borrowings	**32,560,288**	**146,634,259**	**106,397,840**	**285,592,387**
Trade and other payables	**10,727,971**	-	-	**10,727,971**
Lease liabilities	**1,832,845**	-	-	**1,832,845**
	45,121,104	**146,634,259**	**106,397,840**	**298,153,203**
At 31 December 2019:				
Borrowings	29,968,047	146,634,259	132,250,853	308,853,159
Trade and other payables	32,629,521	-	-	32,629,521
Lease liabilities	1,832,845	1,965,341	-	3,798,186
	64,430,413	148,599,600	132,250,853	345,280,866

(c) Currency risk

Currency risk is defined as the risk that movements in foreign exchange rates adversely affect the value of the Corporation's foreign currency positions. The Corporation is not exposed to currency risk as all its transactions are denominated in Seychelles Rupees. Currency risk is not hedged.

3. FINANCIAL RISK MANAGEMENT (CONT'D)

(d) Interest rate risk

Interest rate risk is defined as the risk that movements in interest rates adversely affect the value of the Corporation. The Corporation is exposed to interest rate risk on borrowings due to variable interest rates. However, the guarantor, which is the Government of Seychelles promised to repay both the interest and principal amount of the loans hence interest rate risk is considered to be low.

3.2 Fair value estimation

The face values less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values.

3.3 Capital risk management

The Corporation's objectives when managing capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for Shareholders and benefits for other stakeholders, and
- to provide an adequate return to Shareholders by pricing products and services commensurately with the level of risk.

The Corporation has no Share Capital.

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

The Corporation monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt adjusted capital. Net debt is calculated as total debt less cash and cash equivalents. Adjusted capital comprises all components of equity (i.e. share capital, quasi equity, other reserves and revenue deficit.

	2020	2019
	SR	SR
Total debt	**285,592,387**	308,853,159
Less cash and cash equivalents	**(100,328,116)**	(62,956,566)
Net debt	**185,264,271**	245,896,593
Shareholders' equity	**71,763,096**	59,940,538
Debt-to-adjusted capital ratio	**2.58**	4.10

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires the use of accounting estimates, which by definition, will seldom equal the actual results. Judgement also needs to be exercised in applying the Corporation's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Corporation makes estimates and assumptions concerning the future. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Leases

The determination of the respective discount rates
In determining the respective discount rate by the Corporation, the entity considered the rate of interest that it would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The Corporation's incremental borrowing rate was considered to be the most appropriate rate to commence with and adjusted for the profiles of the respective factors for use in the calculation on initial recognition of the respective lease liabilities.

Determining the lease terms
In determining the lease term, Management considered all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. All extension options (or periods after termination options) have been included in the lease term. There are no potential future cash outflows. All future cash outflows have been included in the lease liability. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

(b) Functional currency

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

(c) Calculation of loss allowance

The Corporation recognises lifetime expected credit losses (ECL) for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Corporation's historical credit loss experience. For all other financial instruments, the Corporation recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. The expected credit loss model requires the Corporation to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets.

No ECL has been calculated on cash and bank balances, finance leases and other balances from Housing Finance Corporation. Refer to notes 8, 12 and 22.

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

(d) Business model assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Corporation determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Corporation monitors financial assets measured at amortised cost prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Corporation's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets. No such changes were required during the periods presented.

(e) Impairment of assets

Property and equipment are considered for impairment if there is a reason to believe that impairment may be necessary. Factors taken into consideration in reaching such a decision include the economic viability of the asset itself and where it is a component of a larger economic unit, the viability of that unit itself.

Future cash flows expected to be generated by the assets or cash-generating units are projected, taking into account market conditions and the expected useful lives of the assets. The present value of these cash flows, determined using an appropriate discount rate, is compared to the current net asset value and, if lower, the assets are impaired to the present value.

(f) Asset lives and residual values

Property and equipment are depreciated over its useful life taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In reassessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values. Consideration is also given to the extent of current profits and losses on the disposal of similar assets.

Property and equipment are depreciated to their residual values over their estimated useful lives. The residual value of an asset is the estimated net amount that the Corporation would currently obtain from the disposal of the asset, if the asset were already of the age and in condition expected at the end of its useful life.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

(g) Retirement benefit obligations

The cost of defined benefit pension plans has been determined using the method as per the Seychelles Employment Act and the Directors have estimated that the amount of liability provided will not be materially different had it been computed by an external Actuary.

(h) Valuation of investment properties

The Corporation is carrying forward in its books investment properties which was counted and valued. These values have been recognised as being deemed costs of the investment properties.

(i) Capital reserve

The stated capital originates from the contra credit entries to net assets transferred from Housing Finance Corporation Limited transferred to the Corporation at nil consideration in 2013. Subsequent movements represent further additions to properties transferred from the Government of Seychelles also at nil consideration. It also included revaluations by Directors of assets previously transferred. Releases from capital reserve to the Statement of Profit or Loss are represented by amortisation charges to Statement of Profit or Loss.

Upon adoption of IFRS, only capital grants and donations are now recognised as Capital Reserve.

(j) Deferred revenue

The stated Deferred Revenue originates from the adoption of IFRS whereby the outstanding balance on finance lease receivable before impairment and investment property at year end was transferred from Capital Reserve to Deferred Revenue and amortised basing on revenue generating pattern. Included is grants received from the Government of Seychelles for repairs and capital projects which will be amortised when construction is complete.

The split between current and non current of this balance is based on the expected future repayments of Finance Lease Receivable assumed on current period's repayment trend. For Investment Property, this is on straight line basis.

(k) Limitation of sensitivity analysis

Sensitivity analysis demonstrates the effect of a change in a key assumption while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear and larger or smaller impacts should not be interpolated or extrapolated from these results.

Sensitivity analysis does not take into consideration that the Corporation's assets and liabilities are actively managed. Other limitations include the use of hypothetical market movements to demonstrate potential risk that only represent the Corporation's views of possible near-term market changes that cannot be predicted with any certainty.

5. PROPERTY AND EQUIPMENT

	Land	Furniture and equipment	Motor vehicles	Total
COST	SR	SR	SR	SR
At January 1, 2019	60,000	3,864,624	2,197,887	6,122,511
Additions	-	282,482	384,000	666,482
Disposals	-	-	-	-
At December 31, 2019	**60,000**	**4,147,106**	**2,581,887**	**6,788,993**
Additions	**-**	**428,388**	**-**	**428,388**
At December 31, 2020	**60,000**	**4,575,494**	**2,581,887**	**7,217,381**
ACCUMULATED DEPRECIATION				
At January 1, 2019	-	2,997,821	1,681,137	4,678,958
Charge for the year	-	431,567	444,536	876,103
Disposal adjustment	-	-	-	-
At December 31, 2019	**-**	**3,429,388**	**2,125,673**	**5,555,061**
Charge for the year	**-**	**370,726**	**271,306**	**642,032**
At December 31, 2020	**-**	**3,800,114**	**2,396,979**	**6,197,093**
NET BOOK VALUES				
At December 31, 2020	**60,000**	**775,380**	**184,908**	**1,020,288**
At December 31, 2019	60,000	717,718	456,214	1,233,932

6. INVESTMENT PROPERTIES

	2020	2019
COSTS / DEEMED COSTS	SR	SR
At January 1,	**387,852,172**	351,498,740
Additions - Transfer from work in progress (Note 7)	**49,960,550**	36,353,432
Additions - from Government of Seychelles	**68,500,000**	-
Transfer from House Purchase to House Rental	**16,171,408**	-
Adjustment (Closure of Accounts)	**(94,016,340)**	-
At December 31,	**428,467,790**	387,852,172
ACCUMULATED DEPRECIATION		
At January 1,	**162,325,252**	148,200,135
Charge for the year (notes 14 & 20)	**14,111,572**	14,125,117
Adjustment (Closure of Accounts)	**(43,823,472)**	-
At December 31,	**132,613,352**	162,325,252
NET BOOK VALUE		
At December 31,	**295,854,438**	225,526,920

(a) Investment properties comprised units of houses rented out as social housing, properties rented to expatriates and commercial properties that are leased out for commercial purposes. Properties rented out as social housing contain houses that were inherited from Seychelles Housing Development Corporation (SHDC). PMC is continously reviewing the list inherited to ensure it represents actual houses. Any discrepancies identified during the review are corrected.

7. WORK IN PROGRESS

	2020	2019
	SR	SR
At January 1,	233,683,734	156,498,270
Additions	106,078,647	214,997,943
Transfers	(172,221,052)	(137,812,479)
- Finance lease (note 10)	(81,272,502)	(101,459,047)
-Self Financing Projects	(40,988,000)	-
- Investment properties (note 6)	(49,960,550)	(36,353,432)
At December 31,	167,541,329	233,683,734

(a) *Reclassification*

The Corporation is presently constructing properties through borrowings and repayments guaranteed by the Government of Seychelles. This is shown as Work in progress on the Statement of Financial Position until construction is completed. The decision to categorise the Work in progress as Finance leases or Investment properties will only be done upon completion of the construction.

8. LEASES

(a) The Corporation has two lease contracts for Offices both in Praslin and Mahe. The lease contracts are for two years, expiring December 2021.

	2020	2019
	SR	SR
At January 1	3,798,186	5,504,853
Charge for the year (note 19)	(1,965,341)	(1,706,667)
At December 31,	1,832,845	3,798,186

(b) Lease liabilities is as follows:

	2020	2019
		SR
At January 1	3,798,186	5,504,853
Finance costs (note 19)	75,314	65,463
Payments	(2,040,655)	(1,772,130)
As December 31,	1,832,845	3,798,186
Analysed as:		
Non-current portion	-	1,965,341
Current portion	1,832,845	1,832,845
	1,832,845	3,798,186

9. HOME SAVING SCHEME RECEIVABLES

The Home Saving Scheme (HSS) was set up in 2010. The main objectives of the scheme was to allow applicants of social housing to start making financial contribution or saving towards their house before they are allocated with a house. The HSS is calculated as a percentage of the applicant monthly income with a minimum amount of R150 payable on a monthly basis.

The Housing Finance Company (HFC) is the entity responsible for collecting and recording the contribution. Once the client is allocated with a House, HFC keeps the actual cash collected as HSS which is used to assist other applicants with housing loans but the book value is communicated to PMC and is used to reduce the cost of House. Total balance of HSS in PMC's book as at 31 Dec 2020 was SR24.9m (2019:SR16.1m)

10. FINANCE LEASE RECEIVABLES

The reconciliations between Gross Investment in Finance Leases and the Present Value of the minimum lease instalments receivable are as follows:

		2020	2019
		SR	SR
Total gross investment in finance lease at January 1,		922,071,296	814,650,515
Leases granted during the year:	From work in progress (Note 7)	81,272,502	101,459,047
	From Cost of House (Note 14)	-	15,038,047
Maintenance Cost Charged to House Purchase		303,270	-
Discount on transfer from House rental to House Purchase (Note 14)		(9,404,385)	(1,653,581)
Repayments received:	Principal amount (Note 14)	(38,399,383)	(30,601,093)
	Interest income (Note 18)	(23,014,193)	(18,822,397)
Unearned finance income on movements during the year		87,976,745	42,000,758
Total gross investment in finance lease at December 31,		1,020,805,851	922,071,296
- Not later than one year		50,017,720	55,392,227
- Later than one year but not later than five years		200,070,880	221,568,908
- Later than five years		770,717,250	645,110,161
Unearned finance income		(430,297,806)	(365,305,508)
Net investment in finance lease		590,508,045	556,765,788
Represented by:			
Present value of minimum lease instalments		590,508,045	556,765,788
- Not later than one year		32,389,383	40,638,672
- Later than one year but not later than five years		129,557,533	162,554,688
- Later than five years		428,561,129	353,572,428
At December 31,		590,508,045	556,765,788
Analysed as:			
Non-current		558,118,662	516,127,116
Current		32,389,383	40,638,672
		590,508,045	556,765,788

(a) The carrying amounts of finance lease receivables approximate their amortised costs.
An Interest rate of 5% maximum is charged on finance lease on a reducing balance method

(b) Credit Loss Allowances

The Directors of the Corporation estimate the loss allowance on finance lease receivables at the end of the reporting period at an amount equal to lifetime Expected Credit Loss (ECL). Taking into account the environment in which the lessees operate, together with the value of collateral held over these finance lease receivables, the Directors of the Corporation considered that finance lease receivables are not impaired and therefore ECL has been estimated as nil.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for finance lease receivables.

11. INVENTORIES

	2020	2019
	SR	SR
Parcels of Lands	172,500	1,480,800

Inventories represents the value of Parcels of land received from the Government for the Self Financing Housing Projects

12. TRADE AND OTHER RECEIVABLES

	2020	2019
	SR	SR
Trade receivables	22,255,423	20,199,909
Loans and other receivables (note 12(b))	798,813	1,045,084
Total receivables before Estimated Credit Loss (note 3.1(a))	23,054,236	21,244,993
Less: Estimated Credit Loss (Note 12 (c)	(11,078,563)	(13,425,266)
Trade receivables - net	11,975,673	7,819,727
Deposit receivable	15,679	-
Total financial assets	11,991,352	7,819,727
Prepayments	7,218,033	1,589,352
Total trade and other receivables	19,209,385	9,409,079

(a) The carrying values of trade and other receivables classified as loans and receivables approximates their amortised cost.

(b) Loans and receivables comprise short term staff loans which are offset against their monthly salaries and risk of default has been estimated by the Directors as nil. Therefore no ECL was provided.

(c) Credit Loss Allowances

The average credit period on trade receivables is 60 days. No interest is charged on outstanding trade receivables.

The Corporation measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

The Corporation writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the finance lease receivables are over two years past due, whichever occurs earlier.

12. TRADE AND OTHER RECEIVABLES (CONT'D)

(c) Credit Loss Allowances (Cont'd)

The following table details the risk profile of trade receivables based on the Corporation's provision matrix. The customers of the Corporation have been classified into 3 subgroups based on similar credit risk, characteristics, namely Commercial Properties, Expatriates and Social Housing as detailed below:

(i) **At December 31, 2020**

(i) Commercial Properties

	Trade receivables - days past due				
	0 - 30 days	31-60 days	61-90 days	>90 days	Total SR
Expected credit loss rate (%)	12.65%	23.23%	23.99%	85.00%	
Estimated gross carrying amount at default (SR)	227,250	40,000	40,000	321,325	628,575
Lifetime allowance for credit losses (SR)	28,737	9,291	9,594	273,127	320,749

(ii) Expatriate

	Trade receivables - days past due				
	0 - 30 days	31-60 days	61-90 days	>90 days	Total SR
Expected credit loss rate (%)	16.83%	47.28%	66.36%	86.49%	
Estimated gross carrying amount at default (SR)	258,144	73,000	69,000	1,373,492	1,773,636
Lifetime allowance for credit losses (SR)	43,454	34,514	45,787	1,187,955	1,311,710

(iii) Social Housing

	Trade receivables - days past due				
	0 - 30 days	31-60 days	61-90 days	>90 days	Total SR
Expected credit loss rate (%)	7.36%	20.76%	31.49%	84.03%	
Estimated gross carrying amount at default (SR)	1,354,245	332,143	304,139	10,926,388	12,916,915
Lifetime allowance for credit losses (SR)	99,732	68,952	95,771	9,181,649	9,446,104
Total allowance for credit losses (note 12(d))	171,923	112,757	151,152	10,642,731	11,078,563

12. TRADE AND OTHER RECEIVABLES (CONT'D)

(c) Credit Loss Allowances (Cont'd)

(ii) At December 31, 2019

(i) Commercial Properties

	Trade receivables - days past due				
	0 - 30 days	31-60 days	61-90 days	>90 days	Total SR
Expected credit loss rate (%)	10.35%	40.29%	41.51%	85.00%	
Estimated gross carrying amount at default (SR)	221,500	77,625	77,625	321,325	698,075
Lifetime allowance for credit losses (SR)	22,925	31,275	32,222	273,126	359,548
	0				

(ii) Expatriate

	Trade receivables - days past due				
	0 - 30 days	31-60 days	61-90 days	>90 days	Total SR
Expected credit loss rate (%)	17.79%	60.03%	75.49%	86.72%	
Estimated gross carrying amount at default (SR)	314,144	85,800	80,800	3,126,051	3,606,795
Lifetime allowance for credit losses (SR)	55,897	51,502	60,995	2,710,813	2,879,207

(iii) Social Housing

	Trade receivables - days past due				
	0 - 30 days	31-60 days	61-90 days	>90 days	Total SR
Expected credit loss rate (%)	13.48%	55.81%	61.41%	83.16%	
Estimated gross carrying amount at default (SR)	2,057,275	100,684	90,060	11,781,945	14,029,964
Lifetime allowance for credit losses (SR)	277,355	56,189	55,302	9,797,665	10,186,511
Total allowance for credit losses (note 12(d))	356,177	138,966	148,519	12,781,604	13,425,266

12. TRADE AND OTHER RECEIVABLES (CONT'D)

(d) Movement in allowance for credit losses

The following table shows the movement in lifetime allowance for credit losses that have been recognised for trade receivables in accordance with the simplified approach set out in IFRS 9.

	Commercial Properties	Expatriate Housing	Social Housing	Total	
	SR	SR	SR	SR	
At January 1, 2019	485,822	1,206,796	9,114,595	10,807,213	
(Credit) / Charge during the year	(126,274)	1,672,411	1,071,916	2,618,053	
At December 31, 2019	**359,548**	**2,879,207**	**10,186,511**	**13,425,266**	note 12 (c)
(Credit) / Charge during the year (page 6)	**(38,799)**	**(1,567,497)**	**(740,407)**	**(2,346,703)**	
At December 31, 2020 (note 12(c))	**320,749**	**1,311,710**	**9,446,104**	**11,078,563**	note 12 (c)

(e) Loans and receivables comprise short term staff loans which are offset against their monthly salaries and risk of default has been estimated by the Directors as nil. Therefore no ECL was provided.

(f) The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Corporation does not hold any collaterals as securities.

(g) The other classes within trade and other receivables do not contain impaired assets and the Corporation does not hold any collateral as security.

13. CAPITAL RESERVE

	2020	2019
	SR	SR
At January 1,	60,162,984	60,162,984
Other movements	-	-
At December 31,	60,162,984	60,162,984

14. DEFERRED REVENUE

		2020	2019
		SR	SR
At January 1,		705,044,850	700,381,036
Additions for the year:	Lease receivables (note 10)		15,038,047
	Investment properties (note 6)	68,500,000	-
	Transfer HP to HR	16,171,408	
Amortisation for the year:	Lease receivables (note 10)	(38,399,383)	(30,601,093)
	Investment properties (note 6)	(14,111,572)	(14,125,117)
Discount on transfer from House rental to House purchase (note 10)		(9,404,385)	(1,653,581)
Funds received to repay loans (note 15(c))		64,949,204	33,947,521
Deferred grants for repairs and maintenance (note 14(a))		29,569,469	4,735,193
Other movements - discounts on assets from the GoS (note 14(b))			(2,677,156)
Adjustment (Closure of Accounts)		8,033,452	
At December 31,		830,353,043	705,044,850
Analysed as:			
Non-current		738,868,235	653,929,866
Current		91,484,808	51,114,984
		830,353,043	705,044,850

(a) The balance related to amounts received from the GOS for the repayment of loan contracted from SPF and Nouvobanq. The amount received will be amortised when the properties are fully completed and allocated to the Corporation.

(b) Other movements of 2020 related to discounts given to eligible customers by the GoS and reversal of amortisation on Investment Properties which were transferred to Finance Lease.

(c) Funds received from the Government to repay loans	2020	2019
	SR	SR
Gross loans repayments received	52,802,509	56,772,078
Less interest	(19,362,352)	(22,898,006)
Principal received from the Government to repay Loans	33,440,156	33,874,072

Finance costs have been netted off against corresponding re-imbursement from the Government of Seychelles. An amount of **SR 52.8m** (2019: 56.7m) was received during the year which comprised interest of **SR 19.3m** (2019: SR 22.8m).

15. BORROWINGS

	2020	2019
	SR	SR
At January 1,	**308,853,159**	138,757,438
Amount received from issuance of PMC 5% 5 years Bond	**12,403,000**	-
Amount received from Nouvobanq	-	200,000,000
Repayments during the year - net	**(35,663,772)**	(29,904,279)
At December 31,	**285,592,387**	308,853,159
Analysed as follows:		
Non current	**253,032,099**	278,885,112
Current	**32,560,288**	29,968,047
	285,592,387	308,853,159

(a) In 2018, the Corporation borrowed SR 150m from Seychelles Pension Fund (SPF) for construction of ongoing housing projects. The loan bears interest at 8% per annum compounded monthly and is repayable quarterly in equal amounts of SR 6.2m over 8 years.

(b) In 2019, the Corporation borrowed SR 200m from Seychelles International Mercantile Banking Corporation Limited (Nouvobanq) to finance ongoing construction projects. The loan bears interest at 6.86% per annum charged monthly and is repayable in monthly installments of SR 2.3m over 10 years.

(c) In 2020, the Corporation issued a Bond to raise SR200 million but collect on SR12.4 million. The Bond will mature upon the expiration of the 5 years from the date of issue and will be redeemable at par. The appliacable interest rate is 5% payable in May an November annually.

The above two loans and bonds are secured and guaranteed by the Government of Seychelles (GoS) which is also committed to refund the loans and pay interest through grants to the Corporation.

16. RETIREMENT BENEFIT OBLIGATION

	2020	2019
	SR	SR
At January 1,	**706,052**	891,366
Paid during the year	**(628,067)**	(977,376)
Charge for the year (note 21)	**1,001,143**	792,062
At December 31,	**1,079,128**	706,052

(a) The Corporation provides for gratuity in line with the requirements for parastatal organisations which is calculated as follows:

- Staff below management level, compensation equals 5% - 10% of total salaries for two years.
- Staff at management level, compensation equals 10% - 15% of total salaries for two years.

17. TRADE AND OTHER PAYABLES

	2020	2019
	SR	SR
Trade payables	2,248,672	4,914,028
Deposits from Self-financing project (note 17(a))	-	21,777,100
Other creditors and accrued expenses	8,479,299	5,938,393
	10,727,971	32,629,521

(a) The amounts relate to advance payments made by customers to the Corporation for purchase of houses. The respective houses are yet to be transferred to customers. This project started in 2019.

(b) Trade and other payables approximate their amortised costs.

18. REVENUE

	2020	2019
	SR	SR
Rental income	45,899,926	43,709,751
Interest income on finance lease (note 10)	23,014,193	18,822,397
Other interest income	870,506	793,633
Other income	-	2,821,731
	69,784,625	66,147,512

(a) The above amount related to discounts given to customers on transfer from House rental to House purchase agreement on the date of transfer. The amount is calculated at 25% of payments made by the customer during the tenancy agreement period. The same amount of discount is released from Deferred revenue account to Statement of Profit and Loss during the year.

19. OPERATING EXPENSES

	2020	2019
	SR	SR
Employee benefit expense (note 21)	11,732,150	11,779,533
Audit fees and consultancy fees	281,750	385,250
Depreciation on property and equipment (note 5)	642,032	876,103
Depreciation on investment properties (note 6)	14,111,572	14,125,117
Amortisation of right-of-use assets (note 8(a))	1,965,341	1,706,667
Finance costs on lease liabilities (note 8(b))	75,314	65,463
Repairs and maintenance expense	44,601,884	42,653,571
Insurance expense	2,453,670	1,662,011
Legal and professional fees	674,753	564,840
Social housing rental	3,018,990	5,288,239
Write offs	-	983,243
Other expenses	3,716,265	2,615,701
Total operating and administrative expenses	83,273,720	82,705,738

Analysed as:

	2020	2019
	SR	SR
Operating expenses	64,372,937	64,605,041
Administrative expenses	18,900,783	18,100,697
	83,273,720	82,705,738

20. OTHER INCOME

	2020	2019
	SR	SR
Insurance claims received	682,620	321,500
Other income	516,746	6,545,388
Funds from Ministry of Finance, Trade & Economic planning	7,654,013	5,208,022
Amortisation of Investment properties (note 6)	14,111,572	14,125,117
Profit on disposal of investment properties	-	-
	22,964,950	26,200,027

21. EMPLOYEE BENEFIT EXPENSE

	2020	2019
	SR	SR
Salaries and wages	9,760,662	9,476,978
Directors remuneration (note 21(a))	272,173	345,666
Pension contributions	285,365	256,049
Retirement benefit obligation provision (note 16)	1,001,143	792,062
Other staff costs	412,808	908,778
	11,732,150	11,779,533

(a) Directors' remuneration

		2020	2019
		SR	SR
Gilbert Madeleine		25,720	82,559
Christian Lionnet	w.e.f 18th May 2020	35,172	-
Sitna Cesar		49,913	70,804
Ronny Palmyre		41,879	59,301
Roma Edmond		41,879	59,301
Denis Barbe		41,879	59,301
Gina Adelaide	w.e.f 18th May 2020	23,732	-
Irene Moosa (Board Secretary)		4,800	14,400
Imelda Kamau (Board Secretary)	w.e.f July 2020	7,200	-
		272,173	345,666

22. CASH AND CASH EQUIVALENTS

	2020	2019
	SR	SR
Cash at bank	100,315,116	62,943,566
Cash in hand	13,000	13,000
	100,328,116	62,956,566

(a) ECL for cash and bank balances has been estimated to be negligible since the risk of default is remote.

23. COMMITMENTS

(a) Capital commitments

Capital commitments as at December 31, 2020 amounted to **SR 10.99m** (2019: 820k).

(b) Operating lease commitments - where the Corporation is the lessee

The Corporation leases accomodations and offices under operating lease agreements. The leases have varying terms, escalation clauses and renewable rights.

The future aggregate minimum lease payments under operating leases as at December 31, 2020 amounted to SR 1.8m, all within one year.

24. CONTINGENT LIABILITIES

There were no contingent liabilities as at December 31, 2020 (2019: Nil).

25. RELATED PARTY TRANSACTIONS AND BALANCES

	2,020	2,019
	SR	SR
Transactions		
Directors' remunerations (note 21(a))	272,173	345,666
Ministry of Finance, Trade and Economic Planning (MFTEP)	201,253,329	62,563,557
Seychelles Pension Fund (note 15)	31,386,669	31,460,118
Seychelles International Mercantile Banking Corporation Limited (note 15)	27,693,174	21,342,167
Balances		
Ministry of Finance, Trade and Economic Planning (MFTEP)	(41,972,469)	(4,735,193)
Housing Finance Corporation	24,881,524	16,117,301
Seychelles Pension Fund (note 15)	(105,862,259)	(123,970,625)
Seychelles International Mercantile Banking Corporation Limited (note 15)	(167,327,128)	(184,882,534)
Ministry of Finance, Trade and Economic Planning (MFTEP)	(58,671,870)	(56,845,527)

(a) Transactions with related parties are made at normal market prices.

(b) **Key management personnel**	2020	2,019
	SR	SR
Salaries and other benefits	485,582	475,200
Pension costs	30,036	20,400
	515,618	495,600

26. EVENT AFTER THE REPORTING PERIOD

Effects of COVID-19 pandemic

The outbreak of COVID-19 pandemic brought considerable uncertainty and economic disruptions around the world. The adverse consequences for Seychelles are significant with extensive impact on all sectors especially tourism and related services in general. The general public has also not been spared as disposable income is being eroded and this may pose a significant risk on the Corporation's ability to receive monthly rental and repayment of finance leases. There exists inherent risk that may impact the going concern of the Corporation.

However, the following economic and financial measures have been taken at all levels:

At Corporation level
The Corporation performed a cashflow projection for the next 12 months and concluded on reducing operational expenses.

At Government level
Due to the global and national drive for mass vacination and the Seychelles Government openning its borders in the second quarter of 2021, the Corporation is confident that it will remain a going concern for the foreseeable future.

26. EVENTS AFTER THE REPORTING PERIOD (CONT'D)

The Directors together with the Management have assessed the Corporation's ability to continue as a going concern and are confident that they will continue to have the financial and otherwise support from their Shareholder (The Government of Seychelles) and they are of the opinion that the going concern basis of preparation of these financial statements remains appropriate in the foreseeable future.

27. FIVE YEAR FINANCIAL SUMMARY

			Restated		
	Year 2020	Year 2019	Year 2018	Year 2017*	Year 2016*
Finance income from leases	**SR**	SR	SR	SR	SR
Profit / (Loss) for the year	**11,822,558**	7,023,748	6,164,581	4,087,089	(6,240,129)
(Revenue deficit) / Retained earnings brought forward	**(222,446)**	(7,246,194)	-	(8,433,850)	(2,193,721)
Revenue deficit brought forward - restated (note 27)	-	-	(13,410,775)	-	-
Revenue deficit carried forward	**11,600,112**	(222,446)	(7,246,194)	(4,346,761)	(8,433,850)
EQUITY					
Capital reserve **	**60,162,984**	60,162,984	60,162,984	62,286,356	62,286,356
Revenue deficit	**11,600,112**	(222,446)	(7,246,194)	(4,346,761)	(8,433,850)
Total equity	**71,763,096**	**59,940,538**	**52,916,790**	**57,939,595**	**53,852,506**

* The financial statements prior 2018 were not adjusted to reflect the adoption of the requirements of IFRS 9, since the Corporation availed itself of the transition exemption of IFRS 9 where all adjustments following implementation were recognised through Retained earnings as at January 1, 2018 with no changes to comparatives.

** Capital reserve for 2018 has been adjusted for reclassifications of grants / loans received from GoS to Deferred Revenue since these are for construction of properties still in progress and repairs and maintenance expenses yet to be utilised by the Corporation.