

PROPERTY MANAGEMENT CORPORATION

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019



PROPERTY MANAGEMENT CORPORATION

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PROPERTY MANAGEMENT CORPORATION

1

CORPORATE INFORMATION

DIRECTORS

: Ms. Sitna Cesar
Mr. Ronny Palmyre
Ms. Roma Edmond
Mr. Denis Barbe

Appointed effective May 18, 2020

Mr. Christian Lionnet (Chairman)

Mrs. Gina Adelaide

Mr. Gilbert Madeleine (*Resigned effective April 23, 2020*)

SECRETARY

: Mrs. Irene Moosa

REGISTERED OFFICE

: Oceangate House
P.O Box 1161
Mahé, Seychelles

PRINCIPAL PLACE OF BUSINESS

: Oceangate House
P.O Box 1161
Mahé, Seychelles

AUDITORS

: Office of the Auditor General
3rd Floor, Block C Unity House
Victoria, Mahe
Seychelles

BANKERS

Bank of Baroda
The Mauritius Commercial Bank (Seychelles) Limited
Seychelles Commercial Bank Limited
Absa Bank (Seychelles) Limited
Seychelles International Mercantile Banking Corporation Limited (Nouvobanq)
Central Bank of Seychelles

DIRECTORS' REPORT

The Directors have pleasure in submitting their report together with the audited financial statements of Property Management Corporation for the year ended December 31, 2019.

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) Adoption of International Financial Reporting Standard 16 (IFRS 16) - Leases

The Corporation adopted IFRS 16 - Leases, effective January 1, 2019, which replaced IAS 17 "Leases" and IFRIC 4 "Determining whether an Arrangement Contains a Lease".

The new standards resulted in the recognition of right-of-use assets and lease liabilities on leases previously classified as operating leases amounting to SR 5.5m. Refer to *note 2(b)(i)* for more details.

(b) Grants

The Corporation received a grant of SR 62.6m from the Ministry of Finance, Trade and Blue Economy during the year 2019, for major repairs and maintenance (2018: SR 5.7m). The remaining balance of SR 4.7m was deferred to 2020 financial year (2018: SR 6.1m).

(c) Borrowings

PMC entered into a loan agreement of SR 200m with Seychelles International Mercantile Banking Corporation Limited (Lender) with the Government of Seychelles as guarantor on January 24, 2019. The loan term is for a period of 120 months at 6.86% interest per annum. The Loan is fully secured by a Government of Seychelles (GOS) guarantee of SR 200m, (as published in the Official Gazette). The Ministry of Finance, Trade and Economic Planning (MFTEP) has also agreed to make a yearly provision in the annual Budget to ensure that GOS services the loan. The GOS disbursed SR 56.8m (2018: SR 24.8m) during the year under review towards the re-payment of the Nouvobanq and Seychelles Pension Fund loans.

(d) Investment properties and Leases

Additions to Investment properties amounted to SR 36.4m for the year under review (2018: SR 18.4m) whilst there were no disposals (2018: SR 760k). Leases worth SR116.5m were also granted during the year (2018: SR 56.4m).

(e) Work in progress

Additions to work in progress was SR 215.1m (2018: SR 156.5m) and transfers amounting to SR 142.9m were made respectively to finance leases and investment properties during the year (2018: nil).

DIRECTORS' REPORT (CONT'D)

RESULTS FOR THE YEAR

SR

Profit for the year	7,023,748
Revenue deficit brought forward	<u>(7,246,194)</u>
Revenue deficit carried forward	<u>(222,446)</u>

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 25).

DIRECTORS AND DIRECTORS' INTEREST

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

Ms. Sitna Cesar
Mr. Ronny Palmyre

Ms. Roma Edmond
Mr. Denis Barbe

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

Resigned effective April 23, 2020
Mr. Gilbert Madeleine

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.

DIRECTORS' REPORT (CONT'D)

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 BDO Associates 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



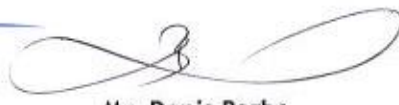
Ms. Sitna Cesar
Director



Mr. Ronny Palmyre
Director



Ms. Roma Edmond
Director



Mr. Denis Barbe
Director



Mrs. Gina Adelaide
Director

Dated: 29 OCT 2020
Victoria, Seychelles



Office of the Auditor General

3rd Floor, Block C, Unity House

Victoria, Republic of Seychelles

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Website: www.oag.sc Facebook: OAG Seychelles

Please address all correspondence to the Auditor General

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OPINION OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF THE PROPERTY MANAGEMENT CORPORATION FOR THE YEAR ENDED 31 DECEMBER 2019

Opinion

The accompanying financial statements set out on pages 5 to 40, which comprise of the statement of financial position as at 31 December 2019, 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 BDO Associates, 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, I am satisfied that all information and explanations which, to the best of my knowledge and belief, where necessary for the purpose of the audit have been obtained.

Accordingly, in my opinion,

- (a) proper accounting records have been kept by the Corporation as far as it appears from examination of those records; and
- (b) the financial statements on pages 5 to 40 give a true and fair view of the financial position of the Corporation as at 31st December 2019 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 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.

Emphasis of Matter

i) Effects of COVID-19 pandemic

We draw attention to note 25 of the financial statements which describes a material uncertainty following the Coronavirus (COVID-19) pandemic which caused severe disruptions in Seychelles and the world at large. Several countries closed their borders, grounded flights and discouraged people from traveling, and this is impacting the Corporation, whose main activities are the sale, lease and rental of flats to the general public in Seychelles. There exist an inherent risk that the going concern of the Corporation may be impacted.

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

ii) Amount receivable from Housing Finance Company Limited

Included in the financial statements under Trade and Other receivables is an amount of **SR16.1m** (2018: SR13.9m) due from Housing Finance Company Limited (HFC) relating to contributions made by customers towards the Homes Savings Scheme (HSS).

The HSS was set up in 2010 with the main objective to allow applicants of social housing to make saving towards house purchase before allocation. The HSS amount was calculated as a percentage of the applicant's monthly income, collected by HFC and thereafter to be remitted to PMC upon actual allocation of the house to the applicant.

No allowance for expected credit losses has been provided on this receivable since the Directors are of the opinion that the risk of default is low and amount will be recovered through mutual understanding between the two parties since both are public enterprises owned by the Government of Seychelles.

My opinion is not qualified in respect of the above matter.

Key Audit Matters

During the audit, the Auditors assessed all areas of material risks for the Corporation and have highlighted below two areas where we believe that significant judgements were made in arriving at the figures disclosed in these financial statements and are in respect of compliance with the requirements of IFRS 16 and IFRS 9.

(i) Adoption of IFRS 16 – Leases

The auditors addressed the key audit matters by:

<ul style="list-style-type: none"> • assessing the appropriateness of the discount rates applied in determining the present value of lease liabilities with input from their technical department;
<ul style="list-style-type: none"> • verifying the accuracy of the underlying lease data by agreeing leases to the original contracts and/or other supporting information, and verified the integrity and accuracy of the IFRS 16 calculations for each lease sampled through recalculation of the expected IFRS 16 adjustments;
<ul style="list-style-type: none"> • assessing whether the disclosures within the financial statements are appropriate and sufficient.

(ii) Computation of Expected Credit Loss per IFRS 9- Financial Instruments

The auditors addressed the key audit matters by:

<ul style="list-style-type: none"> • obtaining an understanding of the Corporation's provisioning methodology, assessing the reasonableness of the underlying assumptions and the sufficiency of the data used by the Management.
<ul style="list-style-type: none"> • verifying and understanding the key data sources and assumptions for data used in the Expected Credit Loss (ECL) models (the Models) used by the Corporation to determine impairment provisions and to determine the historical loss rate percentages;
<ul style="list-style-type: none"> • checking the calculation of the historical loss rate percentages on the provision matrix and verifying the calculation of the lifetime ECL;
<ul style="list-style-type: none"> • due to short term nature of financial instruments held by the Corporation, no forward looking assumptions have been incorporated in the ECL calculation;
<ul style="list-style-type: none"> • checking the consistency of the various inputs and assumptions used by the Corporation's Management to determine impairment provisions.
<p>As a result of the above audit procedures, no material differences were noted.</p>

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 Directors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the 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

09 November 2020
Victoria, Seychelles

PROPERTY MANAGEMENT CORPORATION

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INDEPENDENT AUDITOR'S REPORT TO THE AUDITOR GENERAL

Report on the audit of the Financial Statements

Opinion

We have audited the financial statements of **Property Management Corporation** set out on pages 5 to 40 which comprise the Statement of Financial Position as at December 31, 2019, the Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and the Statement of Cash Flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements on pages 5 to 40 give a true and fair view of the financial position of the Corporation as at December 31, 2019 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Property Management Corporation Act, 2004 and Public Enterprise Monitoring Commission Act, 2013.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Corporation in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Seychelles, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

(i) Effects of COVID-19 pandemic

We draw attention to Note 25 of the financial statements which describes a material uncertainty regarding the Coronavirus pandemic which caused severe disruptions in Seychelles and the world at large. Several countries closed their borders, grounded flights and discouraged people from travelling abroad and this is impacting the Corporation, whose main activities is the sale, lease or rental of flats to the general public in Seychelles. There exists an inherent risk that the going concern of the Corporation may be impacted.

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

(ii) Amount receivable from Housing Finance Company Limited

Included in the financial statements under Trade and other receivables is an amount of **SR 16.1m** (2018: SR 13.9m) due from Housing Finance Company Limited relating to contributions made by customers towards Home Savings Scheme (HSS).

INDEPENDENT AUDITOR'S REPORT TO THE AUDITOR GENERAL (CONT'D)

Emphasis of Matter (Cont'd)

(ii) Amount receivable from Housing Finance Company Limited (Cont'd)

The Home Saving Scheme (HSS) was set up in 2010 with the main objective to allow applicants of Social Housing to make savings towards house purchase before allocation. The HSS amount was calculated as a percentage of the applicant's monthly income, collected by Housing Finance Company Limited and thereafter to be remitted to PMC upon actual allocation of the house to the applicant.

No allowance for expected credit losses has been provided on this receivable since the Directors are of the opinion that the risk of default is low and amount will be recovered through mutual understanding between the two parties since both are public enterprises owned by the Government of Seychelles.

Our opinion is not qualified in respect of the these matters.

Key audit matters

During our audit we assessed all the areas of material risks for the Corporation and we highlighted below two areas where we believe that significant judgements were made in arriving at the figures disclosed in these financial statements and are in respect of compliance with the requirements of IFRS 16 and IFRS 9.

(i) Adoption of IFRS 16 - Leases

Response to key audit matter

✓	Assessed the appropriateness of the discount rates applied in determining the present value of lease liabilities with input from our technical department;
✓	Verified the accuracy of the underlying lease data by agreeing leases to original contracts and/or other supporting information, and verified the integrity and accuracy of the IFRS 16 calculations for each lease through recalculation of the expected IFRS 16 adjustments;
✓	Assessed whether the disclosures within the financial statements are appropriate and sufficient.

(ii) Computation of Expected credit losses per IFRS 9 - Financial instruments

Response to key audit matter

✓	We obtained an understanding of the Corporation's provisioning methodology, assessed the reasonableness of the underlying assumptions and the sufficiency of the data used by the Management;
✓	We verified and understood the key data sources and assumptions for data used in the Expected Credit Loss (ECL) models (the Models) used by the Corporation to determine impairment provisions and to determine the historical loss rate percentages;
✓	We checked the calculation of the historical loss rate percentage on the provision matrix and verified the calculation of the lifetime ECL;
✓	Due to short term nature of financial instruments held by the Corporation, no forward looking assumptions have been incorporated in the ECL calculation;
✓	We checked consistency of various inputs and assumptions used by the Corporation's Management to determine impairment provisions.
As a result of the above audit procedures, no material differences were noted.	



PROPERTY MANAGEMENT CORPORATION

4(b)

INDEPENDENT AUDITOR'S REPORT TO THE AUDITOR GENERAL (CONT'D)

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, the Management 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.

Those Charged with Governance are responsible for overseeing the Corporation's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.



PROPERTY MANAGEMENT CORPORATION

4(c)

INDEPENDENT AUDITOR'S REPORT TO THE AUDITOR GENERAL (CONT'D)

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements

Property Management Corporation Act, 2004

We have no relationship with, or interests, in the Corporation other than in our capacity as auditors and dealings in the ordinary course of business.

We have obtained all information and explanations we required.

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

Public Enterprise Monitoring Commission Act, 2013

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

Other Matters

This report is made solely to the Auditor General of Seychelles, in terms of our engagement to conduct the audit of the financial statements of **Property Management Corporation** on his behalf. Our audit work has been undertaken so that we might state to the Auditor General those matters which we are required to state to him in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Auditor General, for our audit work, for this report, or for the opinions we have formed.

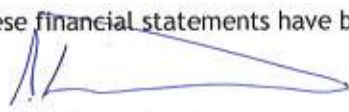
BDO Associates
BDO ASSOCIATES
Chartered Accountants


Dated: 29 OCT 2020
Victoria, Seychelles


STATEMENT OF FINANCIAL POSITION - DECEMBER 31, 2019

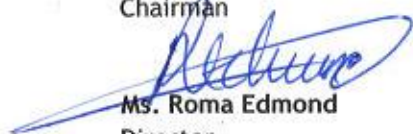
	Notes	2019 SR	2018 SR
ASSETS			
Non-current assets			
Property and equipment	5	1,233,932	1,443,553
Investment properties	6	225,526,920	203,298,605
Work in progress	7	233,683,734	156,498,270
Right-of-use assets	8(b)	3,798,186	-
Finance lease receivables	9	516,127,116	438,201,065
		<u>980,369,888</u>	<u>799,441,493</u>
Current assets			
Finance lease receivables	9	40,638,672	35,383,942
Inventories	10	1,480,800	-
Trade and other receivables	11	25,526,380	27,130,159
Cash and cash equivalents	21	62,956,566	33,181,445
		<u>130,602,418</u>	<u>95,695,546</u>
TOTAL ASSETS		<u>1,110,972,306</u>	<u>895,137,039</u>
EQUITY AND LIABILITIES			
Reserve / (Deficit)			
Capital reserve	12	60,162,984	60,162,984
Revenue deficit		(222,446)	(7,246,194)
		<u>59,940,538</u>	<u>52,916,790</u>
LIABILITIES			
Non-current liabilities			
Lease liabilities	8(c)	1,965,341	-
Deferred revenue	13	653,929,866	652,520,725
Borrowings	14	278,885,112	113,941,898
Retirement benefit obligations	15	706,052	891,366
		<u>935,486,371</u>	<u>767,353,989</u>
Current liabilities			
Lease liabilities	8(c)	1,832,845	-
Deferred revenue	13	51,114,984	47,860,311
Borrowings	14	29,968,047	24,815,540
Trade and other payables	16	32,629,521	2,190,409
		<u>115,545,397</u>	<u>74,866,260</u>
Total liabilities		<u>1,051,031,768</u>	<u>842,220,249</u>
Total equity and liabilities		<u>1,110,972,306</u>	<u>895,137,039</u>

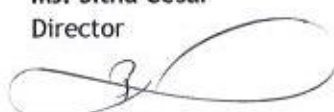
These financial statements have been approved for issue by the Board of Directors on: 29 OCT 2020



Mr. Christian Lionnet
Chairman


Ms. Sifna Cesar
Director


Mr. Ronny Palmyre
Director


Ms. Roma Edmond
Director


Mr. Denis Barbe
Director


Mrs. Gina Adelaide
Director

The notes on pages 9 to 40 form an integral part of these financial statements
Auditor General's Report on pages 3 to 3(d)

PROPERTY MANAGEMENT CORPORATION

6

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

	<u>Notes</u>	<u>2019</u>	<u>2018</u>
		SR	SR
Revenue	17	66,147,512	62,723,132
Operating expenses	18(a)	(64,605,041)	(67,027,269)
Administrative expenses	18(a)	(18,100,697)	(13,690,817)
Other income	19	26,200,027	22,336,062
Expected credit loss (charge) / reversal	11(d)	(2,618,053)	1,823,473
Profit and Total Comprehensive Income for the year		<u><u>7,023,748</u></u>	<u><u>6,164,581</u></u>

The notes on pages 9 to 40 form an integral part of these financial statements
Auditor General's Report on pages 3 to 3(d)

STATEMENT OF CHANGES IN EQUITY - YEAR ENDED DECEMBER 31, 2019

	Notes	Capital reserve SR	Revenue deficit SR	Total SR
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		<u>60,162,984</u>	<u>(222,446)</u>	<u>59,940,538</u>
At January 1, 2018				
- As previously reported		62,286,356	(4,346,761)	57,939,595
- Effect of adopting IFRS 9	27	-	(9,064,014)	(9,064,014)
As restated		<u>62,286,356</u>	<u>(13,410,775)</u>	<u>48,875,581</u>
Total comprehensive income for the year		-	6,164,581	6,164,581
Movements during the year		28,743,144	-	28,743,144
As previously reported at December 31, 2018		<u>91,029,500</u>	<u>(7,246,194)</u>	<u>83,783,306</u>
Reclassified to Deferred revenue	12(a)	(30,866,516)	-	(30,866,516)
At December 31, 2018 - Restated		<u>60,162,984</u>	<u>(7,246,194)</u>	<u>52,916,790</u>

The notes on pages 9 to 40 form an integral part of these financial statements
Auditor General's Report on pages 3 to 3(d)

STATEMENT OF CASH FLOWS - YEAR ENDED DECEMBER 31, 2019

	Notes	2019 SR	2018 SR
Cash generated from operations			
Profit for the year		7,023,748	6,164,581
<i>Adjustments for non-cash items:</i>			
Depreciation of Property & equipment	5	876,103	940,225
Depreciation of Investment properties	6	14,125,117	13,152,855
Finance income from leases	9	(18,822,397)	(18,489,341)
Amortisation of right-of-use assets	8(b)	1,706,667	-
Finance costs on lease liabilities	8(c)	65,463	-
Movement in allowance for credit impairment	11(d)	2,618,053	(1,823,473)
Retirement benefit obligations charge	15	792,062	721,948
Movements in capital reserve		-	(2,123,372)
Write off of property and equipment		-	35,491
Profit on disposal of investment properties		-	(2,743,500)
		8,384,816	(4,164,586)
<i>Changes in working capital</i>			
-(Increase) / Decrease in inventory	10	(1,480,800)	471,190
-Movement in trade and other receivables	11	(1,014,274)	9,002,629
-Increase / (Decrease) in trade and other payables	16	30,439,112	(1,366,741)
Cash generated from operations		36,328,854	3,942,492
Retirement obligations paid	15	(977,376)	(331,598)
Finance costs on lease liabilities	8(c)	(65,463)	-
Net cash inflow from operating activities		35,286,015	3,610,894
Cash flows from investing activities			
Additions to property and equipment (2018: adjusted for reclassification to Work in progress)	5/7	(666,482)	(955,840)
Additions to Investment properties	6	-	(18,400,477)
Additions to work in progress (2018: reclassified from Property & equipment)	7 & 7(a)	(214,997,943)	(156,498,270)
Proceeds from disposal of Investment properties		-	2,743,500
Finance income received	9	18,822,397	18,489,341
Net cash used in investing activities		(196,842,028)	(154,621,746)
Cash flows from financing activities			
Repayment of principal portion of lease liabilities	8(c)	(1,706,667)	-
Finance leases granted - net of discount & finance costs	9	(12,322,827)	(56,431,233)
Net receipts from finance leases	9	30,601,093	34,707,456
Movement in deferred revenue (2018: adjusted for reclassification from Capital reserve)	13	4,663,814	45,390,779
Loan received	14	200,000,000	150,000,000
Loan repayments net of finance costs	14	(29,904,279)	(11,242,562)
Net cash generated from financing activities		191,331,134	162,424,440
Net movement in cash and cash equivalents		29,775,121	11,413,588
Movements in cash and cash equivalents			
At January 1		33,181,445	21,767,857
Increase		29,775,121	11,413,588
At December 31,	21	62,956,566	33,181,445

The notes on pages 9 to 40 form an integral part of these financial statements
Auditor General's Report on pages 3 to 3(d)

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 are 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 pronouncements as issued by the IASB effective January 1, 2019:

(i) IFRS 16 Leases

The Corporation adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of January 1, 2019. The Corporation elected to use the transition practical expedient to not reassess whether a contract is or contains a lease at January 1, 2019. Instead, the Corporation applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

NOTES TO THE FINANCIAL STATEMENT - YEAR ENDED DECEMBER 31, 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) New and amended standards adopted by the Corporation (Cont'd)

(i) IFRS 16 Leases (Cont'd)

Adjustments recognised on adoption of IFRS 16 - where the Corporation is a lessee

The standard impacted the way the Corporation previously accounted for its operating leases for office buildings in Victoria and Praslin. These rental contract terms are for 2 year periods, but also have extension options. Up to, and including the 2018 financial year, as a lessee under IAS 17, the Corporation classified its leases as operating or finance leases based on its assessment of whether the leases transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Corporation. Payments made under operating leases were charged to Statement of Profit and Loss and Other Comprehensive Income on a straight-line basis over the period of the lease.

Right-of-use assets and lease liabilities were measured upon transition, January 1, 2019 by discounting lease payments to end of lease using the incremental borrowing rates. The recognised right-of-use assets and lease liabilities on date of transition amounted to SR 5.5m.

Lease liabilities in relation to leases which had previously been classified as operating leases under the principles of IAS 17 were measured at the present value of the remaining lease payments, discounted using the Corporation's weighted average incremental borrowing rates as of January 1, 2019 which was 7%.

Reconciliation of outstanding commitments under non-cancellable operating lease agreements as at December 31, 2018 to lease liability recognised as at January 1, 2019:

	SR
At January 1, 2019 (note 22(b))	
Lease commitments under IAS 17, undiscounted	1,772,130
Discounting adjustment using the incremental borrowing rate	(65,463)
Lease extension adjustment	3,798,186
Lease liability recognised as at January 1, 2019 (note 8(c))	<u>5,504,853</u>
Analysed as at January 1	
Non current	3,798,186
Current	<u>1,706,667</u>
	<u>5,504,853</u>

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**(b) New and amended standards adopted by the Corporation (Cont'd)****(i) IFRS 16 Leases (Cont'd)***Practical expedients applied by the Corporation on transition as permitted by IFRS 16*

- The Corporation applied the practical expedient per IFRS 16 C3 in that the IFRS 16 definition of a lease would only be applied to assess whether contracts entered into after the date of initial application (January 1, 2019) are, or contain leases and electing not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Corporation relied on its assessment made by applying IAS 17 and IFRIC-4 *Determining Whether an Arrangement Contains a Lease*. Hence, all contracts previously assessed not to contain leases were not reassessed.
- The Corporation applied the recognition exemptions for short-term leases (a lease that, at the commencement date, has a lease term of 12 months or less) if any.
- The Corporation used hindsight in determining the lease term if the contracts contained options to extend or terminate the respective leases.
- Initial direct costs if any, were excluded from the measurement of the right-of-use asset at the date of initial application.

Adjustments recognised on adoption of IFRS 16 - where the Corporation is a lessor

Assets leased to third parties under operating leases are included in investment properties in the Statement of Financial Position. The Corporation did not make any adjustments to the accounting for assets held as lessor as a result of adopting IFRS 16. Refer note 2(f)(i) for accounting policy details.

(ii) IFRIC 23 Uncertainty over Income Tax Treatments

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

(iii) Prepayment features with negative compensation (Amendments to IFRS 9)

This enables entities to measure certain prepayable financial assets with negative compensation at amortised cost. These assets, which include some loan and debt securities, would otherwise have to be measured at fair value through Statement of Profit or Loss. To qualify for amortised cost measurement, the negative compensation must be reasonable compensation for early termination of the contract and the asset must be held within a 'held to collect' business model. *The amendments have no impact on the Corporation's financial statements.*

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**(b) New and amended standards adopted by the Corporation (Cont'd)****(iv) Annual Improvements to IFRSs 2015 - 2017 Cycle**

IFRS 3 - clarified that obtaining control of a business that is a joint operation is a business combination achieved in stages;

IFRS 11 - clarified that party obtaining joint control of a business that is a joint operation should not remeasure its previously held interest in the joint operation;

IAS 12 - clarified that income tax consequences of dividends on financial instruments classified as equity should be recognised according to where the past transactions or events that generated distributable profits were recognised; and

IAS 23 - clarified that, if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings.

The amendments have no impact on the Corporation's financial statements.

(v) Long-term interests in Associates and Joint Ventures (Amendments to IAS 28)

The amendment clarifies the accounting for long-term interests in an Associate or Joint venture, which in substance form part of the net investment in the Associate or Joint venture, but to which equity accounting is not applied. Entities must account for such interests under IFRS 9 before applying the loss allocation and impairment requirements in IAS 28. *The amendment had no impact on the Corporation's financial statements.*

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

The amendment clarifies that entities must calculate the current service cost and net interest for the remainder of the reporting period after a plan amendment, curtailment or settlement by using the updated assumptions from the date of the change;

Recognise any reduction in a surplus immediately in Statement of Profit or Loss, either as part of past service cost or as a gain or loss on settlement. In other words, a reduction in a surplus must be recognised in Statement of Profit or Loss even if that surplus was not previously recognised because of the impact of the asset ceiling; and

Separately recognise any changes in the asset ceiling through Other Comprehensive Income.

The amendments have no impact on the Corporation's financial statements.

NOTES TO THE FINANCIAL STATEMENT - YEAR ENDED DECEMBER 31, 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**(c) Standards, Amendments to published Standards and Interpretations issued but not yet effective**

Certain standards, amendments to published standards and interpretations have been issued that are mandatory for accounting periods beginning on or after January 1, 2020 or later periods, but which the Corporation has not early adopted.

At the reporting date the following amendments were in issue but not yet effective:

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28);
- IFRS 17 Insurance Contracts;
- Definition of a Business (Amendments to IFRS 3);
- Definition of Material (Amendments to IAS 1 and IAS 8); and
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7).

Where relevant, the Corporation is still evaluating the effect of these Standards, Amendments to published Standards and Interpretations issued but not yet effective, on the presentation of its financial statements.

(d) 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.

NOTES TO THE FINANCIAL STATEMENT - YEAR ENDED DECEMBER 31, 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**(d) Property and equipment (Cont'd)**

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.

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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**(f) Leases (Cont'd)***(i) The Corporation is a lessee (Cont'd)*

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.

Accounting policy applied until December 31, 2018 - The Corporation as a lessee

Leases where the lessor retains substantially all the risks and rewards of ownership were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged or credited to the Statement of Profit and Loss on a straight-line basis over the period of the lease. The Corporation had no finance leases as a lessee as at December 31, 2018.

(g) Inventory

Inventory comprises parcels of land which are initially recognised at cost. Subsequent to initial 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.

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

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**(h) Financial instruments (Cont'd)****(i) Financial assets (Cont'd)***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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**(h) Financial instruments (Cont'd)****(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.

(i) Capital reserve

The stated capital originates from the contra credit entries to net assets transferred from HFC 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.

NOTES TO THE FINANCIAL STATEMENT - YEAR ENDED DECEMBER 31, 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**(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 benefit 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**(l) Revenue recognition (Cont'd)****Rental income**

Rental income is accounted on accrual basis.

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 sale 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**(o) Foreign currencies (Cont'd)*****(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.

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.

NOTES TO THE FINANCIAL STATEMENT - YEAR ENDED DECEMBER 31, 2019

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,

Sub Group	Trade Receivables at amortised cost		Provision for credit impairment		Carrying Amount	
	2019	2018	2019	2018	2019	2018
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
(i) Commercial Properties	698,075	863,300	359,548	485,822	338,527	377,478
(ii) Expatriates	3,606,795	3,020,472	2,879,207	1,206,796	727,588	1,813,676
(iii) Social Housing	14,029,964	11,611,473	10,186,511	9,114,595	3,843,453	2,496,878
(iv) Others (**)	19,027,460	20,938,871	-	-	19,027,460	20,938,871
TOTAL	37,362,294	36,434,116	13,425,266	10,807,213	23,937,028	25,626,903

(**) Others comprise mainly balances recoverable from Housing Finance Company Limited which are deductible from clients Savings A/c as well as balances recoverable from clients for whom the Corporation made payments to contractors in anticipation of them obtaining a loan from their banks. No ECL has been provided on this balance based on Directors opinion that the risk of default is low and will be recovered through mutual understanding between these related parties.

Others include also loans and other receivables (see note 11(e)).

NOTES TO THE FINANCIAL STATEMENT - YEAR ENDED DECEMBER 31, 2019

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 11(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 SR	Between 1 to 5 years SR	After 5 years SR	Total SR
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
	<u>64,430,413</u>	<u>148,599,600</u>	<u>132,250,853</u>	<u>345,280,866</u>
At 31 December 2018:				
Borrowings	24,815,540	70,698,413	43,243,485	138,757,438
Trade and other payables	2,190,409	-	-	2,190,409
	<u>27,005,949</u>	<u>70,698,413</u>	<u>43,243,485</u>	<u>140,947,847</u>

(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.

NOTES TO THE FINANCIAL STATEMENT - YEAR ENDED DECEMBER 31, 2019

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).

During 2019, the Corporation's strategy, which was unchanged from 2018, was to maintain the debt-to-adjusted capital ratio at a reasonable level. However it is the Corporation's present policy to obtain finance from its Shareholders. The Shareholders, will make contributions to the Corporation to service the debt in line with the budget.

	2019	2018
	SR	SR
Total debt	308,853,159	138,757,438
Less cash and cash equivalents	(62,956,566)	(33,181,445)
Net debt	245,896,593	105,575,993
Shareholders' equity	59,940,538	52,916,790
Debt-to-adjusted capital ratio	4.10	2.00

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, 11 and 21.

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 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.

NOTES TO THE FINANCIAL STATEMENT - YEAR ENDED DECEMBER 31, 2019

5. PROPERTY AND EQUIPMENT

COST	Land	Furniture and equipment	Motor vehicles	Total
	SR	SR	SR	SR
At January 1, 2018	60,000	3,447,352	1,966,981	5,474,333
Additions	-	525,840	430,000	955,840
Disposals	-	(108,568)	(199,094)	(307,662)
At December 31, 2018	60,000	3,864,624	2,197,887	6,122,511
Additions	-	282,482	384,000	666,482
At December 31, 2019	60,000	4,147,106	2,581,887	6,788,993
ACCUMULATED DEPRECIATION				
At January 1, 2018	-	2,509,079	1,501,825	4,010,904
Charge for the year	-	561,819	378,406	940,225
Disposal adjustment	-	(73,077)	(199,094)	(272,171)
At December 31, 2018	-	2,997,821	1,681,137	4,678,958
Charge for the year	-	431,567	444,536	876,103
At December 31, 2019	-	3,429,388	2,125,673	5,555,061
NET BOOK VALUES				
At December 31, 2019	60,000	717,718	456,214	1,233,932
At December 31, 2018	60,000	866,803	516,750	1,443,553

- (a) Work in progress amounting to SR 163.9m classified under Property and equipment in 2018 is now shown as a separate line item on the face of the Statement of Financial Position and therefore the balance for 2018 has been reclassified accordingly. Refer to note 7(a).

6. INVESTMENT PROPERTIES

COSTS / DEEMED COSTS	2019	2018
	SR	SR
At January 1,	351,498,740	333,858,358
Additions - Transfer from work in progress (note 7)	36,353,432	-
Additions - from Government of Seychelles	-	18,400,477
Disposals	-	(760,095)
At December 31,	387,852,172	351,498,740
ACCUMULATED DEPRECIATION		
At January 1,	148,200,135	135,807,375
Charge for the year (notes 13 & 19)	14,125,117	13,152,855
Disposal adjustment	-	(760,095)
At December 31,	162,325,252	148,200,135
NET BOOK VALUE		
At December 31,	225,526,920	203,298,605

- (a) Investment properties comprised commercial properties that are leased out to third parties.

NOTES TO THE FINANCIAL STATEMENT - YEAR ENDED DECEMBER 31, 2019

7. WORK IN PROGRESS

	2019	2018
	SR	SR
At January 1,	156,498,270	-
Reclassification from property and equipment (note 7(a))	-	156,498,270
Additions	214,997,943	-
Transfers	(137,812,479)	-
- Finance lease (note 9)	(101,459,047)	-
- Investment properties (note 6)	(36,353,432)	-
At December 31,	233,683,734	156,498,270

(a) *Reclassification*

The Corporation is presently constructing properties through borrowings and repayments guaranteed by the Government of Seychelles. During the year, the Directors decided to present Work in progress as a separate line item 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. Below are details of the reclassification:

	As previously classified under Work in progress	Reclassified to Work in progress (SOFP)	Reclassified to Deferred revenue (note 13(b))
	SR	SR	SR
Work in progress 2018	163,867,362	156,498,270	7,369,092

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.
- (b) Right-of-use assets
Carrying amount of right-of-use assets and the movement noted during the period under review is as follows.

	2019
	SR
At January 1 - effect of adoption of IFRS 16	5,504,853
Charge for the year (note 18)	(1,706,667)
At December 31,	3,798,186

- (c) Lease liabilities is as follows:

	2019
	SR
At January 1 - effect of adoption of IFRS 16	5,504,853
Finance costs (note 18)	65,463
Payments	(1,772,130)
As December 31,	3,798,186
Analysed as:	
Non-current portion	1,965,341
Current portion	1,832,845
	3,798,186

NOTES TO THE FINANCIAL STATEMENT - YEAR ENDED DECEMBER 31, 2019

9. FINANCE LEASE RECEIVABLES

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

	2019	2018
	SR	SR
Total gross investment in finance lease at January 1,	814,650,515	786,289,281
Leases granted during the year: From work in progress (Note 7)	101,459,047	-
From Cost of House (Note 13)	15,038,047	56,431,233
Discount on transfer from House rental to House Purchase (Note 13)	(1,653,581)	-
Repayments received: Principal amount (Note 13)	(30,601,093)	(34,707,456)
Finance income (Note 17)	(18,822,397)	(18,489,341)
Unearned finance income on movements during the year (Note 9(c))	42,000,758	25,126,798
Total gross investment in finance lease at December 31,	922,071,296	814,650,515
- Not later than one year	55,392,227	45,252,087
- Later than one year but not later than five years	221,568,908	181,008,348
- Later than five years	645,110,161	588,390,080
Unearned finance income	(365,305,508)	(341,065,508)
Net investment in finance lease	556,765,788	473,585,007
Represented by:		
Present value of minimum lease instalments	556,765,788	473,585,007
- Not later than one year	40,638,672	35,383,942
- Later than one year but not later than five years	162,554,688	141,535,768
- Later than five years	353,572,428	296,665,297
At December 31,	556,765,788	473,585,007
Analysed as:		
Non-current	516,127,116	438,201,065
Current	40,638,672	35,383,942
	556,765,788	473,585,007

(a) The carrying amounts of finance lease receivables approximate their amortised costs.

(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.

(c) The lease repayment period used in the determination of unearned finance income was calculated on the assumption that the loan balance at December 31, 2019 represented the the present value of the loan. Some repayment periods are not aligned to the loan balance, ranging upto 150 years, and as such, Management adopted several assumptions which are yet to be formalised in future years.

NOTES TO THE FINANCIAL STATEMENT - YEAR ENDED DECEMBER 31, 2019

10. INVENTORIES

	2019	2018
	SR	SR
Parcels of land	1,480,800	-

11. TRADE AND OTHER RECEIVABLES

	2019	2018
	SR	SR
Trade receivables	36,317,210	35,955,698
Loans and other receivables	1,045,084	478,418
Total receivables before ECL (note 3.1(a))	37,362,294	36,434,116
Less: provision for impairment (Note 11(c)(ii))	(13,425,266)	(10,807,213)
Trade receivables - net	23,937,028	25,626,903
Deposit receivable	-	15,679
Total financial assets	23,937,028	25,642,582
Prepayments	1,589,352	1,487,577
Total trade and other receivables	25,526,380	27,130,159

- (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.

NOTES TO THE FINANCIAL STATEMENT - YEAR ENDED DECEMBER 31, 2019

11. 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, 2019

(i) Commercial Properties

	Trade receivables - days past due				Total SR
	0 - 30 days	31-60 days	61-90 days	>90 days	
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

(ii) Expatriate

	Trade receivables - days past due				Total SR
	0 - 30 days	31-60 days	61-90 days	>90 days	
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				Total SR
	0 - 30 days	31-60 days	61-90 days	>90 days	
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 11(d))	356,177	138,966	148,519	12,781,604	13,425,266

NOTES TO THE FINANCIAL STATEMENT - YEAR ENDED DECEMBER 31, 2019

11. TRADE AND OTHER RECEIVABLES (CONT'D)

(c) Credit Loss Allowances (Cont'd)

(ii) At December 31, 2018

(i) Commercial Properties

	Trade receivables - days past due			Total SR
	0 - 30 days	31-60 days	61-90 days >90 days	
Expected credit loss rate (%)	56.27%	56.28%	56.27%	56.27%
Estimated gross carrying amount at default (SR)	282,975	89,350	82,225	408,750
Lifetime allowance for credit losses (SR)	159,244	50,282	46,272	230,024
				485,822

(ii) Expatriate

	Trade receivables - days past due			Total SR
	0 - 30 days	31-60 days	61-90 days >90 days	
Expected credit loss rate (%)	39.95%	39.95%	39.95%	39.95%
Estimated gross carrying amount at default (SR)	1,466,272	60,500	57,500	1,436,200
Lifetime allowance for credit losses (SR)	585,833	24,172	22,973	573,818
				1,206,796

(iii) Social Housing

	Trade receivables - days past due			Total SR
	0 - 30 days	31-60 days	61-90 days >90 days	
Expected credit loss rate (%)	78.50%	78.50%	78.50%	78.50%
Estimated gross carrying amount at default (SR)	1,328,909	368,905	350,064	9,563,595
Lifetime allowance for credit losses (SR)	1,043,147	289,576	274,788	7,507,084
	1,788,224	364,030	344,033	8,310,926
Total allowance for credit losses (note 11(d))				10,807,213

NOTES TO THE FINANCIAL STATEMENT - YEAR ENDED DECEMBER 31, 2019

11. 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		Social Housing		Total	
	SR		SR		SR		SR	
At January 1, 2018	-		-		3,115,272		3,115,272	
- As previously reported	180,214		1,184,043		8,151,157		9,515,414	
- Effect upon application of IFRS 9 (note 27)	180,214		1,184,043		11,266,429		12,630,686	
As restated	305,608		22,753		(2,151,834)		(1,823,473)	
Charge/(Credit) during the year (page 6)	485,822		1,206,796		9,114,595		10,807,213	note 11(c)(ii)
At December 31, 2018	(126,274)		1,672,411		1,071,916		2,618,053	
(Credit) / Charge during the year (page 6)	359,548		2,879,207		10,186,511		13,425,266	note 11(c)(ii)
At December 31, 2019 (note 11(c))								

Sensitivity analysis

If the ECL rates on trade receivables between 61 and 90 days past due had been 5% higher (lower) as of December 2019, the loss allowance would have been SR 7,426 (2018: SR 17,201) higher / lower.

- (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.

NOTES TO THE FINANCIAL STATEMENT - YEAR ENDED DECEMBER 31, 2019

12. CAPITAL RESERVE

	2019	Reclassified 2018
	SR	SR
At January 1,	60,162,984	62,286,356
Other movements (note 12(b))	-	(2,123,372)
At December 31,	<u>60,162,984</u>	<u>60,162,984</u>

(a) *Reclassification*

Amounts previously classified under Capital reserve in 2018 have been reclassified to deferred revenue (note 13) since these were in respect of refunds on loans received from the Government of Seychelles and will only be amortised when construction of properties are completed. The balance for 2018 also included grants for repairs and maintenance received but yet to be utilised by the Corporation. Therefore, the following reclassifications were done.

	2018
	SR
Capital reserve as previously reported	91,029,500
Reclassified loan repayments to Deferred revenue (note 13(b))	(24,815,538)
Reclassified grants received for repairs and maintenance (note 13)	(6,050,978)
As restated	<u>60,162,984</u>

- (b) Other movements of 2018 related mainly to 25% discount given to eligible customers by the Government. During 2016, the Government affirmed that tenants on House Rental Agreement and eligible to purchase the houses were also supposed to benefit from the discount, after making applications to Ministry of Habitat, Infrastructure and Land Transport for considerations. However, the vetting process took a long time and was only approved in 2018.

13. DEFERRED REVENUE

	2019	Reclassified 2018
	SR	SR
At January 1,	700,381,036	649,912,213
Additions for the year:		
Lease receivables (note 9)	15,038,047	56,431,233
Investment properties (note 6)	-	18,400,477
Amortisation for the year:		
Lease receivables (note 9)	(30,601,093)	(34,707,456)
Investment properties (note 6)	(14,125,117)	(13,152,855)
Discount on transfer from House rental to House purchase (note 17)	(1,653,581)	-
Funds received to repay loans ((2018: note 13(b)) & note 13(c))	33,947,521	17,446,446
Deferred grants for repairs and maintenance (note 12(a))	4,735,193	6,050,978
Other movements - discounts on assets from the GoS (note 12(b))	(2,677,156)	-
At December 31,	<u>705,044,850</u>	<u>700,381,036</u>
Analysed as:		
Non-current	653,929,866	652,520,725
Current	51,114,984	47,860,311
	<u>705,044,850</u>	<u>700,381,036</u>

- (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 2019 related to discounts given to eligible customers by the GoS.

NOTES TO THE FINANCIAL STATEMENT - YEAR ENDED DECEMBER 31, 2019

13. DEFERRED REVENUE (CONT'D)

(b) Funds received from the Government to repay loans	2018
	SR
Gross loans repayments received (note 12(a))	24,815,538
Less interest previously classified under Work in progress (note 7(a))	(7,369,092)
As reclassified (note 13)	<u>17,446,446</u>
(c) Finance costs have been netted off against corresponding re-imbursement from the Government of Seychelles. An amount of SR 56.8m (2018: 24.8m) was received during the year which comprised interest of SR 22.9m (2018: SR 7.4m).	

14. BORROWINGS

	2019	2018
	SR	SR
At January 1,	138,757,438	-
Amount received from SPF (notes 14(a) & 14(c))	-	150,000,000
Amount received from Nouvobanq (notes 14(b) & 14(c))	200,000,000	-
Repayments during the year - net	(29,904,279)	(11,242,562)
At December 31,	<u>308,853,159</u>	<u>138,757,438</u>
Analysed as follows:		
Non current	278,885,112	113,941,898
Current	29,968,047	24,815,540
	<u>308,853,159</u>	<u>138,757,438</u>

- (a) The Corporation borrowed an amount of SR 150m in 2018 from Seychelles Pension Fund (SPF) for construction of ongoing 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) During the year ended 2019, the Corporation also borrowed an amount of 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) The above two loans are secured and guaranteed by the Government of Seychelles (GoS) which is also committed to refund the loans through grants to the Corporation.

15. RETIREMENT BENEFIT OBLIGATIONS

	2019	2018
	SR	SR
At January 1,	891,366	501,016
Paid during the year	(977,376)	(331,598)
Charge for the year (note 20)	792,062	721,948
At December 31,	<u>706,052</u>	<u>891,366</u>

- (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.

NOTES TO THE FINANCIAL STATEMENT - YEAR ENDED DECEMBER 31, 2019

16. TRADE AND OTHER PAYABLES

	2019	2018
	SR	SR
Trade payables	4,914,028	1,465,155
Deposits from Self-financing project (note 16(a))	21,777,100	-
Other creditors and accrued expenses	5,938,393	725,254
	<u>32,629,521</u>	<u>2,190,409</u>

- (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.

17. REVENUE

	2019	2018
	SR	SR
Rental income	43,709,751	40,836,365
Finance income on finance lease (note 9)	18,822,397	18,489,341
Other finance income	793,633	979,126
Other income	1,168,150	2,418,300
Discount on transfers ((note 13) & (note 17(a)))	1,653,581	-
	<u>66,147,512</u>	<u>62,723,132</u>

- (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.

18. OPERATING EXPENSES

	2019	2018
	SR	SR
Employee benefit expense (note 20)	11,779,533	10,218,543
Audit fees and consultancy fees	385,250	299,000
Depreciation on property and equipment (note 5)	876,103	940,225
Depreciation on investment properties (note 6)	14,125,117	13,152,855
Amortisation of right-of-use assets (note 8(b))	1,706,667	-
Finance costs on lease liabilities (note 8(c))	65,463	-
Repairs and maintenance expense	42,653,571	42,842,031
Insurance expense	1,662,011	1,589,003
Legal and professional fees	564,840	455,450
Social housing rental	5,288,239	8,503,155
Write offs	983,243	35,491
Other expenses	2,615,701	2,682,333
Total operating and administrative expenses	<u>82,705,738</u>	<u>80,718,086</u>

- (a) *Analysed as:*

	2019	2018
	SR	SR
Operating expenses	64,605,041	67,027,269
Administrative expenses (note 19(a)(2018))	18,100,697	13,690,817
	<u>82,705,738</u>	<u>80,718,086</u>

NOTES TO THE FINANCIAL STATEMENT - YEAR ENDED DECEMBER 31, 2019

19. OTHER INCOME

	2019	2018
	SR	SR
Insurance claims received	321,500	8,461
Other income (note 19(a))	6,545,388	1,724,480
Funds from Ministry of Finance, Trade & Economic planning	5,208,022	4,706,766
Amortisation of Investment properties (note 6)	14,125,117	13,152,855
Profit on disposal of investment properties	-	2,743,500
	<u>26,200,027</u>	<u>22,336,062</u>

- (a) Amount of SR 2.8m previously disclosed in 2018 as an administration expense has now been offset against the related income bringing the reported balance of SR 4.5m to SR 1.7m as above.

20. EMPLOYEE BENEFIT EXPENSE

	2019	2018
	SR	SR
Salaries and wages	9,476,978	8,442,528
Directors remuneration (note 20(a))	345,666	228,653
Pension contributions	256,049	182,181
Retirement benefit obligation provision (note 15)	792,062	721,948
Other staff costs	908,778	643,233
	<u>11,779,533</u>	<u>10,218,543</u>

- (a) *Directors' remuneration*

	2019	2018
	SR	SR
Gilbert Madeleine	82,559	53,100
Sitna Cesar	70,804	42,480
Ronny Palmyre	59,301	35,400
Roma Edmond	59,301	35,400
Denis Barbe	59,301	35,400
Michel Bistoquet	-	13,373
Irene Moosa (Corporation Secretary)	14,400	13,500
	<u>345,666</u>	<u>228,653</u>

21. CASH AND CASH EQUIVALENTS

	2019	2018
	SR	SR
Cash at bank	62,943,566	33,175,445
Cash in hand	13,000	6,000
	<u>62,956,566</u>	<u>33,181,445</u>

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

22. COMMITMENTS

- (a) **Capital commitments**

Capital commitments as at December 31, 2019 amounted to SR 10.99m (2018: 820k).

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

The Corporation leases accommodations 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, 2018 amounted to SR 1.8m, all within one year.

23. CONTINGENT LIABILITIES

There were no contingent liabilities as at December 31, 2019 (2018: Nil).

NOTES TO THE FINANCIAL STATEMENT - YEAR ENDED DECEMBER 31, 2019

24. RELATED PARTY TRANSACTIONS AND BALANCES

	2019	2018
	SR	SR
Transactions		
Directors' remunerations (note 20(a))	345,666	228,653
Ministry of Finance, Trade and Economic Planning (MFTEP)	62,563,557	-
Seychelles Pension Fund (note 14)	31,460,118	-
Seychelles International Mercantile Banking Corporation Limited (note 14)	21,342,167	-
Balances		
Ministry of Finance, Trade and Blue Economy	(4,735,193)	(6,051,278)
Housing Finance Corporation	16,117,301	13,863,274
Seychelles Pension Fund (note 14)	(123,970,625)	(138,757,438)
Seychelles International Mercantile Banking Corporation Limited (note 14)	(184,882,534)	-
Ministry of Finance, Trade and Economic Planning (MFTEP)	(56,845,527)	(24,815,538)

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

(b) Key management personnel

	2019	2018
	SR	SR
Salaries and other benefits	475,200	396,000
Pension costs	20,400	9,900
	495,600	405,900

25. 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

As part of the measures undertaken by the Government of Seychelles to deal with COVID-19 pandemic, Property Management Corporation is providing clients who are on a House Purchase Agreement, a 25% concession on their monthly repayments for the period starting and ending September 2020 and December 2021 respectively.

Through this concession, the GoS will refund 25% of the monthly payments to the Property Management Corporation, for a total of 3,200 customers who are under Housing Purchase Agreements as well as new people who will receive Government housing on Housing Purchase Agreements from the Corporation between September 2020 and December 2021.

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2019

25. 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.

26. FIVE YEAR FINANCIAL SUMMARY

	Restated				
	Year	Year	Year	Year	Year
	2019	2018	2017*	2016*	2015*
Profit / (Loss) for the year	7,023,748	6,164,581	4,087,089	(6,240,129)	(6,388,496)
(Revenue deficit) / Retained earnings brought forward	(7,246,194)	-	(8,433,850)	(2,193,721)	4,194,775
Revenue deficit brought forward - restated (note 27)	-	(13,410,775)	-	-	-
Revenue deficit carried forward	(222,446)	(7,246,194)	(4,346,761)	(8,433,850)	(2,193,721)
EQUITY					
Capital reserve **	60,162,984	60,162,984	62,286,356	62,286,356	54,501,835
Revenue deficit	(222,446)	(7,246,194)	(4,346,761)	(8,433,850)	(2,193,721)
Total equity	59,940,538	52,916,790	57,939,595	53,852,506	52,308,114

* 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.

27. EFFECT OF IMPLEMENTATION OF IFRS 9

The implementation of IFRS 9 is as shown below:

Impact on the Statement of financial position

Revenue deficit at January 1, 2018

Allowance for credit impairment from incurred loss method per IAS 39 to expected credit loss method per IFRS 9

-Trade and other receivables (note 11(d))

-Finance lease receivables reversed

As restated

At January 1,
2018

SR

(4,346,761)

(9,064,014)

(9,515,414)

451,400

(13,410,775)

