

Public Enterprises

Annual Report

2019

February 2021



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Abbreviations and acronyms

ACM	ACM & Associates	NISA	National Information Services Agency
AFD	Agence Française de Développement	OAG	Office of the Auditor General
AFS	Annual Financial Statements	OICL	Opportunity Investment Company Ltd
AS	Air Seychelles Ltd	OVP	Office of the Vice-President
BADEA	Arab Bank for Economic Development in Africa	PDEE	Paradis des Enfants Entertainment Ltd
BDRI	Bois de Rose Investment Ltd	PE	Public Enterprise
BDO	BDO Associates	PEMC	Public Enterprise Monitoring Commission
bnSCR	Billion Seychelles Rupees	PMC	Property Management Corporation
CBS	Central Bank of Seychelles	PS	Petro Seychelles Ltd
DBS	Development Bank of Seychelles	PTC	Praslin Transport Company
EIB	European Investment Bank	PUC	Public Utilities Corporation
EUR	Euro	QFA	Quasi-Fiscal Activity
FSA	Financial Services Authority	ROA	Return on Assets
GBP	British pound sterling	ROCE	Return on Capital Employed
GDP	Gross Domestic Product	ROE	Return on Equity
GICC	Green Island Construction Company Ltd	SCAA	Seychelles Civil Aviation Authority
GOIC	Green Oak Investment Company Ltd	SCB	Seychelles Commercial Bank Ltd
GOS	Government of Seychelles	SCI	Statement of Corporate Intent
GTIC	Green Tree Investment Company Ltd	SCR	Seychelles Rupee
HFC	Housing Finance Company Ltd	SEYPEC	Seychelles Petroleum Company Ltd
IDC	Islands Development Company Ltd	SIMBC	Seychelles International Mercantile Banking Corporation Ltd (Nouvobanq)
IFRS	International Financial Reporting Standards	SOE	State-Owned Enterprise
IMF	International Monetary Fund	SPF	Seychelles Pension Fund
I'UE	L'Union Estate Ltd	SPA	Seychelles Ports Authority
MEECC	Ministry of Environment, Energy and Climate Change	SPS	Seychelles Postal Services Ltd
MHILT	Ministry of Habitat, Infrastructure, and Land Transport	SPTC	Seychelles Public Transport Corporation
MoFTIEP	Ministry of Finance, Trade, Investment and Economic Planning	SRC	Seychelles Revenue Commission
MoTCAPM	Ministry of Tourism, Civil Aviation, Ports and Marine	SSI	Société Seychelloise d'Investissement Ltd
mSCR	Million Seychelles Rupees	STC	Seychelles Trading Company Ltd
mUSD	Million U.S. dollar	2020 DC	2020 Development (Seychelles) Ltd

Introduction

The Annual Public Enterprise Report 2019 (PEs report 2019) aims to inform the Government of Seychelles (GoS), the legislature, the general public and other stakeholders on the overall performance and evolution of the Public Enterprise sector (PE sector) in 2019. This report is also aimed at improving transparency and disclosure of the PE sector. It follows the good practice guidance contained in the OECD guidelines on Corporate Governance of State-Owned Enterprises.

The Public Enterprise Monitoring Commission (PEMC) is mandated by its enabling legislation to exercise oversight of the PE sector. The overarching objective is to “ensure that Public Enterprises (PEs) are properly controlled and managed for better performance, transparency, accountability and to enhance the efficiency and competitiveness of the economy.”

In 2019, there were thirty-one PEs operating in various sectors of the economy (ref. Appendix 1). Amongst these, twenty-five PEs were wholly owned by GoS, and four were owned through majority shareholding. The remaining two PEs consist of the Opportunity Investment Company Ltd (OICL) and the Seychelles Pension Fund (SPF); the former is a subsidiary of the SPF and the latter is a body corporate established by law to administer the pension fund and is under the control of GoS¹.

The shareholder in ten limited liability companies on behalf of GoS is the Société Seychelloise d'Investissement Ltd (SSI), which also holds minority shareholdings in several companies on behalf of GoS. For reporting purposes, PEMC classifies the PEs into four main sectors: Energy, Financial services, Transport, and Services and development.

The data for 2019 shows that the PEs remained important actors in the economy by their contribution to taxation, dividends, service provision and the pursuit of public policy objectives.

During 2019, some PEs failed to comply with the reporting obligations stipulated in Part V of the PEMC Act. PEs' selective or non-compliance to the PEMC Act and other governing legislation, such as late or non-submission of Annual Financial Statements (AFS), has affected the availability and quality of data used in this report.

At this juncture, it is important to note that the AFS for the year 2019 of Air Seychelles Ltd, Paradis Des Enfants Entertainment Ltd (PDEE), Seychelles Postal Services Ltd and 2020 Development Company Ltd have not been submitted to PEMC. Consequently, draft statements were used for this report.

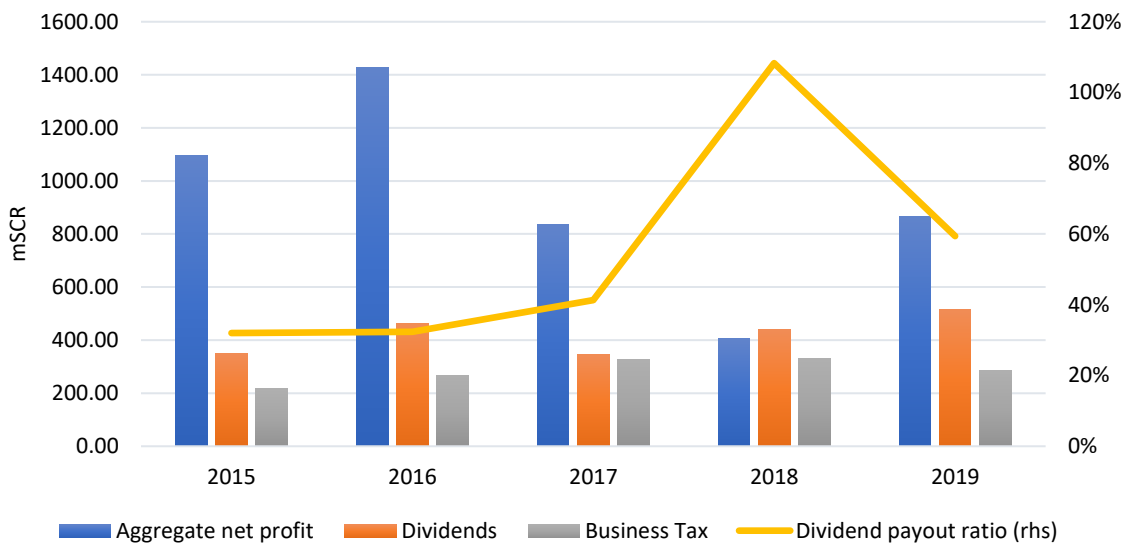
¹ As per the definition in the IMF GFS Manual 2014, p.27

1 Overview

1.1 Aggregate statistics on the PE sector

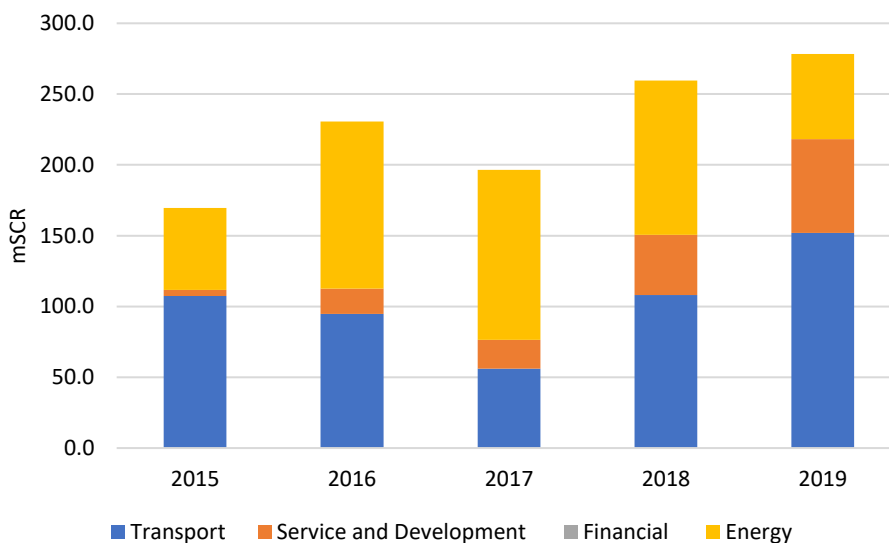
In 2019 the aggregate net profit of the PEs amounted to mSCR865, equivalent to 4% of GDP. The Financial sector reported the highest profit amongst the four sectors, equivalent to 2% of GDP, and the Transport sector was the least profitable with a net profit of mSCR79.9. The 2019 aggregate profit for all sectors was 113% higher than for 2018, primarily due to a reduction in net losses of Air Seychelles (ref. 3.1 Air Seychelles) and an improvement in the result of Seychelles Petroleum Company Ltd (SEYPEC) (ref. 3.7 SEYPEC). Aggregate net revenue amounted to bnSCR11.9 and showed an increase of 1% above 2018.

Figure 1. Aggregate net profit, dividends and taxes of PEs



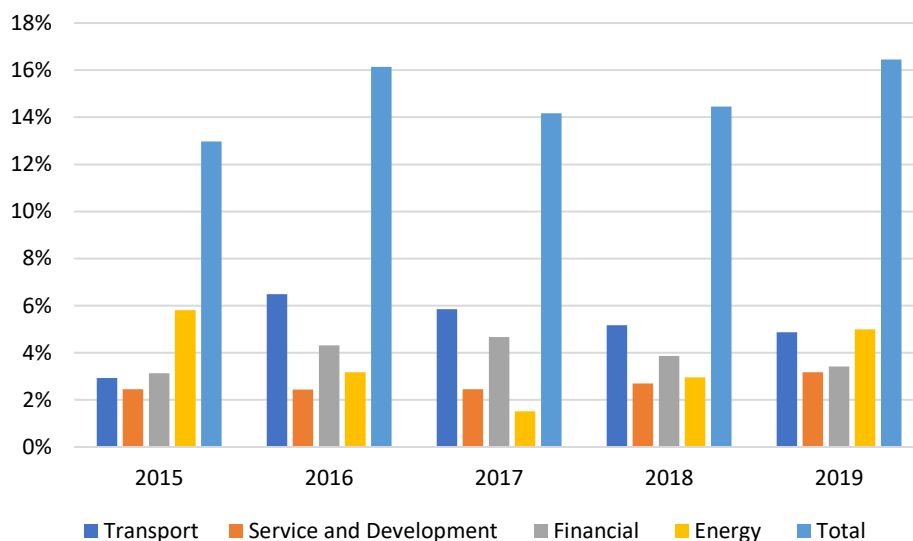
The PE sector made a net contribution of mSCR521 to the Budget in 2019. A total dividend of mSCR514 was paid to the Budget, representing 59% of the PE sector’s total aggregate profit. The PEs expensed Business Tax of mSCR285 for 2019, and a total of mSCR278 subsidy was received from the Budget.

Figure 2. Subsidies and capital grants received by PEs



The net profit was generated by an asset base of bnSCR32, equivalent to 140% of GDP. Total liabilities represented 72% of GDP, comprising of borrowings worth 16% of GDP.

Figure 3. Borrowings as a percentage of GDP



The PE sector employed an average of 6,413 personnel in 2019, representing 12% of national employment.

1.2 Overall PE financial performance and major trends of the PE sector

1.2.1 Net profit/ loss

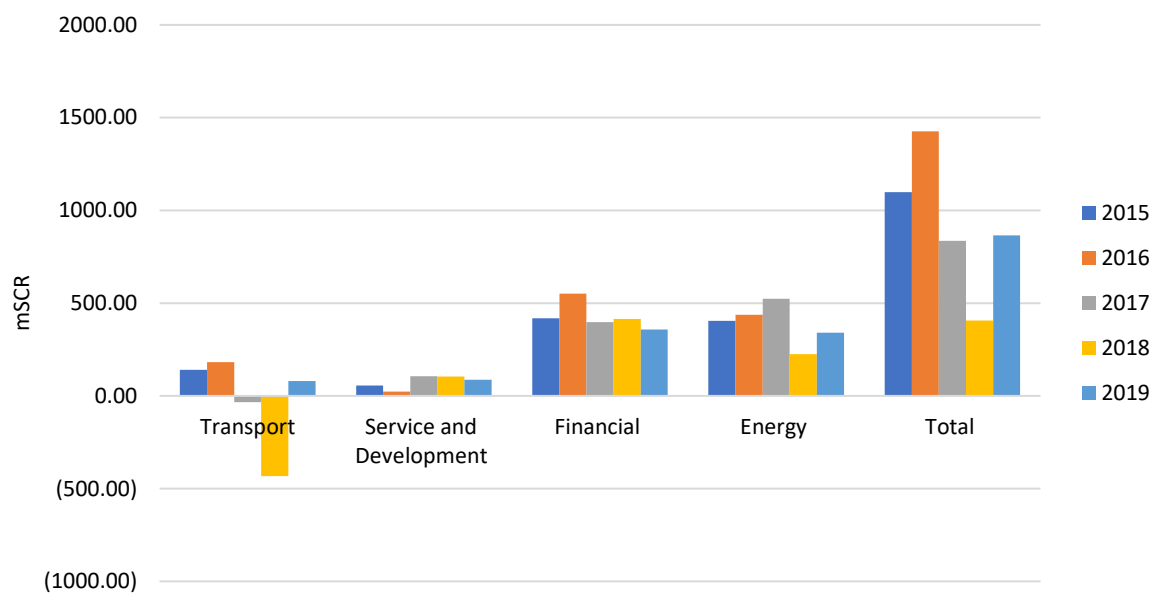
The PE sector reported a net profit after tax of mSCR865.5 for 2019; a 113% (mSCR459) improvement compared to 2018. The PEs' 2019 aggregate net profit after tax corresponds to 4% of GDP, as opposed to 2% in 2018.

Five PEs reported losses in 2019, namely Air Seychelles, Green Tree Investment Company Ltd (GTIC), Petro Seychelles Ltd (Petro Seychelles), Paradis Des Enfant Entertainment Ltd (PDEE) and Seychelles Postal Services Ltd (SPS).

On the other hand, the Seychelles Public Transport Corporation (SPTC) reported a profit of mSCR27.6 in 2019 after incurring consecutive losses for the past five years. It reported a net profit margin of 20% as compared to -14% from the preceding year. This was associated with insurance compensation for fire damage at its Bois De Rose depot (ref. 3.9 SPTC).

Additionally, nine PEs reported a reduction in their net profit margin for 2019 as compared to 2018, namely Development Bank of Seychelles (DBS), Financial Services Authority (FSA), Housing Finance Company Ltd (HFC), Islands Development Company Ltd (IDC), National Information Service Agency (NISA), Public Utilities Corporation (PUC), Seychelles Civil Aviation Authority (SCAA), Seychelles Ports Authority (SPA) and Seychelles Pension Fund (SPF).

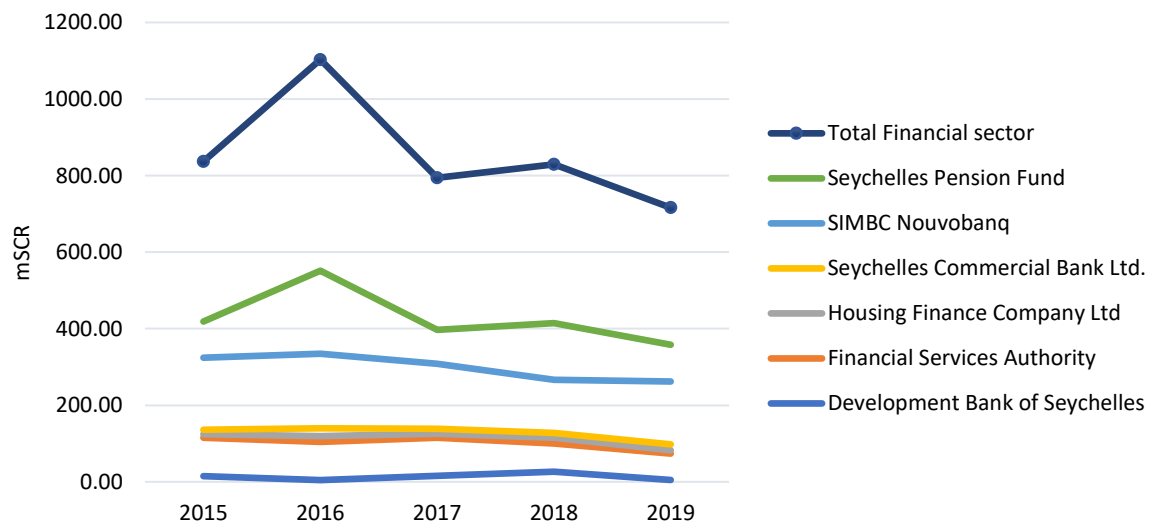
Figure 4. Aggregate net profit after tax per sector



1.2.1.1 Financial sector

The Financial sector's aggregate net profit reduced by 14% (mSCR56.5) from 2018 to 2019, due to a 35% (mSCR52) decline in the net surplus of SPF and an 81% (mSCR21.4) reduction in DBS' profit. The decrease in SPF's surplus was associated with fair value adjustments of its investments in associates. The reduction in DBS' profit resulted from greater allowance for credit impairment caused by a rise in non-performing loans.

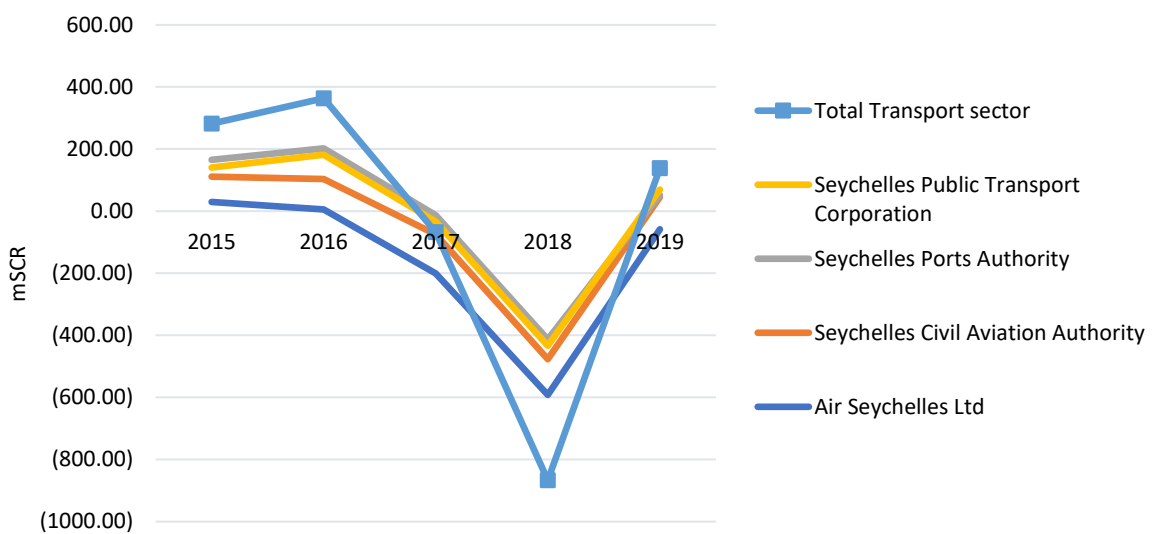
Figure 5. Aggregate net profit, Financial sector



1.2.1.2 Transport sector

The Transport sector was the least profitable sector for 2019 with an aggregate net profit of mSCR79.9. Nonetheless, the sector reported a 118% (mSCR513.2) improvement in its aggregate net profit compared to 2018, where an aggregate loss of mSCR433.3 was recorded. The growth was associated with a 90% (mSCR533.5) improvement in the net loss reported by Air Seychelles as a result of a 33% (mSCR510.4) reduction in direct operating costs (ref. 3.1 Air Seychelles).

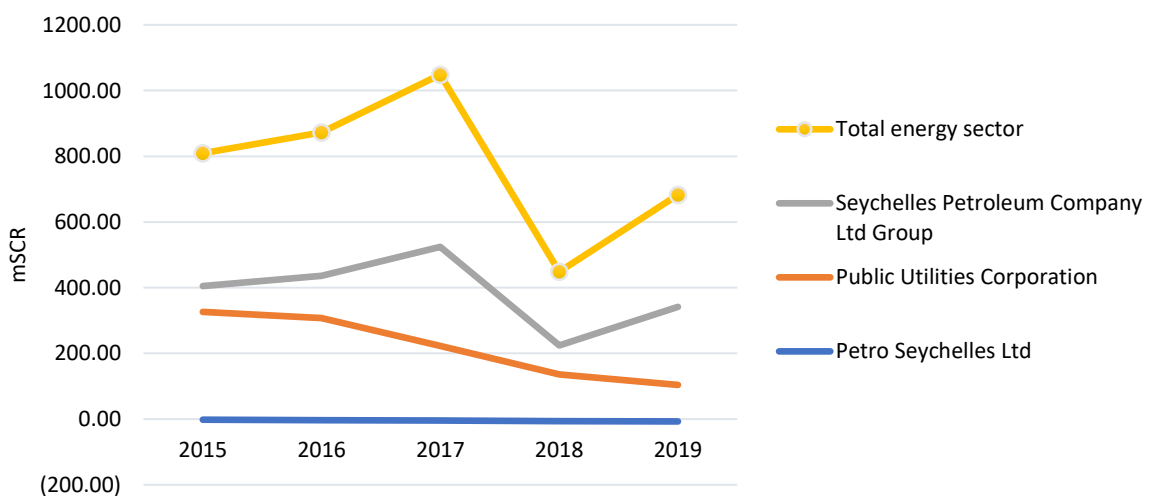
Figure 6. Aggregate net profit, Transport sector



1.2.1.3 Energy sector

In 2019, the Energy sector observed a 52% (mSCR117) rise in aggregate net profit compared to 2018. This was mainly a result of SEYPEC's net profit rising by 168% (mSCR148.9) due to cost of sales falling by 6% (mSCR310.9).

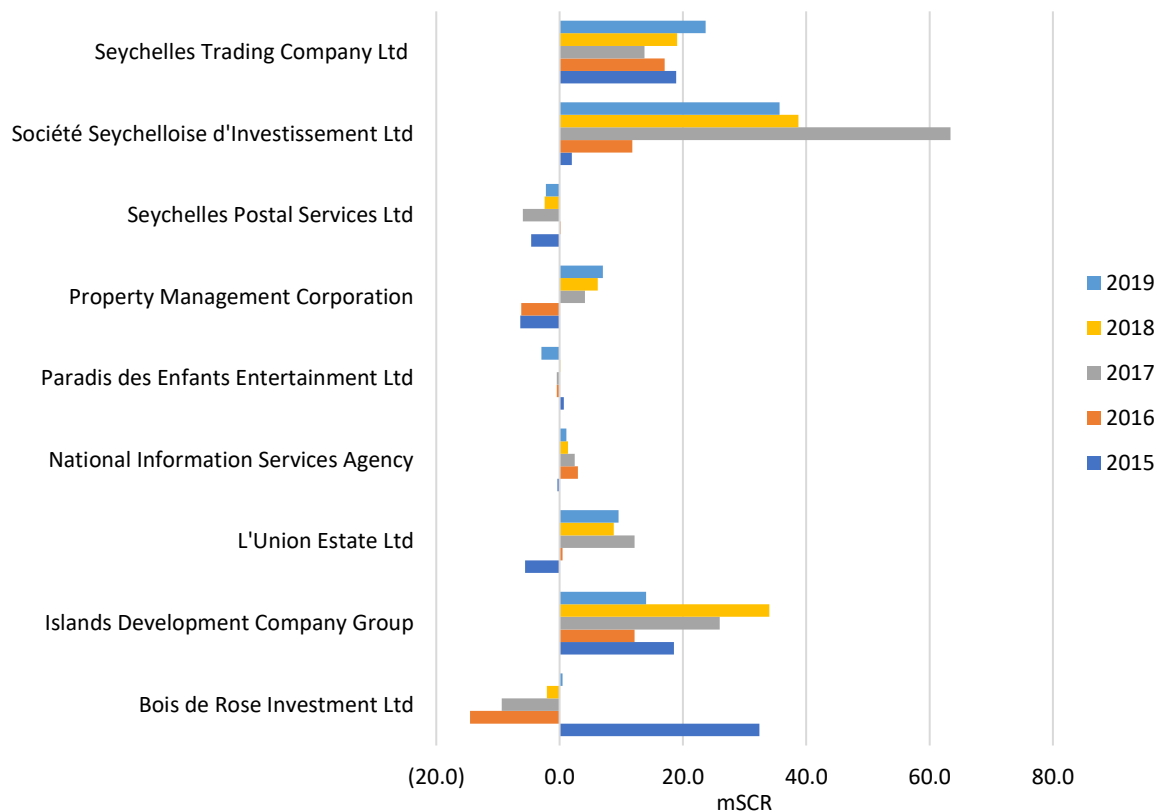
Figure 7. Aggregate net profit, Energy sector



1.2.1.4 Service and development sector

The aggregate net profit of the Service and development sector declined by 17% from 2018 to 2019. This was predominantly due to IDC's profit falling by 79% (mSCR33.2), caused by an 8% (mSCR25.3) reduction in revenue (ref. 3.2 IDC).

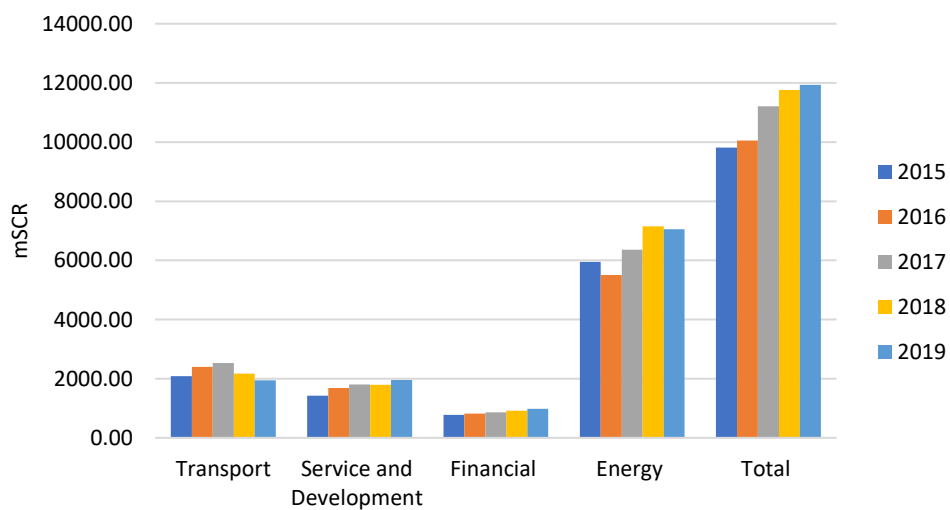
Figure 8. Aggregate net profit, Service and development sector



1.2.2 Net revenue

In 2019, the aggregate net revenue of the PEs amounted to bnSCR11.9, indicating a 1% (mSCR174.3) increase from 2018. The aggregate net revenue of all the PEs represented 51% of GDP in 2019 compared to 53% of GDP in 2018.

Figure 9. Aggregate net revenue by sector

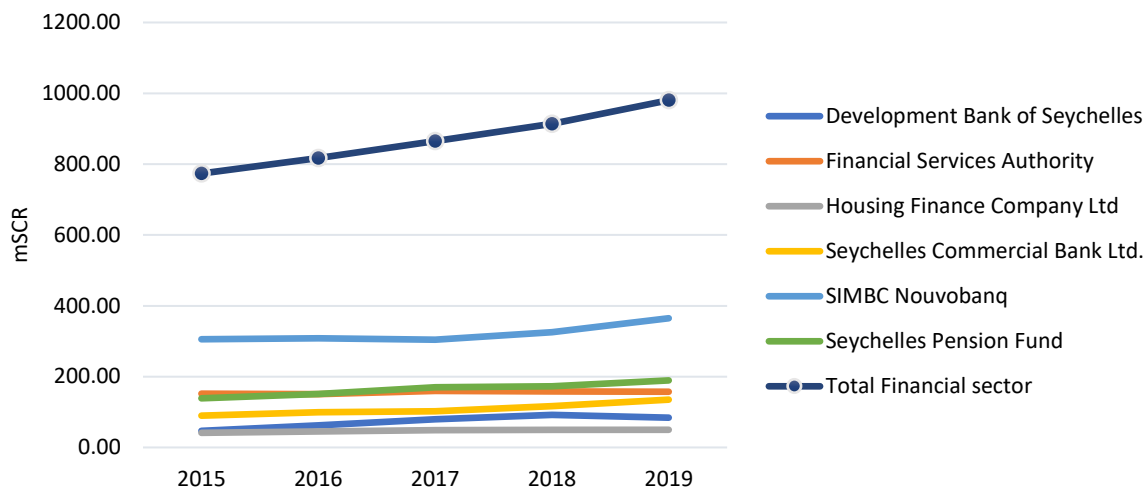


In 2019, the Energy sector earned the highest net revenue amongst the four sectors amounting to bnSCR7.1. SEYPEC was the highest earner within the PE sector with net revenue of bnSCR5.4.

1.2.2.1 Financial sector

The Financial sector generated net revenue of mSCR980.1 in 2019, representing a 7% (mSCR66.6) growth from the prior year. Nouvobanq reported the highest revenue within the Financial sector.

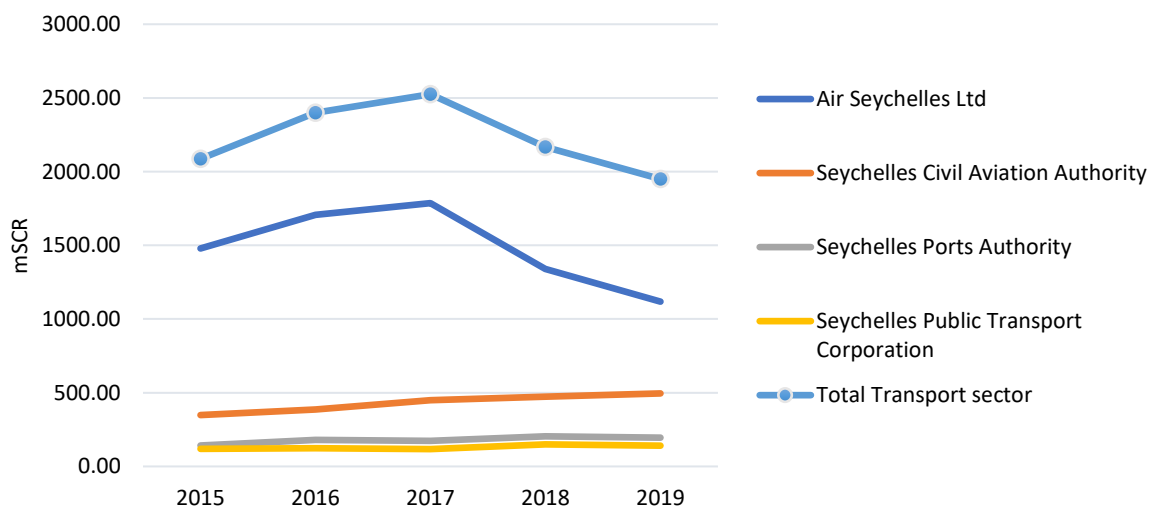
Figure 10. Net revenue, Financial sector



1.2.2.2 Transport sector

The 2019 aggregate net revenue of the Transport sector totalled bnSCR1.9, a decline of 10% (mSCR217.4) from the preceding year. This was due to 16% (mSCR220.9) lower income earned by Air Seychelles (ref. 3.1 Air Seychelles).

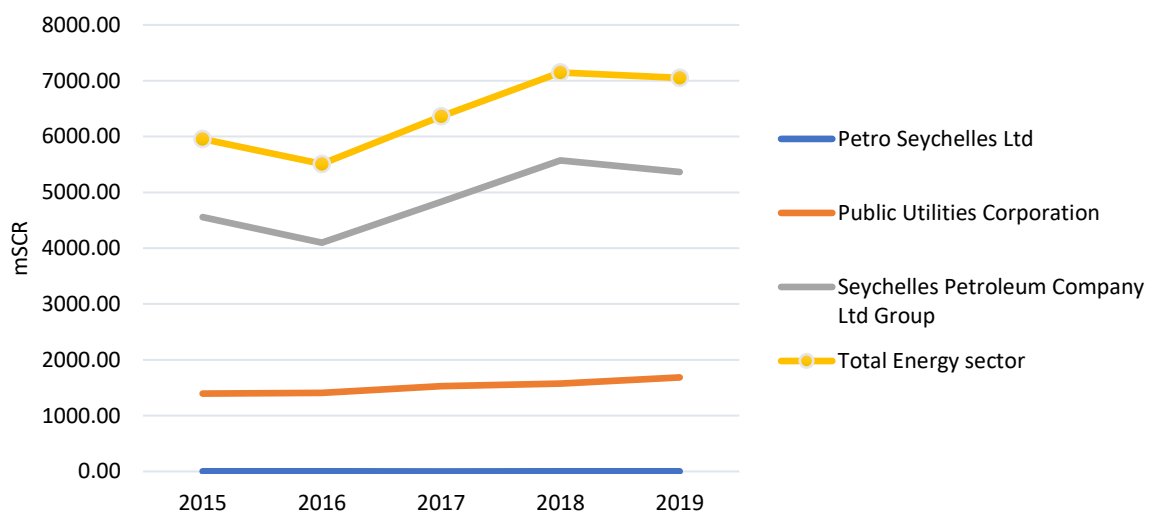
Figure 11. Net revenue, Transport sector



1.2.2.3 Energy sector

There was a decline of 1% (mSCR97.4) in the Energy sector’s aggregate revenue in 2019, caused by a 4% (mSCR209.2) reduction in the net revenue generated by SEYPEC (ref. 3.7 SEYPEC). On the other hand, the two other PEs in the Energy sector, Petro Seychelles and PUC, reported increased earnings.

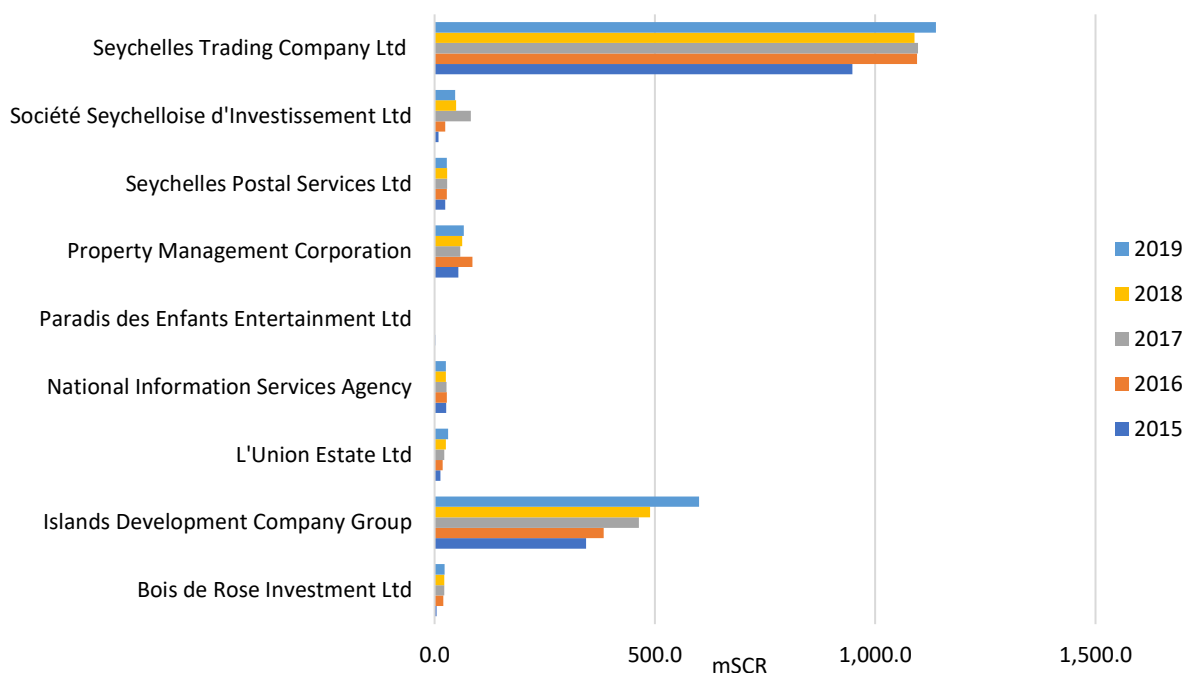
Figure 12. Net revenue, Energy sector



1.2.2.4 Service and development sector

The Service and development sector reported bnSCR2 aggregate net revenue for 2019, representing a 9% (mSCR165.7) growth. The growth was caused by a 68% (mSCR144) improvement in Green Island Construction Company Ltd's (GICC) net revenue. STC reported the greatest earnings in the Service and development sector.

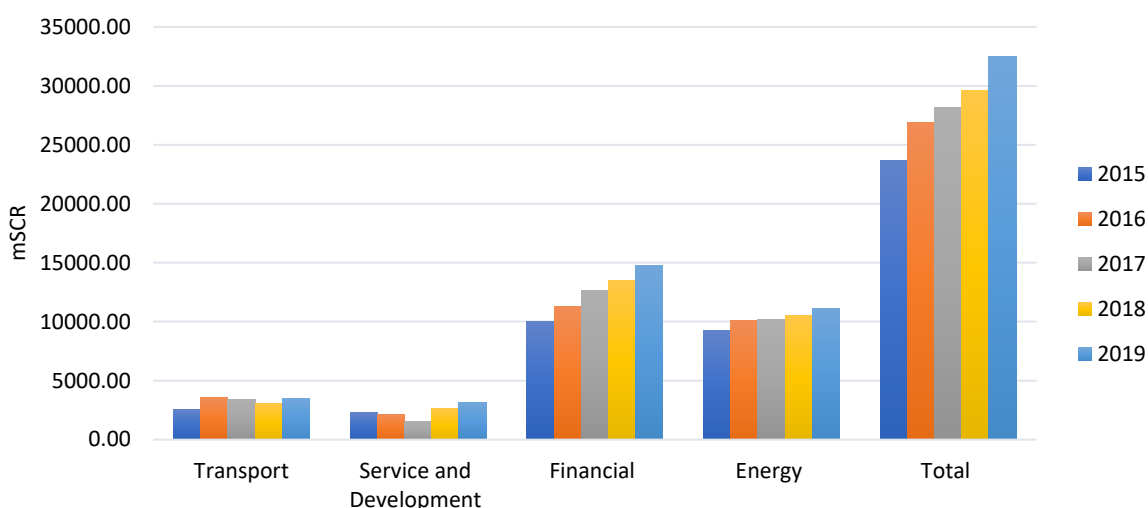
Figure 13. Net revenue, Service and development sector



1.2.3 Total assets

The PE sector's aggregate assets represented 139% of nominal GDP in 2019 compared to 135% for 2018. In 2019, aggregate assets totalled bnSCR32.5, a 10% (bnSCR3) growth from 2018.

Figure 14. Total assets by sector



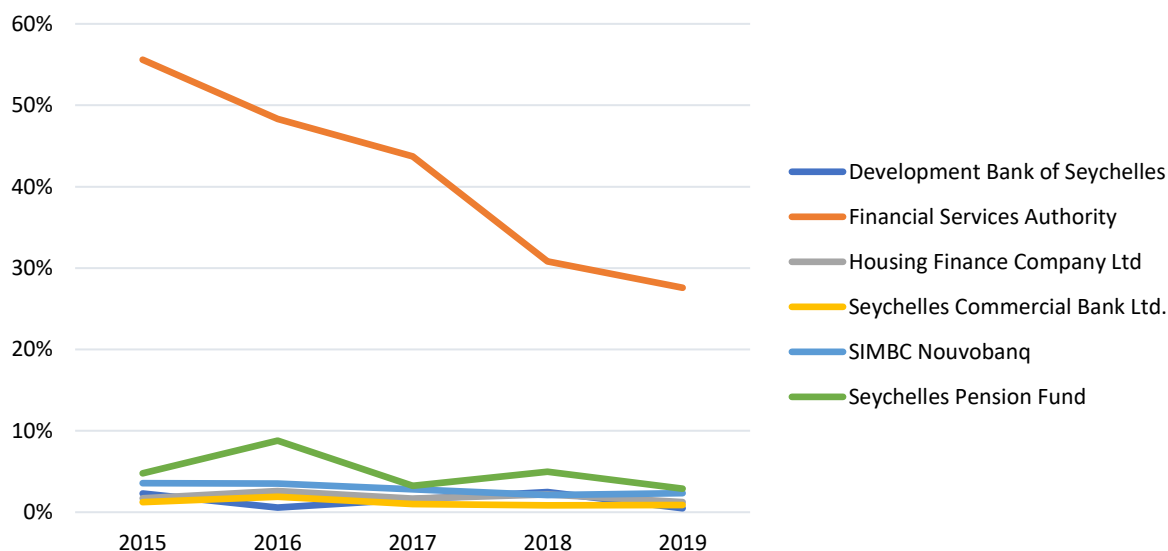
PEs in the Financial sector carried the highest value of assets (bnSCR14.7) at the end of 2019. Nouvobanq had the highest asset base (bnSCR7.4) within this sector, corresponding to cash and equivalents and loans to customers.

1.2.4 Return on Assets (ROA)²

The figures below illustrate the ROA of individual PEs and compares them to the PEs within a similar sector of activity. The use of ROA to compare enterprises within the different sectors should be limited, as different industries employ assets differently.

1.2.4.1 Financial sector

Figure 15. ROA, Financial sector



For 2019 the Financial sector had an average ROA of 6% compared to 7% in 2018, with FSA reporting the highest ROA (28%). FSA's ROA declined due to a 7% (mSCR5) reduction in its net profit caused by a 158% (mSCR2.7) rise in marketing grant to the Seychelles Investment Board

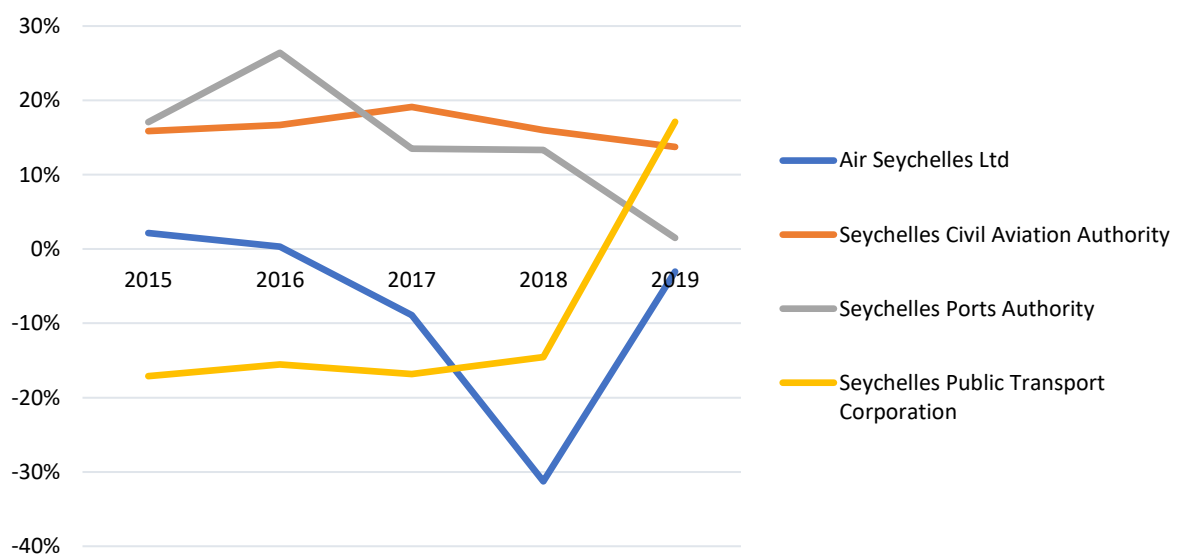
² The ROA ratio illustrates how well management is employing an enterprise's total assets to create net profit, it is calculated by dividing net profit by average total assets. The higher the ROA ratio, the more efficient the enterprise is at using its asset base to generate profit.

(SIB), a 159% (mSCR2.72) increase in educational dissemination expense and a 6% (mSCR2.4) rise in staff costs.

1.2.4.2 Transport sector

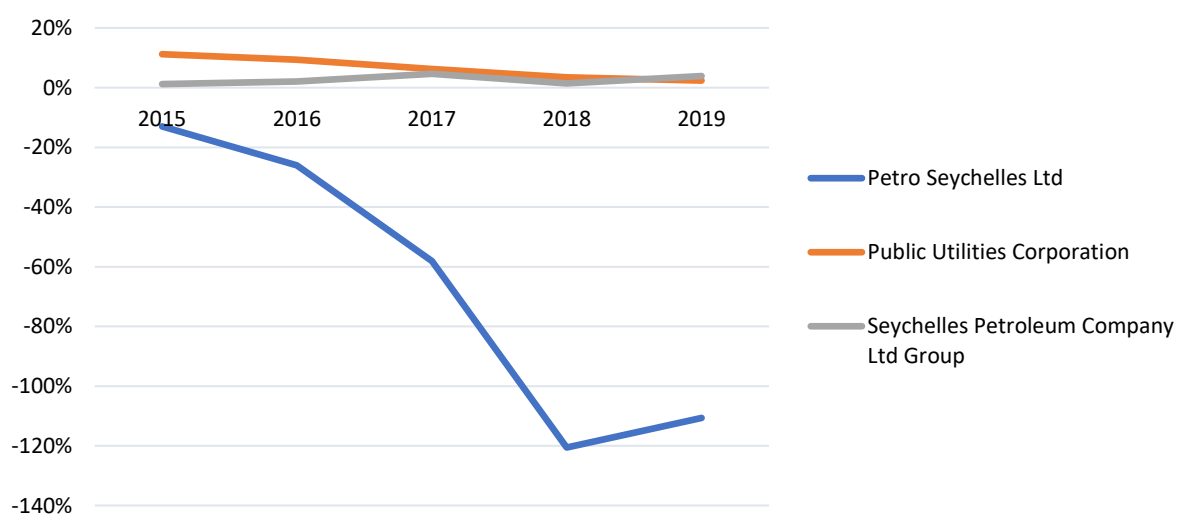
The Transport sector reported an average ROA of 7% in 2019 compared to -4% in 2018. The rise is associated with an increase in the ROA of SPTC and Air Seychelles. In 2018, SPTC had a ROA of -15%, while in 2019 it observed a ROA of 17% after reporting a positive net income for the year. This resulted from a 220% (mSCR54) increase in other income, specifically an increase in grant received from the Government by 135% (mSCR30.6) and mSCR23 insurance claim received following the 2018 fire at its depot. Although Air Seychelles reported a ROA of -3% for 2019, it observed an improvement compared to the 2018 ROA of -31%, which also improved the Transport sector's overall ROA. This was due to the airline's direct operating costs reducing by 33% (mSCR510.4).

Figure 16. ROA, Transport sector



1.2.4.3 Energy sector

Figure 17. ROA, Energy sector

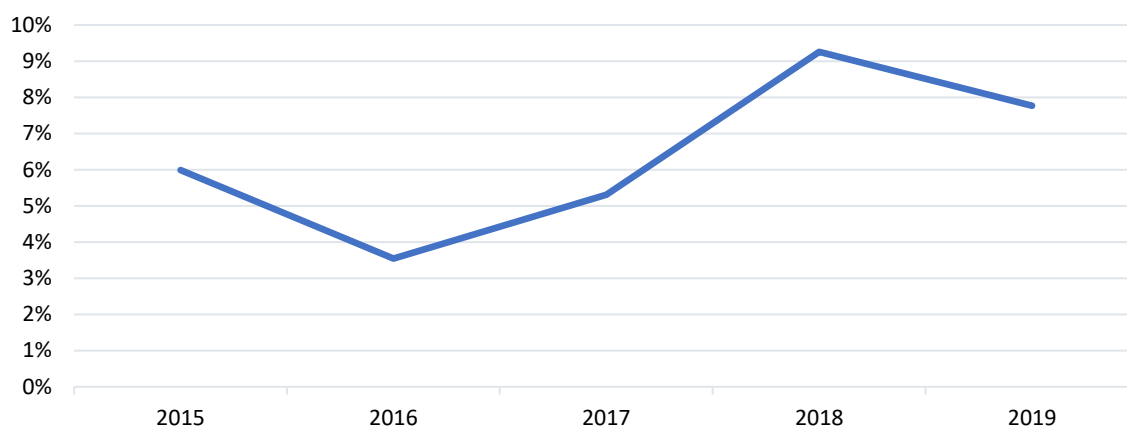


The Energy sector had an average ROA of -35% for 2019, in contrast to -39% in 2018. The negative ROA is predominantly a result of the consecutive losses reported by Petro Seychelles since 2015, which have been consistently rising. In 2019, Petro Seychelles reported a growth of

5% (mSCR0.323) in the loss incurred however it also reported an increase in its total assets of 7% (mSCR0.434) (ref. 3.3 Petro Seychelles).

1.2.4.4 Service and development sector

Figure 18. ROA, Service and development sector

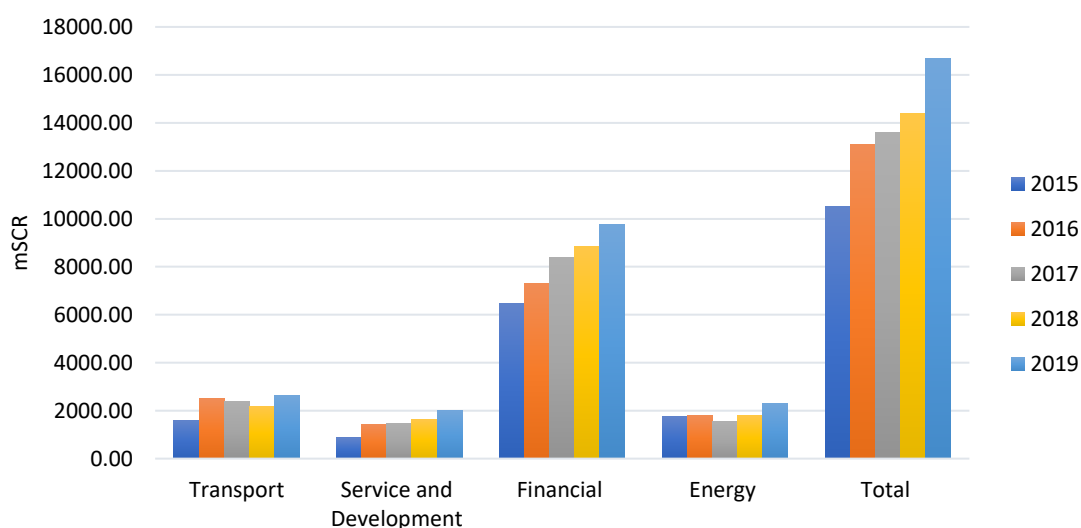


The ROA of the PEs in the Service and development sector varied importantly between the different PEs due to their varying financial performance and nature of activity, being the sector with the largest group of PEs. The highest ROA for 2019 was reported by SSI (51%) and l'Union Estate (26%).

1.2.5 Liabilities

The PEs' total liabilities was equivalent to 72% of GDP at December 31, 2019 as opposed to 65% for the previous period. The increase was caused by the rise in PUC's borrowings (ref. 3.4 PUC) as well as growth in customer deposits held by Nouvobanq (ref. 3.6 Nouvobanq), and the lease liability of Air Seychelles on the Airbus A320 neo (ref. 3.1 Air Seychelles). At December 31, 2019, the PE sector's aggregate liability was bnSCR16.8.

Figure 19. Total liabilities per sector



1.2.6 Borrowings

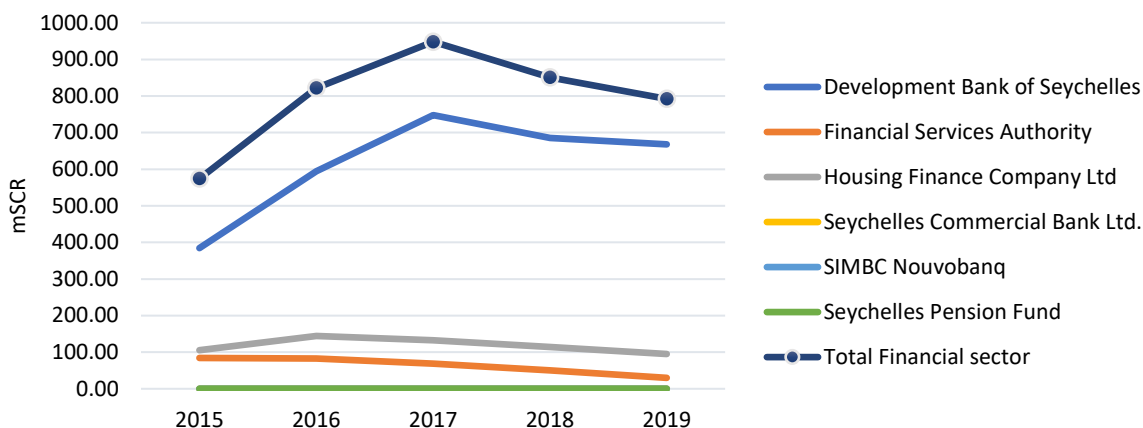
Total borrowings of the PE sector amounted to bnSCR3.8 at December 31, 2019. Approximately 49.5% (bnSCR1.9) of PE debt was guaranteed by the Government. Non-guaranteed debt represented 47% (bnSCR1.8) of the total borrowing and on-lent debt represented 3.5% (bnSCR0.1).

The highest borrowings were held by PUC and Air Seychelles at the end of 2019, amounting to bnSCR1.2 and bnSCR1.1, respectively.

1.2.6.1 Financial sector

The Financial sector's total borrowings declined by 7% (mSCR58) from December 31, 2018 to December 31, 2019.

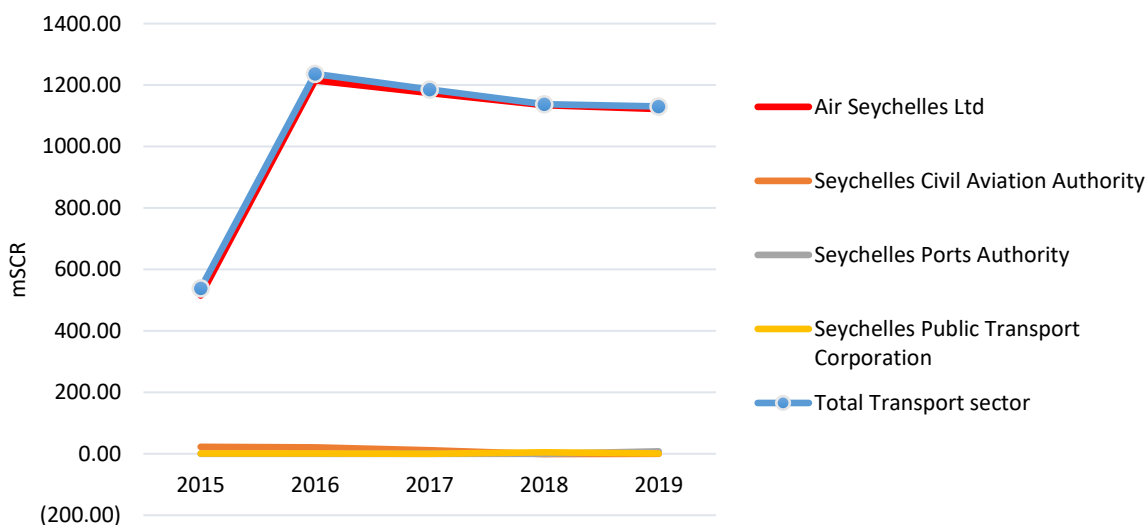
Figure 20. Borrowings, Financial sector



1.2.6.2 Transport sector

There was a 1% (mSCR7.1) reduction in the Transport sector's total borrowings from December 31, 2018 to December 31, 2019 due to loan repayments. Air Seychelles' borrowings accounted for 99% of the total debt of the Transport sector.

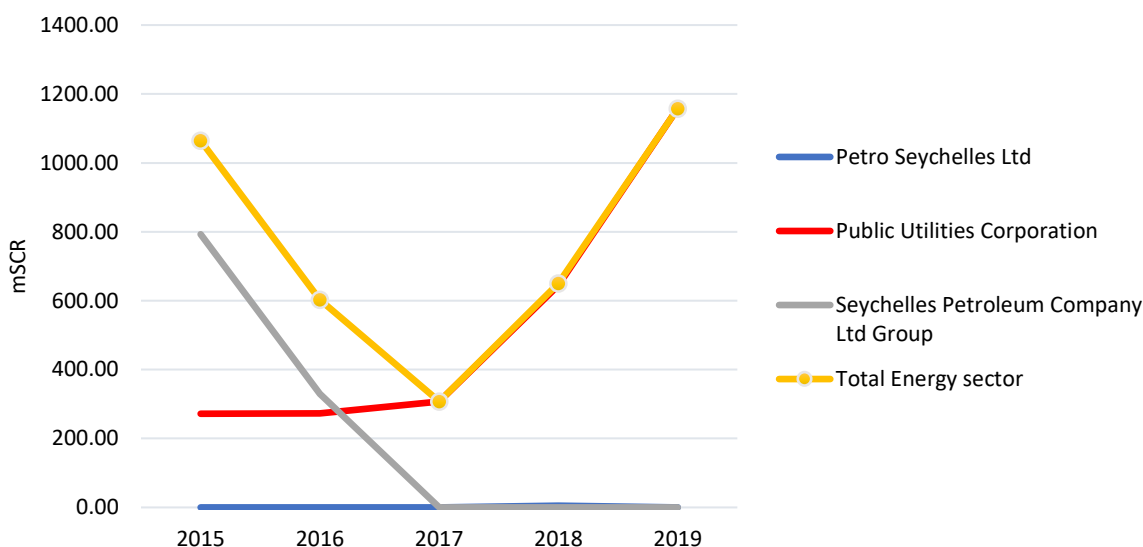
Figure 21. Borrowings, Transport sector



1.2.6.3 Energy sector

In 2019, there was a 78% (mSCR507.8) increase in total borrowings within the Energy sector, caused by the 79% (mSCR512.8) increase in PUC's borrowings.

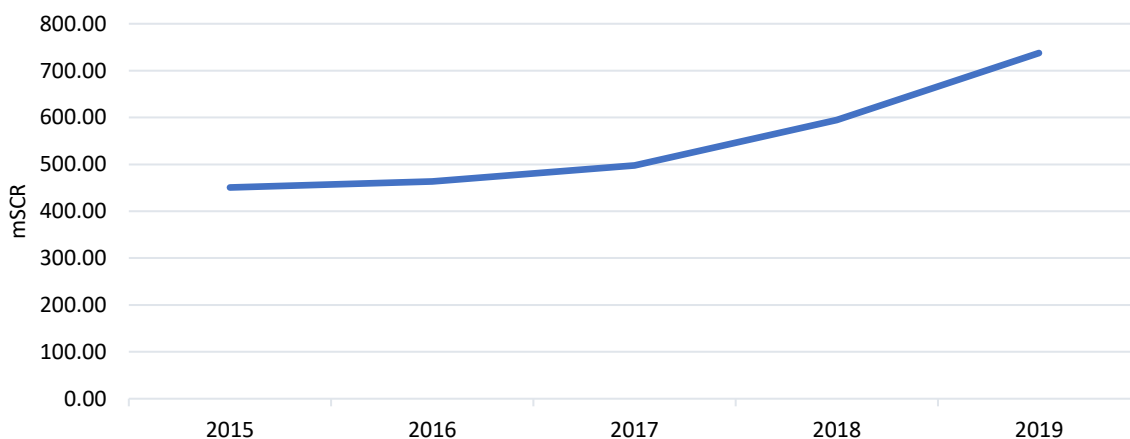
Figure 22. Borrowings, Energy sector



1.2.6.4 Service and development sector

The Service and development sector's total borrowings rose by 24% (mSCR142.9) due to a 123% (mSCR170.1) increase in PMC's debt. The Corporation entered into a loan agreement of mSCR200 with Nouvobanq in January 2019. PMC also entered into a loan agreement of mSCR150 from SPF in 2018. The loans were taken to finance housing projects, and the Government has agreed to make a yearly provision in the National Budget to service them.

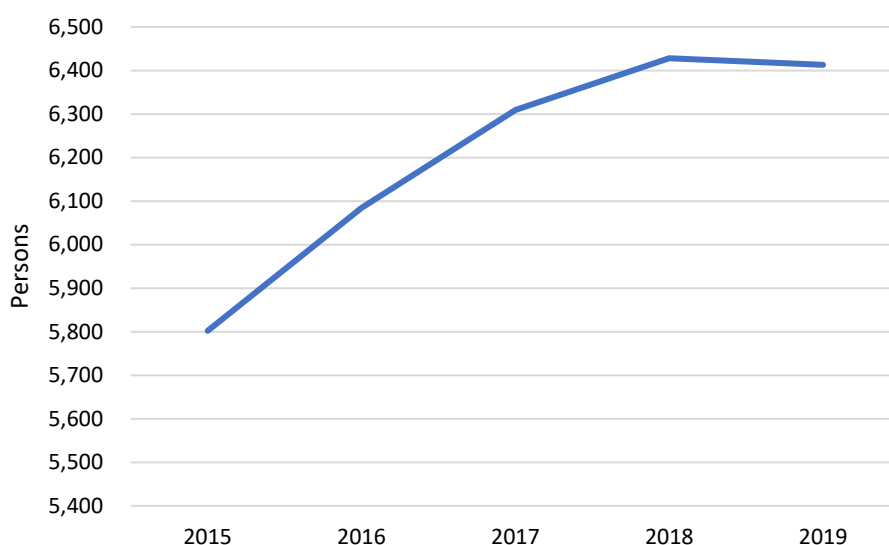
Figure 23. Borrowings, Service and development sector



1.2.7 Employment

The PE sector employed 6,413 persons for 2019, accounting for 12% of the national workforce. PUC and IDC were the largest employers with 1,182 and 800 employees, respectively. Appendix 6 presents the number of employees per PE for 2015-2019.

Figure 24. Employment in the PE sector, 2015-2019



1.3 Financial transactions between PEs and the Government

During 2019, the Government received mSCR514 dividends from PEs. The Central Bank of Seychelles issued a circular on April 07 2020, prohibiting all banks from declaring dividends for the financial years ending December 31, 2019 and December 31, 2020 to mitigate the adverse effects of COVID-19 on the financial sector and the economy. Consequently, the Government did not receive a final dividend from Nouvobanq and SCB. Nouvobanq had declared and paid an interim dividend of mSCR165 during 2019.

The Government provided a total of mSCR278.3 subsidy to the following PEs:

Table 1. Subsidy received by PE

Public Enterprise	Subsidy received (mSCR)	Purpose
Air Seychelles	84.2	Restructuring
PMC	62.9	Loan repayment & major renovation on housing estates
PUC	60	Infrastructure development
SPS	3.5	Universal postal contribution
SPTC	67.7	Operations & capital expenditure

The PE sector expensed a total of mSCR284.8 Business Tax for 2019. Nouvobanq expensed the highest Business Tax for 2019 (mSCR85.1), followed by SPA (mSCR69.4).

For 2019, two PEs had loans outstanding from the Government, amounting to a total of mSCR148; this was allocated as follows:

Table 2. PEs with loans outstanding from GoS

Public Enterprise	Outstanding balance 31.12.2019 (mSCR)	Purpose
DBS	142.6	On-lending
STC	5	Working capital

In addition to the mSCR5 working capital loan from the Government, STC had mSCR5 due on a loan from the Livestock Trust Fund, which served as a bridging facility for a cold room improvement (ref. 3.10 STC).

Additionally, the Government had a mUSD4.7 debt outstanding at December 31, 2019 towards Air Seychelles corresponding to a deferred payment plan regarding grants. The grants were for the following:

- i. Long-haul commercial incentives of mUSD1.7 in 2014, for two weekly flights to Paris and three weekly flights to Hong Kong via Abu Dhabi. The grant pertained to the year 2014 operations only and not for the cost of new routes beyond 2014.
- ii. mUSD4.5 grant for marketing of three weekly direct operations from Mahe to Paris from July 2015
- iii. mUSD1.5 grant in respect of a commercial incentive to Air Seychelles for one weekly direct return flight to Beijing in 2016

Flows between PEs and the Government for 2019 are summarised in Table 3.

Table 3. Financial flows between Government and PEs³ in 2019

	Total	AS	BDR	FSA	GICC	HFC	IDC	L'UE	NISA	PMC	PUC	SCB	SCAA	SEYPEC	Nouvobanq	SPA	SPTC	SPS	SSI	STC
Government-PE (mSCR)																				
Subsidies & transfers	278	84.2								62.9	60						67.7	3.5		
PE-Government (mSCR)																				
Tax	285		3.1		7.3	7.6	5.3	1.6	0.5			7.7	44.4	37.8	85.1	69.4			0.6	14.3
Dividends ⁴	514			29			5						115	200	165					

³ Only PEs having flows with the Government have been included in Table 3

⁴ Total dividend excludes dividends paid by SSI, to avoid double-counting, given that it receives dividends from subsidiaries which are PEs, e.g. Nouvobanq, SEYPEC, SCB.

1.3.1 Arrears

An arrear is an obligation or liability that has not been settled by its due date. Arrears from Government to PEs and between PEs in 2019 arose from delayed payment for services of the PEs. The tolerance of arrears by PEs from Ministries, Departments, Agencies and other PEs may affect their liquidity and consequently pose a risk to Government finances. Additionally, arrears that are not identified and quantified can disguise the actual size of the Government's or the PEs' debt.

This section presents arrears or outstanding payments due in the following categories:

- i. from Government to PEs
- ii. from PEs to Government and
- iii. between PEs

1.3.1.1 Government to PE

The Government had mSCR40.5 arrears towards three PEs at the end of 2019, and this was allocated as follows:

Table 4. Arrears from GoS to PEs

Arrears GoS to PE	mSCR
Air Seychelles	15.9
PUC	23.0
STC	1.6
Total	40.5

The Government arrears towards Air Seychelles amounted to mSCR15.9 relating to non-payment of invoices despite reminders. The Government's arrears towards PUC correspond to outstanding utility invoices from Ministries, Departments and Agencies and payment was due for longer than ninety days. The Government's arrears towards STC amounted to mSCR1.6, corresponding to non-payment of invoices despite reminders and has been due for longer than one year.

1.3.1.2 PE to Government

Arrears from PEs to the Government can create liquidity problems for the concerned public department or Ministry, exerting more fiscal burden on the Budget and affecting the availability of public finance if the PE cannot pay the amounts owed to the Government.

There were no identified arrears from PEs to Government at December 31, 2019 based on data received from PEs.

1.3.1.3 Arrears between PEs

Arrears between PEs reciprocally affects their cash flow if not managed accordingly. The Commission was unable to report on arrears between PEs due to inconsistencies in the data received from the latter.

1.3.2 Quasi-Fiscal Activities (QFAs)

QFAs are activities undertaken by a PE on behalf of the Government, which are not directly compensated. Unfunded policy mandates are examples of QFAs. They may be imposed on PEs through pricing and regulation. QFAs may negatively impact a PE's financial performance, which may lead to a reduction in dividend and taxes paid into the Government's Budget. They can also lead to persistent losses and underinvestment by the PEs, which may impact economic growth.

PEs with a weak financial position may require Government support to continue the service provision for the QFA, for example, through subsidies and restructuring. Lack of transparency

surrounding QFAs may also be an incentive for PE management to justify underperformance, particularly in sectors where there is no private sector peer for benchmarking.

Table 5. QFAs of the PEs for 2019

PE	Description of QFA	Annual effect for PE (mSCR)	Compensation (mSCR)
Air Seychelles	Charging prices below market level for the resident fares on the domestic operation	25.01 ⁵	0.00
L'Union Estate	L'Union Estate has been excavating and selling red soil on La Digue at the price of SCR200 per truck to help the population of La Digue in their construction purposes. The costs for providing the low-priced service includes: - rental of accommodation and salary for excavator operator - salary and other expenses for support staff - fuel costs for the excavator - repairs and maintenance for the excavator	0.32	0.00
	L'Union Estate also provides low-priced pumping services on La Digue due to a lack of sewage pumping services. The costs for providing such a low-priced service includes: - salary and other expenses for driver & support staff - fuel costs for the tractor - repairs and maintenance for the tractor	0.17	0.00
PMC	Charging prices below market level	16.34	5.72
PUC	Charging prices below market level	235.01	0.00
	Revenue loss due to Photovoltaic (PV) energy penetration	8.52	0.00
SCAA	Maintenance of XRAY Machine at Cargo-Customs	0.06	0.00
	Maintenance of XRAY Machine at Customs Immigration	0.06	0.00
	SRC Customs Building	0.37	0.00
	Met Land Lease	1.24	0.00
	SEYPEC Land Lease	0.32	0.00
	Inadmissible passenger (INAD) facility at new Domestic terminal	0.10	0.00
	Electricity at the Met office	1.07	0.00
	Electricity as Customs	0.43	0.00
SEYPEC	Selling petroleum products on other islands at the same price as on Mahe	58.89	0.00
SPA	Derogation for the usage of Ramp on Praslin	0.45	0.00
	Rental Relief	0.03	0.00
STC	Charging prices below market level including Transportation Cost absorbed by STC on delivery of Category I products to Inner Islands	35.66	0.00
Total		384.05	5.72

⁵ mUSD1.78

2 Ownership and oversight policy

2.1 General objectives for state ownership of PEs

During 2019, the Commission continued its work to develop an Ownership Policy for the PE sector. This fundamental document would formally define the Government's objectives as the owner of the PEs and its role in their governance and oversight to improve the efficiency and competitiveness of the economy. The absence of an ownership policy leads to a lack of clarity on the roles of Government, Responsible Ministries, and PE Boards and Management. The Ownership policy also provides a framework for the setting of financial and public policy targets for PEs. The objectives of the draft policy are as follows:

- i. To establish a single ownership and oversight entity;
- ii. To provide a clear "Statement of Expectations" to PEs governing board;
- iii. To provide Responsible Ministers and the Minister responsible for Finance with a greater understanding of, and therefore confidence in, the performance of PEs through performance indicators;
- iv. Establish a suitable capital framework that imposes financial discipline on PEs while ensuring they have enough capital to pursue their business and investment decisions without the assistance of the National Budget; and
- v. Ensure that requests for government financial assistance are considered in line with the PE business needs.

The absence of an Ownership policy has led to a fragmented oversight framework whereby PEs are mandated to report to multiple oversight bodies and Ministries on their financial, governance and sectoral performance. This leads to duplication of effort and impedes the effectiveness of the oversight framework.

The Commission also continued its work on the development of a Dividend Policy during 2019⁶. The Policy will aim to formalise the Government's expectation of returns from the PEs and avoid public funds being invested in projects by PEs that are not in line with sector policy, exposing public finances to unnecessary risk. Such investments carry risk since they may not be subject to the same scrutiny as investments by Ministries, Departments and Agencies as they may not be part of the budgetary process.

The Commission also progressed with the review of the PEMC Act during 2019⁷. There is currently a lack of enforcement mechanisms within the Act to compel the PEs to comply with the Commission's reporting requirements. The inadequate legal provisions contribute to the delay in conducting an effective and efficient analysis. The Commission aims to include compliance mechanisms in the Act review.

2.2 General financial targets and public policy targets for PEs

Under the current provisions of the PEMC Act, the PE's Responsible Ministry is in charge of policy formulation⁸, including public policy objectives. The setting of financial targets falls under the

⁶ As at reporting date the Ownership Policy and Dividend Policy had been approved for implementation in 2021.

⁷ As at reporting date, the Commission had submitted a draft Act review to MoFTIEP and was making amendments following feedback received.

⁸ PEMC Act 2013 - Section 6(2)

mandate of the Board of Directors of each PE⁹. International good practice recommends that the ownership and oversight unit work alongside Responsible Ministries to set financial targets for PEs and ensure alignment between these targets and public policy objectives. Formal performance targets were not developed for PEs during 2019. The absence of formal targets impacts the overall performance and effectiveness of PEs and increase the probability of fiscal risks.

The Commission has the responsibility to assess the overall performance of PEs against their respective targets as defined in Section 4 of the PEMC Act:

“The Principal Objective of a Public Enterprise is to be a successful business organisation and to achieve this objective – (a) A commercially oriented Public Enterprise must strive to be as profitable and efficient as comparable businesses that are not owned by the public; and (b) A non-commercially oriented Public Enterprise must strive to exhibit a sense of social responsibility and awareness of the interests of the community in which it operates, while ensuring the long term financial sustainability of the Public Enterprise.”

2.3 Organisational and governance arrangements

2.3.1 Overview of key legislation

In addition to the PEMC Act, PEs are also subject to other legislative requirements, such as the Public Finance Management Act 2012 (PFM Act), the Financial Institutions Act 2004 and the Companies Act 1972 (ref. Appendix 2). Certain PEs are also governed by the respective legislation, i.e. Act or Decree, under which they were established.

2.3.2 Nomination policy to PE boards

The President appoints the Board of Directors following the criteria for appointment in schedule 2 of the PEMC Act. The President also appoints the CEO, who is an ex-officio member of the Board. PEs may be exempted from Part III & IV of the PEMC Act ¹⁰ when there is a management contract between the Government and a third party. At present, Air Seychelles is the only PE to which this exemption applies.

2.3.3 Code of Corporate Governance for Public Enterprises

On April 01, 2019, the ‘Code of Corporate Governance for Public Enterprises’ (the Code) came into effect, establishing a framework that outlines 14 Corporate Governance principles for PEs. Corporate Governance encompasses systems and procedures by which organizations are directed, controlled and managed with the aim of achieving better informed and longer-term decision-making, strengthened accountability for the stewardship, efficient use of resources and improved overall performance of the PEs.

The Code sets high standards of Corporate Governance to facilitate positive contribution to the PEs’ fulfilment of their mandates and the overall economic efficiency, competitiveness, and delivery of their respective mandates. It prescribes an ‘APPLY OR EXPLAIN APPROACH’ to the Corporate Governance principles whereby PEs are required to ‘apply’ and provide a meaningful explanation for any departure from the principles.

⁹ PEMC Act 2013 - Section 35

¹⁰ PEMC Act 2013 - Section 3

Figure 25. Corporate Governance principles for Public Enterprises

PRINCIPLE 1: *The Board is collectively responsible for leading and directing the Public Enterprise's activities and works closely with management to deliver the long-term success of the company.*

PRINCIPLE 2: *In conducting its business, the board should reassure itself that it has sought assurance of the operations of the organization, focusing particularly on those activities which create, sustain and protect value.*

PRINCIPLE 3: *The Chairperson is responsible for the board's overall effectiveness in directing, and controlling, the activities of the organization.*

PRINCIPLE 4: *The board should include an appropriate combination of executive and non-executive directors, such that no one individual or small group of individuals dominates the board's decision-making.*

PRINCIPLE 5: *The board should be supported by a suitably qualified and competent board secretary who will, through the chair, promote good governance.*

PRINCIPLE 6: *An effective board possesses the right mix of skills, experience, knowledge, 'independence' and diversity, and displays the appropriate behaviours, to address the challenges facing the organization.*

PRINCIPLE 7: *The board should undertake a formal and objective annual evaluation to determine the effectiveness of the board, its committees and each individual director.*

PRINCIPLE 8: *The board should have a charter which is periodically reviewed and published on the organisation's website.*

PRINCIPLE 9: *The board will establish a Code of Conduct and Ethics for the organisation and monitor its implementation by management.*

PRINCIPLE 10: *The board should ensure that a balanced, true and fair view of the State body's financial performance and financial position is made when preparing the annual report and financial statements of the Public Enterprise.*

PRINCIPLE 11: *The board should establish formal and transparent policies and procedures to ensure the independence and effectiveness of internal and external audit functions and satisfy itself on the integrity of financial and narrative statements.*

PRINCIPLE 12: *The board should establish procedures to manage risk, oversee the internal control framework, and determine the nature and extent of the opportunities it wishes the organisation to explore, and the principal risks the organisation is willing to take, in order to achieve its long-term strategic objectives.*

PRINCIPLE 13: *Remuneration policies and practices should be designed to support strategy and promote long-term sustainable success.*

PRINCIPLE 14: *Boards will be expected to report on the progress they are making with implementation of the Code's provisions.*

The Code does not override the legislative provisions that govern the PEs on matters that are also the subject of this Code. Nevertheless, it should be read in conjunction with those legislative provisions. The legislative provisions prevail in the event of any conflict or inconsistency between the legislations and the Code.

2.3.4 Remuneration policy

The 'Remuneration Policy and Framework on Fees for Boards and Government committees' determines PE Board fees. The Ministry of Finance, Trade, Investment and Economic Planning (MoFTIEP) issued a second edition of this policy in May 2019¹¹. The first edition of the policy, issued in 2015, aimed to standardise and regulate the manner in which Board fees were awarded. The second edition follows the appointment of an increased percentage of private sector individuals on Boards. It considers time and expertise given by private sector individuals and public officers on Boards in addition to their primary occupation.

The policy categorises PE Boards separately from other Public Sector Boards and provides three differential board fee rates among the PEs, aiming to remove distortion between the previous rates.

The first edition of the policy also outlined the Board of directors' responsibilities, i.e., their purpose, scope, responsibilities, expectations, and job descriptions.

¹¹ As at reporting date, PE Board fees had returned to the rates applicable in the first edition of the 'Remuneration Policy and Framework on Fees for Boards and Government committees' following the 2020 Budget Amendment address as a cost-cutting measure to enable the Government to mitigate the impact of COVID-19.

3 Individual Public Enterprise overview

This chapter provides an overview of each PE's mandate, shareholding structure, financial indicators and the budgetary flows.

3.1 Air Seychelles Limited

3.1.1 Mandate/principal activities

Air Seychelles is the country's national airline, established in 1978. The airline offers international flights, domestic flights and charter services. It also provides ground handling and cargo services at the Seychelles International Airport.

In 2017, Air Seychelles' Board approved a restructuring plan to improve its network profitability and reduce losses. With the implementation of the plan, the airline ceased all international long-haul flights during 2018 and focused on regional routes such as Johannesburg, Mauritius, and Mumbai. The restructuring plan also entailed the replacement of the airline's two leased Airbus A320 CEO aircraft with two new Airbus A320 NEO aircraft, of which the first one was received in 2019. The second A320 Neo was received in 2020

3.1.2 Financial summary

Analysis for 2018 and 2019 is based on provisional data. The airline's audited accounts have not been signed for those periods, pending Government decision regarding the treatment of a portion of Air Seychelles' debt.

For 2019, the airline reported a net loss of mSCR58.2 (mUSD4.15¹²), representing a 90% reduction in net loss compared with 2018. The decrease in net loss was associated with the 33% decline (mSCR510.4 or mUSD36.37) in direct operating costs.

In 2019, Air Seychelles' net revenue¹³ amounted to bnSCR1.1 (mUSD79.67), representing a 16% reduction (mSCR220.9 or mUSD15.74) compared with 2018.

	2019	2018
Ownership		
Enabling legislation	Companies Act 1972	
Incorporation	September 14, 1977	
Responsible Ministry	MoTCAPM	
GoS shareholding	60%	60%
Financial data (mUSD)		
Cash & equivalents	9.0	14.2
Total assets	149.0	122.8
Total liabilities	174.4	144.1
Total borrowing	80.0	80.8
Total equity	(25.4)	(21.3)
Total revenue	89.1	102.9
Net revenue	79.7	95.4
Staff costs	18.5	20.5
Operating profit	3.6	(34.3)
Net profit	(4.2)	(42.2)
Subsidy received	6	1.6
Dividend paid	-	-
Business tax	-	-
Other indicators		
Net profit margin	-3%	-44%
ROA	-3%	-31%
ROE	-18%	-346%
No. of employees	727	714
IFRS compliant	Yes	Yes
Auditor	BDO	KPMG

The revenue decline was caused by the transition from long-haul flights to regional flights, which resulted in a 21% decrease (mSCR201.9 or mUSD14.39) in income from passenger services.

¹² The functional currency of the airline is U.S dollar. The CBS yearly average exchange rate of SCR/USD=14.0335 was used for the conversion.

¹³ Net revenue comprises of Passenger Services, Cargo Services, Charter Services, and Ground Handling Services.

The airline's primary revenue source is from passenger services, constituting approximately 67% of net revenue in 2019. Cargo services and ground handling services accounted for 5% and 24% of net revenue respectively. Charter services contributed 4% of 2019 net revenue.

Total expenditure amounted to bnSCR1.31 in 2019, representing a 29% decrease compared with 2018. This was associated with the 35% reduction (mSCR124.8 or mUSD8.89) in fuel and oil expense, 37% decline (mSCR116.4 or mUSD 8.3) in Aircraft and Engine Maintenance, and the 102% drop (mSCR210.3 or mUSD15) in Aircraft and Engine Operating Leases. The airline's main costs are staff costs, fuel and oil expense and aircraft and engine maintenance. Staff costs were equivalent to approximately 23% of net revenue in 2019.

Air Seychelles' total assets stood at bnSCR2.1 (mUSD148.98) at December 31, 2019, constituting 6% of the PE sector's assets. This was a 21% increase compared to December 31, 2018 and is associated with Right of Use Assets¹⁴ increasing by mSCR494.7 (mUSD35.25), with the lease of the Airbus A320 Neo being the largest component.

The total liabilities stood at bnSCR2.4 (mUSD174.41) at the end of 2019, representing a 21% increase compared to 2018 due to lease liability recorded that year amounting to mSCR448.2 (mUSD31.94).

Long-term borrowings amounted to bnSCR1.1 (mUSD79.98) at December 31, 2019, and comprised principally of the following:

- i. mUSD21.5 bond from EA Partners I B.V, repayable on maturity date of September 28, 2020 at an interest rate of 7.06% per annum.
- ii. mUSD50 bond from EA Partners II B.V, repayable on maturity date of June 01, 2021 at an interest rate of 7.06% per annum.
- iii. Loan from Etihad Airways¹⁵ with an outstanding balance of mSCR118.4 (mUSD8.44).

Based on the airline's 2019 data, there were also arrears amounting to mSCR297.4 (mUSD21.19) relating to commercial debt to Etihad Airways, which had not been paid due to insufficient cash. This increases the financial risks of the airline. In December 2018, Air Seychelles converted mUSD30 of commercial debts owed to Etihad Airways (Etihad) to non-voting preference shares reducing total liabilities by the same amount. Under the proposed agreement with Etihad, Air Seychelles would redeem the preference shares at mUSD5 annually starting from 2022. The shares would be secured by a bank guarantee, which the Government sought from the Eastern and Southern African Trade and Development Bank (TDB). In Q3 2020, the amount was reversed to trade and other payables as the agreement regarding the guarantee had not been finalised.

Total equity stood at mSCR-356.9 (mUSD-25.43) as at December 31, 2019, representing a 20% decrease, compared with 2018 due to a 3% (mSCR58.2 or mUSD4.15) increase in accumulated losses. The negative equity was caused by the accumulated losses, and indicates an unstable financial position. That airline may have difficulty to secure financing from creditors with its current financial position.

Air Seychelles' quick ratio amounted to 0.82 in 2019, representing a decrease compared to 2018 (0.88). This was due to the 20% decrease (mSCR76.2 or mUSD5.4) in trade and other receivables and the 37% decline (mSCR73 or mUSD5.2) in cash and cash equivalents. A quick ratio of value 0.82 indicates that at December 31, 2019 Air Seychelles had USD0.82 of liquid assets to cover every U.S. dollar of short-term debt, resulting in a shortfall of USD0.18. The airline had a cash ratio of 0.15 at December 31, 2019 representing a decrease compared to 2018 (0.23). This was also due to the 37% decrease in cash and cash equivalents, as mentioned above. A cash ratio of less

¹⁴ This was due to the adoption of IFRS 16 in 2019.

¹⁵ Commitment from Etihad Airways as part of the 2012 agreement to provide a loan to Air Seychelles to fund working capital. The initial agreement was for an amount of mUSD25 to be drawn within period of 60 months from 15th March 2012, but Air Seychelles drew down only mUSD15.

than one indicates that there are more current liabilities than cash and cash equivalents and that Air Seychelles had insufficient cash to meet short-term obligations as at December 31, 2019.

Air Seychelles' debt ratio stood at 117% in 2019, remaining unchanged from 2018. A debt ratio above 100% indicates that the Company has more liabilities than assets and is highly leveraged. A high debt ratio implies that an enterprise is more dependent on leverage and has a weaker equity position. Since 2015, the debt ratio has been increasing, from 90% in 2015 to 117% in 2019, indicating a greater increase in total liabilities (18%) relative to total assets (12%).

3.1.3 Budgetary flows

3.1.3.1 Tax

Air Seychelles is exempt from Business Tax.

3.1.3.2 Dividend

The Company did not declare dividends over the period 2015 to 2019.

3.1.3.3 Grants for commercial incentives

Table 6 presents deferred grants to Air Seychelles and the outstanding balances for 2015 to 2019. These grants relate to 2014 and 2015 grant deferral agreements between the Government and Air Seychelles for long-haul commercial incentives (ref. 1.3 Financial transactions between PEs and the Government).

Table 6. Deferred payment of grants

Commencement date	End date	Balance outstanding at year-end			
		2017	2018	2019	2019
		mUSD	mUSD	mUSD	mUSD
24.04.2017	31.12.2023	6.7	5.7	4.7	4.2

3.1.3.4 Budget subsidies from Government

From 2015 to 2019, Air Seychelles received a total of mUSD7.6 subsidy from the National Budget. In 2019, Government committed an annual grant of mUSD6 to Air Seychelles for five years to support its restructuring plan. Air Seychelles received the first mUSD6 tranche in 2019.

Table 7. Budget subsidies from GoS

Purpose of subsidy	2018	2019
	mUSD	mUSD
Restructuring	1.6	6.0
Total	1.6	6.0

3.1.3.5 Quasi-Fiscal Activities (QFAs)

Table 8. QFA

Public Service Obligation (PSO)	Quantification	2015	2016	2017	2018	2019
Charging prices below market level for resident fares on the domestic operation	Revenue per pax (USD)	38.5	38.4	37.5	37.0	51.0
	Cost per pax (USD)	74.9	80.3	81.7	84.0	86.0
	No. of return residents	43,624	54,518	58,902	51,526	51,725
	Cost to Air Seychelles (mUSD)	1.6	2.3	2.6	2.4	1.8

3.2 Islands Development Company Limited (IDC)

3.2.1 Mandate/principal activities

The Islands Development Company (IDC) was established to create a structure enabling the economy of the outer islands to be developed. IDC is the parent company of Green Island Construction Company Ltd (GICC), which also comprises two other subsidiaries, namely Green Tree Investment Company Ltd (GTIC) and Green Oak Investment Company Ltd (GOIC). In 2019, GOIC was dissolved.

The core activities of IDC are:

- o To carry on the business of the managers and developers of the outer islands either as owners or lessees.
- o To provide transportation to and from the outlying islands.
- o To actively engage in endorsing tourism and private investments; and
- o To engage in construction activities of resort and villas on islands managed by itself.

The financial year of IDC starts on March 31.

3.2.2 Financial summary

The Company's principal income sources are construction revenue (35% of net revenue) and transportation revenue to the outer islands, which is undertaken by IDC Aviation (35% of net revenue). Other income sources comprise utility supply to hotels on outer islands (23% of net revenue), guesthouse activities, surplus from the sale of produce, landing fees, and sale of coral fill.

Total revenue declined by 5% from 31.03.2019 to 31.03.2020 due to a reduction in construction activity. IDC completed and handed over the Four Seasons Hotel on Desroches in March 2018, after which it has not received any major construction contract.

	31.03.2020	31.03.2019
Ownership		
Enabling legislation	Companies Act 1972	
Incorporation	April 29, 1980	
Responsible Ministry	OVP	
GoS shareholding	100%	100%
Financial data (mSCR)		
Cash & equivalents	30.9	74.3
Total assets	342.7	350.9
Total liabilities	139.8	148.6
Total borrowing	58.9	66.3
Total equity	202.9	202.2
Total revenue	295.8	310.6
Net revenue	272.1	297.4
Staff costs	89.1	82
Operating profit	17.2	51.1
Net profit	8.6	41.8
Subsidy received	-	5
Dividend paid	5	3
Business tax	5.3	3.7
Other indicators		
Net profit margin	3%	14%
ROA	2%	13%
ROE	4%	23%
No. of employees	800	995
IFRS compliant	IFRS for SMEs	
Auditor	Pool & Patel	Pool & Patel

Net profit declined by 79% from 31.03.2019 to 31.03.2020. The decline resulted from the reduction in construction revenue, an increase in administrative salaries and benefits, and the revegetation and restoration of Farquhar Island. The growth in salaries expense was due to the recruitment of several qualified Seychellois managers in various departments. Additionally, IDC has been compelled to fill in a few mandatory posts in the aviation department as per Seychelles Civil Aviation Authority (SCAA) regulations.

The net profit margin of the Company consequently declined from 14% for the year ended March 31, 2019 to 3% for the year ended March 31, 2020.

IDC's primary assets are buildings and utilities, followed by machinery and fittings.

The Company's current ratio and cash ratio stood at 0.95 and 0.29, respectively, at March 31, 2020. These ratios, having a value of less than one, indicate that the Company may encounter challenges to meet short-term obligations.

Total liabilities declined by 6% in 2019 (mSCR8.8) due to repayment of a Euro loan from Nouvobanq on October 31, 2019.

3.2.3 Budgetary flows

IDC made a net contribution of mSCR32.9 to the National Budget for the period 01.04.2015-31.03.2020. This comprises a total of mSCR14 dividend and mSCR23.9 Business Tax to the Budget and mSCR5 subsidy received from the Government. The subsidy was received during 2019 for the construction of an airstrip on Providence Island.

3.2.3.1 Tax

Table 9. Business Tax expense

	2015	2016	2017	2018	2019
Tax paid	mSCR	mSCR	mSCR	mSCR	mSCR
	0.8	6.4	7.7	3.7	5.3

3.2.3.2 Dividend

Table 10. Dividend paid

	2015	2016	2017	2018	2019
Dividend paid	mSCR	mSCR	mSCR	mSCR	mSCR
	3	-	-	3	5

3.2.4 Flows with PEs

Table 11. Loans received by IDC from other PEs

	Loan 1	Loan 2	Loan 3	Overdraft
Creditor PE	Nouvobanq	Nouvobanq	Nouvobanq	Nouvobanq
Purpose of loan	Purchase of Dornier Aircrafts	Purchase of Beechcraft	Purchase of 6 Generators for Desroches	Overdraft facility
Commencement date	17.12.2015	02.03.2018	21.12.2018	15.04.2012
End date	31.12.2019	24.03.2023	11.08.2023	31.12.2019
Total loan (mUSD)	1.4	2.2	2.5	7
Balance outstanding 31.12.2019 (mUSD)	0	1.4	1.6	6.3

3.3 Petro Seychelles Limited

3.3.1 Mandate/principal activities

Petro Seychelles was incorporated on July 12 2012. The Seychelles National Oil Company (SNOC), incorporated in 1984, was the entity initially responsible for hydrocarbon exploration in Seychelles. On June 11 2004, Government decided to merge SNOC with SEYPEC to cut costs. In 2011, SEYPEC purchased shares in two companies for oil exploration in Seychelles (AFREN & WHL); this compromised its role as regulator. In March 2012, Government decided to split SEYPEC and create Petro Seychelles to oversee the upstream sector of the oil industry, including the supervision, monitoring, and investment in upstream activities. SEYPEC retained its mandate for the downstream sector.

The core activities of Petro Seychelles are:

- o To promote, conduct, and supervise activities relating to the exploration of hydrocarbons in Seychelles' Exclusive Economic Zone (EEZ).
- o To acquire, interpret and classify data and any information necessary to sustain or further commercial interest in the exploration of hydrocarbons in Seychelles' EEZ.

3.3.2 Financial summary

With no commercial discovery, the Company's only income is through area rentals, license application fees, training and technical assistance funds from operators, and data licensing. Petro Seychelles had two Petroleum Agreements and one Exploration License during the period under review. A petroleum agreement is an exclusive agreement which grants exploration and exploitation rights to companies for 34 years, with the first nine years being the exploration phase.

	2019	2018
Ownership		
Enabling legislation	Companies Act 1972	
Incorporation	July 12, 2012	
Responsible Ministry	OVP	
GoS shareholding	100%	100%
Financial data (mSCR)		
Cash & equivalents	1.1	5.6
Total assets	6.6	6.2
Total liabilities	21.2	13.7
Total borrowing	10	5
Total equity	(14.6)	(7.5)
Total revenue	2.3	1.8
Net revenue	2.3	1.8
Staff costs	3.5	2.9
Operating profit	(7.1)	(6.7)
Net profit	(7.1)	(6.7)
Subsidy received	-	-
Dividend paid	-	-
Business tax	-	-
Other indicators		
Net profit margin	-312%	-386%
ROA	-111%	-121%
ROE	64%	162%
No. of employees	9	9
IFRS compliant	Yes	Yes
Auditor	ACM	ACM

Petro Seychelles' total revenue showed a 29% increase in 2019. This was due to concessionary fees of sea acreage increasing by 51%, which is the principal source of revenue from operations. In 2019, concessionary fees of sea acreage represented 85% of total revenue. These fees are paid by the exploration company in respect of each contract year specified in the petroleum agreement and are a factor of the square kilometres leased out. Sea acreage income is time-apportioned for the amount that relates to the financial year.

The growth in these fees was due to the release of sea acreage fees invoiced in June 2018 and allocated to revenue in 2019.

Release of training income is another revenue source and is paid yearly at the beginning of each contract year with the settlement of sea acreage fees. As per the petroleum agreement, training income is used to send Seychelles' nationals on petroleum and energy-related courses. In 2019, training income contributed 15% of total revenue. The Company recognises training income when it incurs training costs, regardless of when the payment is being made. Revenue in respect of a financial year is recognised as deferred income and released to the Statement of Comprehensive Income to the extent that the Company has incurred training expenses during the same financial year. A new revenue source, the hiring of conference facilities, was also reported in 2019.

Total expenditure grew by 10% in 2019, associated with a 9% rise in credit impairment allowance and a 16% rise in salaries expense. Allowance for credit impairment and salaries expense amounted to mSCR4.7 and mSCR3.5 in 2019, respectively, equivalent to 206% and 154% of revenue for the year. The increase in the allowance for credit impairment was due to clients/debtors being unable to pay their invoices; one client is in administration and other clients are still raising funds to make payment to the outstanding invoices for 2018 and 2019.

The rise in salaries expense was due to the introduction of the long-service allowance.

In 2019, a mSCR7.06 net loss was observed, a 5% increase from 2018, due to the rise in total expenditure. The net margin was -312% for 2019 compared to -387% in 2018. The highest net loss recorded over the period 2015-2019 was in 2019. Petro Seychelles has reported sustained losses from 2015 to 2019, with an average net margin of -439%. The Company has been unable to generate sufficient revenue to cover operating costs.

Total assets amounted to mSCR6.6 at the end of 2019, of which the largest component was a mSCR5 receivable. This pertains to a mSCR5 loan expected from Petro Seychelles' shareholder, the Société Seychelloise d'Investissement Ltd (SSI).

Total liabilities rose by 55% from 31.12.2018 to 31.12.2019. This was due to the mSCR5 portion of a shareholder loan from SSI to fund Petro Seychelles' operations. The first portion of the shareholder loan was received in 2018, where it amounted to mSCR5. As per the loan agreement, SSI will lend Petro Seychelles a total of mSCR20, broken down into mSCR5 portions from 2018 to 2021. The loan bears 0% interest and will be repaid at a time determined by the lender. Petro Seychelles' current financial position does not indicate a capacity to repay this unsecured lending in the short-term.

Total equity declined from mSCR6.45 to mSCR-14.58 from 2015 to 2019. In 2019, total equity declined by 94%. The reason for the gradual decline is principally due to accumulated losses. Petro Seychelles has been reporting negative retained earnings since 2017. The Company may face challenges to secure funding from creditors, having a negative equity position.

3.3.3 Budgetary flows

3.3.3.1 Tax

Petro Seychelles is exempt from Business Tax.

3.3.3.2 Dividend

The Company did not declare dividends over the period 2015 to 2019.

3.3.4 Flows with PEs

Petro Seychelles occupies a floor of the SEYPEC building for its operations, which it leases at nil cost. The lease will end once Petro Seychelles has established itself in its building.

3.4 Public Utilities Corporation (PUC)

3.4.1 Mandate/principal activities

PUC was formed after the merger of the Seychelles Water Authority and Seychelles Electricity Corporation Limited. The Corporation is organised into three reportable segments: the water segment, electricity segment, and sewerage segment.

The core activities of PUC are:

- o the generation, transmission, distribution and sale of electrical energy
- o the treatment of raw water and supply of potable water; and
- o the treatment and safe disposal of wastewater to the environment

3.4.2 Financial summary

PUC reported bnSCR1.8 total revenue for 2019, a 1% increase from 2018. The supply of electricity is the Corporation's revenue driver, representing 82% of net revenue in 2019. Electricity tariffs are adjusted quarterly based on oil prices and exchange rate fluctuations, with the approval of the Seychelles Energy Commission (SEC), which is the regulator for the Electricity activity.

Supply of water and Disposal fees respectively contributed 14% and 2% of net revenue for 2019. The highest revenue from electricity supply recorded during 2015-2019 was in 2019.

The Corporation's expenditure totalled bnSCR1.7 in 2019, representing 10% growth from 2018. The rise in spending was caused by a 52% (mSCR70.9) increase in repairs and maintenance cost. Salary expense also rose by 15% (SCR28.5). PUC's main cost driver is fuel and oil expense, equivalent to 50% of net revenue. Staff costs represented 17% of net revenue for 2019.

	2019	2018
Ownership		
Enabling legislation	PUC Act 1986	
Establishment	January 01, 1986	
Responsible Ministry	MEECC	
GoS shareholding	100%	100%
Financial data (mSCR)		
Cash & equivalents	542.1	504.5
Total assets	5,033.3	4,363
Total liabilities	1,515.3	911.8
Total borrowing	1,157.8	645
Total equity	2,422.8	2,311.8
Total revenue	1,803	1,685.4
Net revenue	1,684.9	1,573.6
Staff costs	281.6	246.6
Operating profit	111.1	142.7
Net profit	111.1	142.7
Subsidy received	60	109
Dividend paid	-	-
Business tax	-	-
Other indicators		
Net profit margin	7%	9%
ROA	2%	3%
ROE	5%	6%
No. of employees	1182	1140
IFRS compliant	Yes	Yes
Auditor	OAG & BDO	OAG & Baker Tilly

Net profit amounted to mSCR111.1, representing a 22% reduction from 2018 due to the rise in total expenditure. The net profit margin consequently declined to 7% for 2019 from 9% in 2018.

PUC's asset base amounted to bnSCR5 at the end of 2019, accounting for 15% of the PE sector assets.

The Corporation's total assets were 15% greater at the end of 2019 compared to 2018, principally due to capital work in progress rising by 101% (mSCR732.4). Additions to capital work in progress in 2019 comprised the 5MW Solar Park and the Providence Desalination Extension.

Total liabilities rose by 66% when comparing December 31, 2019 to the same period in the previous year. There was a net growth in total borrowings of 79% (mSCR512.8) due to drawdown on existing borrowings and new borrowings from Nouvobanq and the Abu Dhabi Fund for Development (ref. Table 14). The Corporation's net debt-to-equity ratio consequently rose from approximately 0.18 at the end of 2018 to 0.40 at the end of 2019. If only borrowings are considered, the Corporation's gearing ratio is estimated at approximately 0.25 at the end of 2019 compared to 0.06 in the previous period. Such values indicate that the Corporation's financial stability has not been affected by its borrowings. The borrowings fund various capital and maintenance projects.

PUC had a sound liquidity position at December 31, 2019 with a current ratio of 6 and a cash ratio of 2.

3.4.3 Budgetary flows

3.4.3.1 Tax

As per the tax regime, PUC is not liable to Business Tax.

3.4.3.2 Dividend

The Corporation did not pay any surplus fund to the Government for the period 2015 to 2019.

3.4.3.3 Subsidies

The subsidy received by PUC from the Government is for infrastructure development and utility service provision.

Table 12. Subsidy received from GoS

Particulars	2015	2016	2017	2018	2019
	mSCR	mSCR	mSCR	mSCR	mSCR
Amount of subsidy	57.7	118.0	120.0	109.0	60.0
Total revenue	1,499.8	1,505.4	1,630.3	1,685.4	1,803.0
Subsidy as % of revenue	4%	8%	7%	6%	3%

3.4.3.4 Quasi-Fiscal Activities (QFA)

Amongst PUC's QFAs, there is cross-subsidisation between consumer groups because the domestic tariff is below a profitable rate for the Corporation and is lower than the commercial and Government rates.

Table 13. QFA

Public Service Obligation (PSO)	Calculation method	Cost	2015	2016	2017	2018	2019
			mSCR	mSCR	mSCR	mSCR	mSCR
Charging prices below market level	(Average tariff - Average Tariff by Domestic Clients) X Domestic consumption	Total	193.7	237.0	242.3	238.9	235.0
		Electricity	158.2	195.7	202.0	199.8	195.6
		Water	31.6	37.5	36.3	35.5	34.8
		Sewage	3.9	3.8	4.0	3.6	4.6
Cross-subsidisation of water tariffs by electricity tariffs	Loss suffered by Water segment of PUC	Total	25.9	0.0	0.0	0.0	0.0
Revenue loss (gain) to PUC due to Photovoltaic (PV) energy penetration	(Average Tariff - Marginal Fuel cost) X PV energy produced in kWh by Commercial sector or Domestic sector	Total	2.8	3.5	4.0	4.9	8.5
		Commercial sector	3.0	3.8	4.4	5.4	8.6
		Domestic sector	(0.2)	(0.3)	(0.4)	(0.5)	(0.1)

3.4.3.5 Guarantees

PUC's Government guaranteed borrowings are shown in Table 14. The Corporation had one debt that was not guaranteed by the Government at December 31, 2019 this was a mSCR75 loan from Nouvobanq obtained in 2019 to finance the desalination plant extension project.

Table 14. Government guarantees

Type of guarantee	Purpose	2018	2019
		mSCR	mSCR
International Loan	Guarantee against the loan from European Investment Bank (EIB) for project Neptune - water and sanitation projects	211.8	405.3
International Loan	Guarantee against the loan from Agence De Française de Développement (AFD) for the project Neptune - water and sanitation projects	155.3	156.8
International Loan	Guarantee against the loan from African Development Bank (AfDB) for raising La Gogue Dam	54.1	125.8
International Loan	Guarantee against the loan from Saudi Fund for the 33 kV network development	149.5	195.2
International Loan	Guarantee against the loan from BADEA for the 33 kV network development	74.21	103.4
International Loan	Guarantee against the loan from Abu Dhabi fund for development for the solar farm project at Romainville		86.4

3.5 Seychelles Civil Aviation Authority (SCAA)

3.5.1 Mandate/principal activities

The Authority regulates civil aviation and safety oversight and is also a service provider for Air Navigation Services and the management of the Seychelles International and Praslin Airports.

In 2019, the Authority completed the expansion of the domestic terminal at a cost of mSCR85.3.

3.5.2 Financial summary

There was a 10% reduction (mSCR11.3) in SCAA's net profit for 2019 compared with 2018 despite a 5% growth in revenue. The decrease in net profit was due to total operating expenses increasing at a higher rate (13%) than total revenue (5%). The contributing factors to the increase in costs were a 12% increase (mSCR21.4) in staff cost and a 17% increase (mSCR12.6) in "Other operating expenses". The increase in "Other operating expenses" was associated with the opening of new facilities such as the domestic terminal and increased international and domestic traffic.

Growth in Passenger Service Fees (PSF) and Air Navigation Charges (ANC) was the main driver of the 5% growth in total revenue. PSF increased by 5% (mSCR13.5) and the ANC increased by 3% (mSCR4.5). The increase in PSF was associated with a 3% increase in international passenger throughput. PSF and ANC constitute approximately 90% of SCAA's total revenue for the year 2019.

The increase in costs negatively impacted profit margins as the operating profit margin (30%) and net profit margin (21%) had decreased in 2019.

SCAA reported total assets of mSCR766 at December 31, 2019, of which the largest components were building and infrastructure.

	2019	2018
Ownership		
Enabling legislation	SCAA Act, 2005	
Establishment	April 4, 2005	
Responsible Ministry	MoTCAPM	
GoS shareholding	100%	100%
Financial data (mSCR)		
Cash & equivalents	174.2	171.5
Total assets	765.8	744.7
Total liabilities	79.6	47.2
Total borrowing	-	-
Total equity	686.2	697.5
Total revenue	503.9	478.8
Net revenue	495.3	474.3
Staff costs	197.3	175.9
Operating profit	148.3	164.4
Net profit	103.7	115.1
Subsidy received	-	-
Dividend paid	115	43.2
Business tax	44.4	49.2
Other indicators		
Net profit margin	21%	24%
ROA	14%	16%
ROE	15%	17%
No. of employees	746	728
IFRS compliant	No	No
Auditor	OAG	OAG

A 3% growth in total assets and the decline in net profit caused the ROA ratio to reduce from 2018 to 2019. The increase in total assets was due to a 3% growth in Property Plant & Equipment (PPE) and the 13% increase in trade debtors. The rise in PPE was associated with building & infrastructure (mSCR23.1) and additions to Plant & Machinery (mSCR17.3).

There was a 69% increase in total liabilities from 31.12.2018 to 31.12.2019, which was associated with an approved dividend payable of mSCR40.

3.5.3 Budgetary flows

3.5.3.1 Tax

Table 15. Business Tax expense

	2015	2016	2017	2018	2019
Tax paid	mSCR	mSCR	mSCR	mSCR	mSCR
	34.8	41.5	53.8	49.2	44.4

3.5.3.2 Dividend

SCAA paid a total dividend of mSCR115 for 2019, leading to a retained loss of mSCR11.3.

Table 16. Dividend paid

	2015	2016	2017	2018	2019
Dividend paid	mSCR	mSCR	mSCR	mSCR	mSCR
	44.4	43.2	53.2	43.2	115.0

3.5.3.3 Quasi-Fiscal Activities (QFAs)

Table 17. QFAs

Public Service Obligation (PSO)	Calculation method	Quantification				
		2015 mSCR	2016 mSCR	2017 mSCR	2018 mSCR	2019 mSCR
SCAA- XRAY Machine located at Cargo-Customs	Maintenance Fees by SCAA XRAY 180180	0.05	0.05	0.05	0.06	0.06
XRAY Machine-Customs Immigration	Maintenance Fees approximation	0.04	0.04	0.04	0.05	0.06
SRC Customs Building	SRC Customs Building-Billing to start as of January 2020 at SCR50,000 Per month	0.37	0.37	0.37	0.37	0.37
MET Land Lease	MET Land Lease (Area: 295sqm @ SCR350/sqm SCR103,250 per month)	1.24	1.24	1.24	1.24	1.24
SEYPEC Land Lease	SEYPEC Land Lease (SCR320,000 Payable Half Yearly)	0.32	0.32	0.32	0.32	0.32
New Domestic Terminal, July 2019	INAD Facility				0.10	0.10
SLTA Roundabout near airport	SCAA Contribution to SLTA Roundabout			4.50		
Electricity at the Met office	Met Office (Average: SCR66,234.48 2016, SCR79,444.95 2017)	0.79	0.79	0.95	1.03	1.07
Electricity as Customs	Customs-Cargo (Average: SCR33,099.59 2016, SCR34,068.72 2017)	0.42	0.40	0.41	0.41	0.43
Total		3.23	3.21	7.88	3.57	3.64

3.6 Seychelles International Banking Corporation Limited (Nouvobanq)

3.6.1 Mandate/principal activities

Nouvobanq is a commercial bank and its principal activity is to provide banking and financial services in Seychelles. The Bank's services include savings and current accounts, credit cards, national and international transfers.

3.6.2 Financial summary

Nouvobanq's net revenue comprises interest income from loans and advances and interest income from investments in financial and short-term funds and fees and commission income, respectively representing 33%, 25%, and 17% of total revenue for 2019. Net trading income, comprising principally of foreign exchange gains contributed 23% (mSCR112.3) of total revenue for 2019.

Total revenue reported an increase of 8% (mSCR36.1) from 2018 associated with 12% (mSCR39.1) increase in net revenue. Interest from loans and advances rose by 11% (mSCR15.5) in 2019 compared to 2018, while interest from investments and short-term funds rose by 14% (mSCR14.5). Additionally, fees and commission income rose by 12% (mSCR9.1), mostly from greater customer deposits.

Total expenditure amounted to mSCR238.9 in 2019, representing an increase of 29% (mSCR53.9) from 2018. Greater expenses were primarily associated with mSCR21.6 provision for Expected Credit Loss (ECL) charged and 57% (mSCR18.3) increase in interest expenses. In 2018, a mSCR4.5 credit was provisioned for ECL. In the Bank's AFS 2019, the auditors indicated that the implementation of the modelling for ECL, as well as classification, measurement and relevant disclosures, were incorrect for 2018, which was the year of initial application of IFRS 9. The Bank subsequently appointed a consultant to assist with the implementation of IFRS 9.

	2019	2018
Ownership		
Enabling legislation	Companies Act, 1972 Financial Institutions Act, 2004	
Establishment	The Bank was first established as a branch of the Bank of Credit and Commerce International (BCCI) on May 21, 1976. In 1991, the branch was taken over by the Seychelles International Mercantile Banking Corporation (SIMBC).	
Responsible Ministry	MoFTIEP	
GoS shareholding	78%	78%
Financial data (mSCR)		
Cash & equivalents	3,545.6	3,469.5
Total assets	7,372.4	6,779.5
Total liabilities	6,814.7	6,229.1
Total borrowing	-	-
Total equity	557.7	550.5
Total revenue	488.2	452.2
Net revenue	364.9	325.7
Staff costs	43.5	38.9
Operating profit	270.9	267.1
Net profit	164.2	138.7
Subsidy received	-	-
Dividend paid	165.0	225.0
Business tax	85.1	132.9
Other indicators		
Net profit margin	45%	43%
ROA	2%	2%
ROE	30%	26%
Capital Adequacy Ratio	12.87%	12.96%
No. of employees	147	144
IFRS compliant	Yes	Yes
Auditor	BDO	Baker Tilly

The 2018 figures were not restated since the scope of the consultant's work was for 2019 only, hence the difference in provision for ECL from 2018 to 2019.

Interest expenses grew by 57% (mSCR18.3) from 2018 to 2019, due to greater customer deposits in 2019, with interest rates ranging from 0.2% to 6.0%, unchanged from 2018. The Bank's net interest income (i.e. interest income-interest expense) grew by 5% (mSCR11.6).

The operating profit before provision remained relatively stable at mSCR270.9 for 2019, with a 1% (mSCR3.8) growth compared to 2018. Profit before tax declined by 8% (mSCR22.3) due to the increase in provision for ECL.

Net profit reported an 18% (mSCR25.5) increase from 2018 contributed by 36% (mSCR47.8) lower tax expenses for the year. The net profit margin for 2019 increased to 45% compared to 43% for 2018.

Nouvobanq reported an asset base of bnSCR7.4 at December 31, 2019, constituting 23% of the PE sector's assets. The Bank's assets increased by 9% (mSCR592.9) from December 31, 2018, mainly associated with 17% (mSCR324.2) greater disbursement of loans and advances and 16% (mSCR164) greater investments in financial assets, mostly in Deposit Auction Arrangements (DAA). The ROA stood at 2% for 2019, unchanged from 2018.

Total liabilities rose by 9% (mSCR585.7) from December 31, 2018 to December 31, 2019 due to a 9% (mSCR531.5) increase in customer deposits, which accounted for 98% of total liabilities.

The net debt to equity ratio stood at 5.9 in 2019 (5.0 in 2018), indicating that total liabilities, net of cash and cash equivalents, were 5.9 times greater than the total equity for the year. The increase of 85 percentage points in net debt to equity ratio from 2018 was due to the rise in customer deposits.

Nouvobanq manages its concentration risk by client and industry sector. For 2019, the Real Estate sector received the greatest amount of loan and advances. It represented 33.6% (mSCR748.3) of the total loan disbursement, followed by the Financial Services sector representing 23.2% (mSCR516.5) and the Tourism sector representing 22.9% (mSCR508.2). Additionally, a majority of 77.7% (mSCR926.7) of investment in financial assets was made with the Government of Seychelles in Treasury Bills, DAA, DBS bonds and Treasury Bonds with the remaining 22.3% (mSCR266.2) investment from the Financial services sector. Table 18 shows the concentration risk by sector for 2019.

The Bank's Capital Adequacy Ratio was 12.87% for 2019 and 12.96% for 2018; both are above the 12% requirement of the Financial Institutions Act.

Table 18. Concentration risk per sector for 2019

31.12.2019	Concentration per sector for 2019							
	Financial services	GoS	Real Estate	Tourism	Trade	Personal	Others	Total
	mSCR	mSCR	mSCR	mSCR	mSCR	mSCR	mSCR	mSCR
Cash and bank balances	3477.3	0.0	0.0	0.0	0.0	0.0	68.7	3546
Loans and advances	516.5	141.4	748.3	508.2	92.6	203.0	14.0	2224
Investment in financial assets	266.2	926.7	0.0	0.0	0.0	0.0	0.0	1193
Other assets	47.1	0.0	0.0	0.0	0.0	0.0	159.4	207
Commitments	0.0	1.9	60.8	127.0	50.0	132.7	618.9	991
Total concentration risk	4307	1070	809	635	143	336	861	8161

3.6.3 Budgetary flows

3.6.3.1 Tax

Table 19. Business Tax expense

	2015	2016	2017	2018	2019
Tax paid	mSCR	mSCR	mSCR	mSCR	mSCR
	103.4	85.9	79.8	132.9	85.1

An interim dividend of mSCR165 (SCR1,650 per share) was declared and paid for 2019. The Central Bank of Seychelles issued a circular on April 07 2020, prohibiting the dividend declaration for the financial years ending December 31, 2019 and December 31, 2020. Consequently, a final dividend was not paid for 2019.

3.6.3.2 Dividend

Table 20. Dividend paid

	2015	2016	2017	2018	2019
Dividend paid	mSCR	mSCR	mSCR	mSCR	mSCR
	110	225	125	225	165

3.7 Seychelles Petroleum Company Limited (SEYPEC)

3.7.1 Mandate/principal activities

SEYPEC was founded following the closure of the Shell Oil Company in 1985 with the principal mandate of fulfilling the country's energy requirement through the supply of fuel. SEYPEC has a fleet of six double-hull tankers trading internationally. Four of these tankers are subsidiaries of the Company, namely Seychelles Pioneer, Seychelles Progress, Seychelles Prelude and Seychelles Patriot. The Company also has a smaller product and LPG tanker trading in the Indian Ocean.

The core activities of SEYPEC are:

- o Supply of petroleum product in Seychelles
- o Marine bunkering
- o Aviation refuelling
- o Transshipment and transportation of petroleum and chemical products by tankers

SEYPEC has been debt-free since 2017.

3.7.2 Financial summary¹⁶

Total revenue decreased by 4% in 2019, associated with income from the sale of product declining by 5% due to lower selling prices aligned on importation cost. Sales of Product contributes an average of 89% to net revenue. The main customers of SEYPEC are PUC, petrol stations, hotel, industries, and SPTC, representing 41% of 2019 total sales. The remaining 59% of total sales were from the international sale service for marine bunkering.

Total expenditure declined by 5% in 2019, mainly associated with lower sales cost after a fall in crude oil prices on the international market.

	2019	2018
Ownership		
Enabling legislation	Companies Act 1972	
Establishment	April 02, 1985	
Responsible Ministry	OVP	
GoS shareholding	100%	100%
Financial data (mUSD)		
Cash & equivalents	23.2	4.8
Total assets	436	439.9
Total liabilities	54.6	61.6
Total borrowing	-	-
Total equity	381.4	378.3
Total revenue	390.6	405.2
Net revenue	382.2	397.1
Staff costs	4.8	4.4
Operating profit	275.9	162.5
Net profit	237.2	88.4
Subsidy received	-	-
Dividend paid	14.1	10.6
Business tax	2.7	5.4
Other indicators		
Net profit margin	4%	2%
ROA	4%	1%
ROE	4%	2%
No. of employees	223	215
IFRS compliant	Yes	Yes
Auditor	BDO	BDO

Cost of sales is the company's cost driver accounting for 96% of total expenditure in 2019. Petroleum products comprise the largest components of cost of sales.

Net profit grew by 168% in 2019 to reach (mUSD16.9) due to decreased cost of sales. As a result, the net profit margin rose from 2% to 4%. SEYPEC is also profitable on an operational level, with an operating profit margin of 5%.

¹⁶ SEYPEC's functional currency is the U.S. Dollar. The CBS yearly average exchange rate of SCR/USD=14.0335 was used for the conversion.

The Company's total assets amounted to mUSD46 (bnSCR6), corresponding to 30% of the PE sector's total assets at December 31, 2019. Tanks, pumps and petrol stations represented 58% of SEYPEC's total assets, and double hull tankers represented 20%.

The Company had a total liability of mUSD54.6, of which the largest components were trade payables.

SEYPEC remained solvent at the end of 2019 with a net debt-to-equity ratio of 0.08. Regarding liquidity, the Company had a quick ratio of 1.9 at December 31, 2019 indicating sufficient resources to meet short-term obligations. Its cash ratio amounted to 0.7. The Company generates sufficient cash from its operations to meet operating expenses, with a positive operating cash flow for the past five years. The operating cash flow to revenue ratio amounted to 11% for 2019 compared to 3% for 2018 respectively, indicating that sales growth has resulted in a growth in the cash flow.

3.7.3 Budgetary flows

3.7.3.1 Tax

Table 21. Business Tax expense

	2015	2016	2017	2018	2019
Tax paid	mUSD	mUSD	mUSD	mUSD	mUSD
	4.9	8.6	9.2	5.4	2.7

3.7.3.2 Dividend

Table 22. Dividend paid

	2015	2016	2017	2018	2019
Dividend paid	mSCR	mSCR	mSCR	mSCR	mSCR
	66	90	90	120	200

3.7.3.3 Quasi-Fiscal Activities (QFAs)

Table 23. QFA

Public Service Obligation (PSO)	Calculation method	Quantification	2015	2016	2017	2018	2019
			mSCR	mSCR	mSCR	mSCR	mSCR
Selling petroleum products on other islands at the same price as on Mahe	Transport costs, infrastructure, manpower	Praslin operations	4.2	5.2	4.8	5.5	4.9
		Paradise loss - FC	25.9	24.5	30.1	11.7	12.0
		Paradise loss - VC	6.5	7.9	7.6	27.1	31.9
		Praslin depot	8.6	8.9	9.2	7.6	7.6
		Grand Anse Praslin station depot	1.2	1.1	1.1	1.1	0.8
		Baie Ste Anne station depot	1.0	1.0	1.0	1.0	0.7
		La Digue depot	1.1	1.1	1.1	0.9	0.9
Total			48.5	49.6	54.8	54.9	58.9

3.8 Seychelles Ports Authority (SPA)

3.8.1 Mandate/principal activities

SPA is the regulator of the Seychelles ports and is involved in developing and managing port infrastructures. SPA also is responsible for providing ancillary services and security and safety for all users of the port and its facilities.

3.8.2 Financial summary

SPA's net profit reduced by 89% (mSCR56.9) compared with 2018. This was primarily associated with the 148% increase (mSCR41.4) in the Business tax charge due to prior year interest and penalties amounting to mSCR45.1.

Profit before tax declined by 17% (mSCR15.5) due to a rise in staff costs and reduced revenue from port-related services.

The drop in net profit contributed to the decline in ROA from 13% in 2018 to 1% in 2019.

SPA's total revenue is composed of net revenue and other income. Net revenue comprises port-related services, the primary revenue source, followed by the boat hire and rental income. Other income includes interest received on investment in Treasury bills.

Total revenue contracted by 4% (mSCR7.7) in 2019 compared with 2018 due to port-related services declining by 6% (mSCR10.7) over the same period. The reduction in port-related services was associated with a 2% decline in ship calls in 2019 compared with 2018. This is in part due to the lower yellow-fin tuna quota established by the relevant authorities.

SPA's main cost drivers are staff costs, cost of services, operating overheads, and depreciation.

Total expenditure increased by 7% (mSCR7.8) in 2019 compared with 2018, associated with the 18% rise (mSCR10.9) in staff cost and the 103% greater (mSCR2.7) foreign exchange loss.

	2019	2018
Ownership		
Enabling legislation	SPA Act, 2004	
Establishment	October 01, 2004	
Responsible Ministry	MoTCAPM	
GoS shareholding	100%	100%
Financial data (mSCR)		
Cash & equivalents	227	141.9
Total assets	456.3	451.3
Total liabilities	60.1	62.4
Total borrowing	7.8	-
Total equity	396.2	388.9
Total revenue	198.1	205.8
Net revenue	194.8	204.3
Staff costs	71	60.1
Operating profit	76.2	91.7
Net profit	6.8	63.7
Subsidy received	-	-
Dividend paid	-	-
Business tax	69.4	28.0
Other indicators		
Net profit margin	3%	31%
ROA	1%	13%
ROE	2%	17%
No. of employees	234	213
IFRS compliant	Yes	No
Auditor	OAG	OAG & BDO

The increase in staff costs was due to the 15% growth (mSCR7.7) in salaries expense. According to SPA, this was due to a condition attached with a loan from the European Investment Bank (EIB) and Agence Française de Développement (AFD) (ref. 3.8.3.1 Government guarantees), which requires specific expertise in its project management team. As a result, the Authority had to make additional recruitment. Staff costs represented 36% of net revenue for 2019 compared to 29% for 2018.

The total assets stood at mSCR456.3 at the end of 2019. Cash and cash equivalents comprised 50% (mSCR227) of SPA's total assets, of which 80% (mSCR181.5) was cash at bank available on demand and 20% (mSCR45.4) was held in short-term deposits with commercial banks. Property and equipment represented 32% of total assets.

The main categories of SPA liabilities are tax liability, trade and other payables, retirement benefit obligation, and borrowings. SPA did not have borrowings for 2015-2018, it received a loan of mSCR7.8 in 2019. This amount is the first drawdown of mEUR0.5 from an AFD loan, which is part of EIB and AFD support for upgrading and expanding Seychelles' main harbour (ref. 3.8.3.1 Government guarantees).

SPA had a cash ratio of 6 at December 31, 2019 representing an increase compared with 2018 (3). A cash ratio of value greater than one indicates more cash and cash equivalents than current liabilities and that SPA had sufficient cash to meet short-term obligations.

3.8.3 Budgetary flows

3.8.3.1 Government guarantees

SPA has received Government guarantee to secure two credit facilities from EIB and AFD for the port expansion. EIB will provide a mEUR12.5 loan together with a mEUR5 European Union (EU) grant whilst AFD will provide a mEUR16.5 loan for the project. The loan repayment is subject to a moratorium period of 5 years whereby only interest is payable biannually, and thereafter the loan shall be repaid from May 2025.

The Government's exposure at December 31, 2019 was mSCR7.8 (mEUR0.5), corresponding to the first drawdown on the AFD loan. No other drawdown was made in 2019.

3.8.3.2 Tax

Table 24. Business Tax paid (cash flow)

	2015	2016	2017	2018	2019
Tax paid	mSCR	mSCR	mSCR	mSCR	mSCR
	-	-	-	125.9	75.6

SPA paid a total of mSCR125.9 Business Tax in 2018, which relates to tax liability accrued for the period 2013-2017. In 2019, a sum of mSCR75.6 was paid, representing the prior year balance of mSCR30.6 and the prior year interest and penalties of mSCR45.1.

The Authority applied to the Seychelles Revenue Commission (SRC) in December 2006 for exemption from payment of Business Tax. An exemption was denied in 2016, however, a full waiver was obtained for the accumulated tax liabilities up to December 31, 2009. An agreement was reached between the Authority, MoFTIEP and SRC whereby SPA's tax liability for the 2010 to 2016, amounting to mSCR102.1, would be settled in two equal instalments in March and September 2018. Upon finalization of the 2016 financial statements, the final liability was revised to mSCR101.3.

Table 25. Tax liability of SPA for 2015-2019

	2015	2016	2017	2018	2019
Tax liability	mSCR	mSCR	mSCR	mSCR	mSCR
	120.5	101.3	126.1	30.9	27.4

3.8.3.3 Dividend

Table 26. Dividend paid

	2015	2016	2017	2018	2019
Dividend paid	mSCR	mSCR	mSCR	mSCR	mSCR
	25	25	-	-	-

For the period 2015–2019, SPA paid a total of mSCR50 as dividends to the Government. The last dividend payment was for the year 2016.

3.8.3.4 Capital grants

On February 26, 2016, the Government through its investment vehicle, Société Seychelloise D'Investissement Ltd (SSI), transferred its shareholding in Ile Du Port Handling Services (IPHS) Ltd to the Authority at nil consideration. This was recorded as a capital grant in the accounts of SPA.

On May 15, 2018, the SPA Board decided to transfer the shares held by the Authority back to SSI for the amount of mUSD1.44. The transfer was subsequently notarised on July 19, 2018. Consequently, the investment amount in associate of mSCR19.3 in IPHS was derecognised as well as the corresponding Capital Grant in the financial year 2018.

3.8.3.5 Quasi-Fiscal Activities (QFAs)

SPA first identified its QFAs for the year 2019.

Table 27. QFA

Public Service Obligation (PSO)	Quantification	2019
		mSCR
Derogation for the usage of Ramp on Praslin	60% lower than Harbour Dues	0.5
Rental Relief	Amount of rent lower than market value (SCR200/sqm)	0.03
Total`		0.53

3.9 Seychelles Public Transport Corporation (SPTC)

3.9.1 Mandate/principal activities

The Corporation operates public transport on Mahe and Praslin. Its mission is to provide efficient, safe, reliable, affordable and modern transportation capable of meeting the current and future needs of its customers.

The Corporation's depot was destroyed by fire on August 8, 2018, resulting in loss of fixed assets and inventory amounting to mSCR27.6. After the fire, the Government of Seychelles and the Government of India granted donations of mSCR11 and mSCR7.8 respectively for purchases of consumables and spares. SPTC also received a mSCR23 insurance compensation for the fire damage in 2019.

3.9.2 Financial summary

The Corporation recorded a 237% (mSCR48) increase in net profit when compared to 2018. This was associated with the 135% increase (mSCR30.6) in Government subvention and the insurance compensation.

Analysis without extraordinary income and expenditure associated with the depot fire, as well as subvention received, shows that the Corporation would have recorded an estimated net loss of mSCR49 for 2019, compared to mSCR34 for 2018. This was associated with the 5% (mSCR8) reduction in net revenue and the 8% (mSCR9) increase in employee benefit expenses. The rise in staff costs resulted from the implementation of a new scheme of service in April 2019, as well as the introduction of the long service allowance and the 5% supplementation allowance.

SPTC's net revenue comprises traffic revenue (sale of tickets) and contract revenue. The reduction in net revenue from 2018 to 2019 was principally due to a 36% decline (mSCR6.98) in contract revenue. Traffic revenue and contract revenue represented 91% and 9% of net revenue for 2019, respectively.

	2019	2018
Ownership		
Enabling legislation	SPTC Decree	
Establishment	December 1977	
Responsible Ministry	MHILT	
GoS shareholding	100%	100%
Financial data (mSCR)		
Cash & equivalents	8.1	2.2
Total assets	167.5	155.5
Total liabilities	43.1	50.7
Total borrowing	0.56	4.7
Total reserves (equity)	124.4	104.8
Total revenue	220.6	193.4
Net revenue	141.7	149.7
Staff costs	118.8	109.8
Operating profit	27.6	(11.0)
Net profit	27.6	(20.3)
Operating subsidy	53.2	22.6
Capital grant	62.5	8.5
Dividend paid	-	-
Business tax	-	-
Other indicators		
Net profit margin	20%	-14%
ROA	17%	-15%
ROE	24%	-23%
No. of employees	561	523
IFRS compliant	Yes	Yes
Auditor	BDO	BDO

Total expenditure (mSCR192.91) declined by 10% due to scrapped assets decreasing by 99%. The scrapped assets relate to fire damage at the depot. **Analysis without scrapped assets shows that total expenditure grew by 4% from 2018 to 2019**, associated with the 8% growth in employee benefit expenses.

SPTC's assets amounted to mSCR167.5 at December 31, 2019 and of which the largest components were property and equipment (mSCR105.5) and investment in financial assets (mSCR25.7).

Total assets grew by 8% from December 31, 2018 to December 31, 2019 due to a 275% (mSCR18.8) increase in investment in financial assets, namely short-term deposits with commercial banks.

SPTC's Quick Ratio stood at 2.7 in 2019 compared to 0.9 in 2018, the improvement was associated with the insurance compensation. This shows that the Corporation had sufficient current assets available to cover its short-term debts.

3.9.3 Budgetary flows

3.9.3.1 Tax

SPTC is exempt from Business Tax.

3.9.3.2 Dividend

The Corporation did not declare dividends over the period 2015 to 2019.

3.9.3.3 Subsidy received

Table 28. Subsidy received

Purpose of subsidy	2015	2016	2017	2018	2019
	mSCR	mSCR	mSCR	mSCR	mSCR
Subvention received for operations	35	45.5	47.5	22.6	53.2
Capital grant received	9.2	28.1	8.4	62.5	8.5 ¹⁷
13 th month salary support	3.3				
Driver's arrears of scheme			2.5		
End of year bonus			2.7		
Total	47.5	73.6	61.1	85.1	61.7

3.9.3.4 Quasi Fiscal Activities (QFAs)

Table 29. QFA

Public Service Obligation (PSO)	2015	2016	2017	2018	2019
	mSCR	mSCR	mSCR	mSCR	mSCR
QFA 1: charging bus price below market value					
Total amount of PSO	(71.6)	(85.3)	(77.6)	(53.6)	(41.9)
Compensation from Government	35.0	45.6	47.5	22.6	53.2
Total QFA 1	(36.6)	(39.7)	(30.1)	(31)	-
QFA 2: Trimming of trees					
Cost of trimming trees	-	6.3	-	-	-
Compensation from Government	-	4.2	-	-	-
Total QFA 2	-	2.1	-	-	-
QFA 3: Paying compensation for Praslin Transport Company (PTC)					
Closure of PTC	-	0.6	-	-	-
Compensation from Government	-	0.0	-	-	-
Total QFA 3	-	0.6	-	-	-

There was no QFA for 2019 since there was an increase in Government subvention and the insurance claim received. The value of the QFA has reduced since 2017 due to the rise in subvention and increased bus fare in 2018 from SCR5 to SCR7.

¹⁷ SPTC was allocated a capital grant of mSCR14.5 in the 2019 National Budget. As per explanation provided by SPTC, mSCR8.5 was paid directly to the Corporation, and mSCR6 was used by MoFTIEP to purchase spares from overseas suppliers on its behalf.

3.10 Seychelles Trading Company Limited (STC)

3.10.1 Mandate/principal activities

STC's core business is the importation, storage and distribution of Fast-Moving Consumer Goods (FMCG), principally essential commodities. It also operates in the manufacturing sector, producing bread, tea and processed paper.

STC became operational in 2008 following the closure of the Seychelles Marketing Board (SMB). STC took over some of the Seychelles Marketing Board's (SMB) activities and assets such as wholesale, retail and manufacturing operations upon its incorporation.

The objects for which STC was established are:

- o to carry on the business as importer, wholesaler, retailer, distributor and exporter of all kinds of goods and products
- o to carry on the business as commission agent
- o to carry on the business as representative of manufacturers and distributors of goods
- o to own, buy, sell or otherwise deal in immovable property
- o to carry on any business in connection with any one or all the afore-mentioned objects

3.10.2 Financial summary

Total revenue increased by 4% (mSCR45.8) in 2019, as a result of a 4% (mSCR29.6) growth in retail revenue and a 5% (mSCR18.4) increase in wholesale revenue, which are the primary sources of revenue from operations.

In 2019, retail revenue represented 65% of net revenue while wholesale income represented 35% of net revenue.

	2019	2018
Ownership		
Enabling legislation	Companies Act, 1972	
Incorporation	December 10, 2007	
Responsible Ministry	MoFTIEP	
GoS shareholding	100%	100%
Financial data (mSCR)		
Cash & equivalents	137.3	103.4
Total assets	551.9	406.3
Total liabilities	249.3	127.3
Total borrowing	10.5	15.9
Total equity	302.6	278.9
Total revenue	1,144.2	1,098.4
Net revenue	1,137.6	1,089.3
Staff costs	131.5	123.8
Operating profit	48.1	29.4
Net profit	23.7	19
Subsidy received	-	-
Dividend paid	-	-
Business tax	14.3	10.9
Other indicators		
Net profit margin	2%	2%
ROA	5%	5%
ROE	7%	8%
No. of employees	710	727
IFRS compliant	Yes	Yes
Auditor	Baker Tilly	Baker Tilly

The Company operates a customer loyalty programme¹⁸ whereby customers accumulate points on purchases, which entitles them to discounts on future purchases. This loyalty programme is for retail customers only; hence, the reward point awarded is deducted from the gross retail sales before being reported on the profit or loss statement.

¹⁸ The allocation of the award is 3 cents for every 100 cents spent.

Total expenditure increased by 4% (mSCR39.7) in 2019, primarily driven by a 5% (mSCR38.8) increase in cost of sales due to cost of inventories rising by 5% (mSCR38.6). Cost of sales is equivalent to 75% of net revenue, while administrative expense is equivalent to 20% of net revenue.

The Company's operating profit grew by 64% (mSCR18.7) in 2019 due to increased sales, and the operating profit margin rose to 4%.

STC reported a net profit of mSCR23.7 for 2019, representing 3% of the PE sector's net income. The net profit grew by 24% (mSCR4.6) from 2018, driven by revenue growth. It is to note that the highest profit over the five-year period was observed in 2019. The Company's net profit margin remained unchanged from 2018 at 2%, and has been relatively constant over the period 2015 to 2019. The gross profit margin also remained stable from 2018 to 2019, at 25%, similar to the past five years.

At the end of 2019, STC held approximately 2% of the assets of the PE sector. The Company's assets grew by 36% (mSCR145.6) in 2019 due to the introduction of 'Right-of-use assets' amounting to mSCR142.4 which was not reported during the previous years. This follows the Company's adoption of IFRS 16 - Leases¹⁹ in 2019. Inventories were the largest component of the Company's assets, comprising 31% of the asset base at the end of 2019. This is in line with STC's priority to have an emergency stock of essential commodities.

The Company was liquid at the end of 2019 with a current ratio of 3.3 and a cash ratio of 1.4, indicating sufficient working capital to meet short-term obligations.

Total liabilities grew by 96% (mSCR121.9) from December 31, 2018 to December 31, 2019, due to its lease liability, following the adoption of IFRS 16. The Company only started reporting lease liability in 2019 after the adoption of IFRS 16 relating to leases. The growth in total liabilities has caused an increase in the Company's net-debt-to-equity ratio from 0.09 at December 31, 2018 to 0.37 at December 31, 2019. The Company's gearing ratio, considering only interest-bearing liabilities, amounts to 0.06 for December 31, 2019, compared to a negative figure for the previous period, due to a lower amount of interest-bearing liabilities compared to cash.

3.10.3 Budgetary flows

3.10.3.1 Tax

Table 30. Business Tax expense

	2015	2016	2017	2018	2019
Tax paid	mSCR	mSCR	mSCR	mSCR	mSCR
	13.2	10.8	9.8	12.8	14.3

3.10.3.2 Dividend

The Company did not declare dividends over the period 2015 to 2019.

¹⁹IFRS 16 replaces IAS 17. It provides a single lessee accounting model to be applied to all leases, whilst retaining a two-model approach for lessors. Lessees recognize a right-of-use asset and a lease liability on the commencement of a lease. Lessors classify leases as either operating or finance leases

3.10.3.3 Quasi-Fiscal Activities (QFAs)

STC's public service obligation is to sell Category 1 products at regulated prices, which can be below market level. STC also absorbs transportation costs on delivery of Category 1 products to the inner islands. STC is not directly compensated for this by the Government and uses revenue from other product categories to cross-subsidise the Category 1 products.

The Category 1 products include sunflower oil, margarine, powdered milk, rice, refined sugar, infant formula, toilet paper, apples, oranges, potatoes, onions and toilet paper.

Table 31. QFA

Public service obligation (PSO)	2015	2016	2017	2018	2019
	mSCR	mSCR	mSCR	mSCR	mSCR
Charging prices below market level	76.2	30.1	32.0	37	35.7

3.10.3.4 Loans from GoS

At December 31, 2019, STC had mSCR5 due on a direct unsecured loan of mSCR45 from the Government for working capital received in 2015.

The Company also entered into a bridging loan agreement of mSCR5 with The Livestock Trust Fund (LTF) in 2019. The loan taken to finance the upgrading of infrastructure on cold storage facilities is repayable by May 15, 2020. The cold storage facilities will be used exclusively to facilitate the marketing of local produce purchased from farmers as a support initiative for the country's agricultural and livestock development.

Conclusion

The PEs remained crucial actors in the Seychelles economy during 2019; their economic weight in terms of employment, revenue generation, asset value and contribution to the Budget indicates significant risk.

A well-performing PE sector can lead to financial and non-financial value creation for the ultimate owners of these entities, the general public. Key areas of focus to improve financial and non-financial performance within the sector are Governance arrangements and clearly defined expectations of PEs by the shareholder. Oversight of the sector also needs to be strengthened to ensure that the State's interests in the PEs are safeguarded.

The key recommendations are:

- i. Introduction of enforcement mechanisms in the PEMC Act to improve compliance of PEs and facilitate timely decision-making by policy-makers. Prompt reporting by PEs also aids in improving the accountability of PE Boards and Management. The Commission also recommends that efforts are increased nationally to build capacity in the fields of Finance, Accounting and Auditing to improve the PE sector's capacity for timely and accurate reporting.
- ii. Strengthen Corporate Governance within the PE sector supported by a formal and transparent nomination and appointment process for directors. The introduction of a register of directors would provide an open and transparent process for prospective candidates to apply and be included in the register, increasing the skillset and number of candidates available for Board appointment.
- iii. Implementation of a consistent oversight approach that avoids duplication and makes efficient use of resources. This can be supported by a coordinated reporting framework between the Ministry of Finance, the Responsible Ministries, regulators and the PEs regarding decisions that would impact PE performance, for example, the introduction of new QFAs. Such coordination should also include the Commission as the oversight body of the PE sector to avoid information asymmetry whereby the Commission is uninformed of decisions taken by the Government regarding PEs, hindering its capacity to provide input at an early stage rather than retrospectively.
- iv. Implementation of an ownership policy²⁰ for the PE sector, clearly defining the Government's objectives as the owner and its expectations of the PE sector. This will also align the objectives of PE Boards to those of the Government. An ownership policy will also ensure an effective framework of PE oversight, as it will define the roles and responsibilities of the different stakeholders to the PE sector.
- v. PEMC's should be strengthened for improved oversight and timely disclosure of risks emanating from the PE sector.
- vi. Implementation of a dividend policy²¹ to formalise the Government's expectation of returns from the PEs and avoid public funds being invested in projects by PEs that are not in line with sector policy, which may expose public finances to unnecessary risk. Such investments carry risk since they may not be subject to the same scrutiny as investments by Ministries, Departments and Agencies as they may not be part of the budgetary process. A dividend policy would also limit the risk of excessive dividend payments being

²⁰ An ownership policy for the PE sector was approved by the Cabinet of Ministers at reporting date.

²¹ A dividend policy for the PE sector was approved by the Cabinet of Ministers at reporting date.

made to meet short-term budgetary objectives at the expense of a PE's investment in essential infrastructure, which may have long-term consequences on economic growth.

- vii. Development of formal performance targets for the PEs by the shareholder, in accordance with the sector policy of the Responsible Ministry, to minimise the risk of PE bailouts and to provide the shareholder's expectation to the PE Board. The setting of performance targets for PEs may also aid to limit prolonged recurrent losses by PEs. International good practice recommends that the PE ownership unit sets financial targets in collaboration with the Responsible Ministry to ensure alignment between these targets and the objectives outlined in the PEs' policy targets.
- viii. Introduction of conditions attached to subsidies/bailouts for PEs. For instance, subsidies may be disbursed in tranches, subject to certain pre-agreed conditions being fulfilled by the PE. Providing PE Management with performance-based incentives may also help improve PE efficiency; this should be supported by transparent PE reporting to limit the risk of earnings management.
- ix. Improved regulation of PE borrowings, including the implementation of an approval process involving the PEs Responsible Ministry and the Ministry of Finance, irrespective of whether a Government guarantee would be required. This measure would aim to reduce unforeseen implicit fiscal risks from non-guaranteed PE debt and excessive PE borrowing, for example, by introducing debt or liability ceilings for PEs. This should, however, be considered after taking into consideration the particularity of each PE.

Appendices

Appendix 1. List of PEs

Public Enterprise	Sector	GoS ownership	Total value of shareholding	Responsible Ministry	Subsidiaries	Minority interest ²²	Enabling legislation	Board structure under enabling legislation
Société Seychelloise d'Investissement Ltd	Services and Development	100%	100 shares at SCR100=SCR10,000 ²³	MOFTIEP	SEYPEC	SCS Ltd	Co. Act 1972	Not Less than 2 Directors.
					IDC	IOT		
					BDRI	IPHS		
					L'UE Ltd	Seyloin Ltd		
					PS Ltd			
					2020 DC Ltd			
					PDEE Ltd			
					STC Ltd			
					SIMBC (Nouvobang)			
					SCB			
Seychelles Petroleum Company Ltd	Energy	100%	SCR50,000,000 USD8,595,053 ²⁴	OVP	Seychelles Progress		Co. Act 1972	Not Less than 2 Directors.
					Seychelles Patriot			
					Seychelles Pioneer			
					Seychelles Prelude			
Seychelles Progress	Energy	100%	GBP2,000	OVP			Isle of Man Co. Acts	*
Seychelles Patriot	Energy	100%	GBP2,000	OVP			Isle of Man Co. Acts	*
Seychelles Pioneer	Energy	100%	GBP2,000	OVP			Isle of Man Co. Acts	*

²² Source of Information about the Minority Interest are from AFS of PEs

²³ SSI AFS 2019

²⁴ SEYPEC AFS 2019

Seychelles Prelude	Energy	100%	GBP2,000	OVP			Isle of Man Co. Acts	*25
Islands Development Company Ltd	Services and Development	100%	213,309 shares at SCR100=SCR 21,330,900 issued for cash SCR21,330,924 ²⁶	OVP	GICC	Green Tree	Co. Act 1972	Not Less than 2 Directors.
					GOIC	Green Oak		
					GTIC	Poivre Island Lodge		
						Paradise Marine Ltd Platte Island Development Ltd		
Green Island Construction Company Ltd	Services and Development	100%	1000 shares at SCR100 =SCR100,000	OVP			Co. Act 1972	Not Less than 2 Directors.
Green Tree Investment Company Ltd	Services and Development	100%	1000 shares at SCR100 =SCR100,000	OVP			Co. Act 1972	Not Less than 2 Directors.
Bois de Rose Investment Ltd	Services and Development	100%	10,000,000 shares at EUR1=EUR ²⁷ 10,000,000	MOFTIEP			Co. Act 1972	Not Less than 2 Directors.
L'Union Estate Ltd	Services and Development	100%	SCR7,292,500	OVP			Co. Act 1972	Not Less than 2 Directors.
Petro Seychelles Ltd	Energy	100%	SCR1,000,000	OVP			Co. Act 1972	Not Less than 2 Directors.
Seychelles Trading Company Ltd	Services and Development	100%	SCR10,000	MOFTIEP		SCB ²⁸	Co. Act 1972	Not Less than 2 Directors.
2020 Development (Seychelles) Ltd	Services and Development	100%	SCR10,000	MOFTIEP			Co. Act 1972	Not Less than 2 Directors.
Paradis des Enfants Entertainment Ltd	Services and Development	100%	100 shares at SCR100=SCR10,000	MOFTIEP			Co. Act 1972	Not Less than 2 Directors.
Seychelles Pension Fund	Financial	Owned by members of the Fund.	Not Applicable	MOFTIEP	OICL	Seychelles Breweries Ltd	SPF Act,2005	Not more than 10 members. The quorum is 7.
						Cable and Wireless		
						Al Salam Bank		
Opportunity Investment Company Ltd	Financial	51%	100 shares at SCR100=SCR10,000	MOFTIEP			Co. Act 1972	Not Less than 2 Directors.

²⁵ *The quorum necessary for the transaction of the business of the directors may be fixed by the directors, and unless so fixed shall, when the number of directors exceeds three, be three, and shall, when the number of directors does not exceed three, be two. Isle of Man Companies Act 1931.

²⁶ IDC AFS 31.03.2020

²⁷ BDRI AFS 2019

²⁸ STC AFS 2018

Air Seychelles Ltd	Transport	60%	SCR650,000,000 ²⁹	MTCAPM			Co. Act 1972	Not Less than 2 Directors.
Development Bank of Seychelles	Financial	61%	Issued and fully paid shares = 39,200,000 ³⁰	MOFTIEP			DBS Decree 1991	Not more than 10 or less than 5 other members. The quorum is 4.
Financial Services Authority	Financial	100%	Not Applicable	MOFTIEP			FSA Act,2013	The Board should consist of 10 members. The quorum is 6.
Housing Finance Company Ltd	Financial	100%	SCR20,000,000	MOFTIEP			Co. Act 1972	Not Less than 2 Directors.
National Information Services Agency	Services and Development	100%	Not Applicable	OVP			NISA Act, 2010	The Board should consist of 5 members. The quorum is 3.
Property Management Corporation	Services and Development	100%	Not Applicable	MHILT			PMC Act, 2004	Not less than 4 and not more than 8 members. The quorum is 3.
Public Utilities Corporation	Energy	100%	Not Applicable	MEECC			Public Utilities Corporation Act, 1986	Not less than 5 nor of the more than 7 members
Seychelles Commercial Bank Ltd	Financial	60%	SCR60,000,000 ³¹	MOFTIEP			Co. Act 1972	Not Less than 2 Directors.
Seychelles Civil Aviation Authority	Transport	100%	Not Applicable	MTCAPM			Seychelles Civil Aviation Authority Act, 2005	Not less than 7 nor more than 11 members. The quorum is 4.
SIMBC Nouvobanq	Financial	78%	SCR100,000,000	MOFTIEP			Co. Act 1972	Not Less than 2 Directors.

²⁹ Source: Unanimous written declaration of the shareholders of the Company, registered on 21.06.2012

³⁰ DBS AFS 2019

³¹ SCB AFS 2019

Seychelles Ports Authority	Transport	100%	Not Applicable	MTCAPM			Seychelles Ports Authority Act, 2004	The Board should consist of 5 members. The quorum is 4.
Seychelles Public Transport Corporation	Transport	100%	Not Applicable	MHILT			Seychelles Public Transport Corporation Decree 1977	Not less than 2 and not more than 4. The quorum is 3.
Seychelles Postal Services Ltd	Services and Development	100%	1000 shares at SCR100= SCR100,000	MOFTIEP			Co. Act 1972	Not Less than 2 Directors.

Appendix 2. Overview of key legislation

Legislation	Category of PE	Relevance
Public Enterprise Monitoring Commission Act 2013 (PEMC Act)	All PEs	The PEMC Act establishes the Commission to oversee the PEs and stipulates the PE's reporting obligations to the Responsible Minister, the Minister of Finance and the Commission. It also makes provision for the appointment and functions of the Board of Directors for PEs.
Public Officer's Ethics Act 2008 (POE Act)	All PEs	The POE Act makes provision for establishing the Public Officers' Ethics Commission (POEC) which monitors compliance of Public Officers to the Code of Conduct and Ethics of the POE Act 2008 (Part II). As PEs are categorised as Public Corporations under the POE Act, its executive and non-executive directors are obliged to comply with the ethics laws for public servants.
Public Finance Management Act 2012 (PFM Act)	All PEs	The PFM Act outlines the duties and responsibilities of the Accounting officer ³² to ensure efficient financial management of PEs (Part VIII).
Seychelles Revenue Commission Act 2009 (SRC Act)	All PEs	The SRC Act makes provision for the establishment of the Seychelles Revenue Commission (SCRC) which has the oversight and administrative function of the Revenue laws of Seychelles and for the collection of taxes on behalf of the Government. The PEs are obliged to comply with tax laws and regulations and the tax policies formulated specifically for PEs by MoFTIEP unless exempted by a specific policy.
Companies Act 1972	PEs incorporated under the Companies Act	The Companies Act governs the PEs incorporated under the Act which includes the legal requirements pertaining to the Board of those PEs such as the appointment and duties of the directors.

³²PFM Act, Section 2

Appendix 3. Submission of Annual Financial Statements and adoption of IFRS

Audited Financial Statement 2019				IFRS compliant
No.	Public Enterprise	Submission date	Compliance	
1	SSI	May 29 2020	PC	Yes
2	SEYPEC	May 27 2020	PC	Yes
3	Pioneer	Nov 23 2020	PC	Yes
4	Prelude	Nov 23 2020	PC	Yes
5	Patriot	Nov 23 2020	PC	Yes
6	Progress	Nov 23 2020	PC	Yes
7	IDC	Jul 27 2020	PC	IFRS for SMEs
8	GICC	Jul 27 2020	PC	IFRS for SMEs
9	GTIC	Jul 27 2020	PC	IFRS for SMEs
10	BDRI	Aug 28 2020	PC	IFRS for SMEs
11	L'Union Estate	Jun 16 2020	PC	No
12	PS	May 19 2020	PC	Yes
13	STC	Oct 15 2020	PC	Yes
14	SPA	Jul 24 2020	PC	Yes
15	PDEE	NOT SUBMITTED	NC	NOT SUBMITTED
16	SPF	Jun 1 2020	PC	Yes
17	OICL	NOT SUBMITTED	NC	NOT SUBMITTED
18	AS	NOT SUBMITTED	NC	NOT SUBMITTED
19	DBS	May 25 2020	PC	Yes
20	FSA	NOT SUBMITTED	NC	NOT SUBMITTED
21	HFC	Sep 29 20	PC	Yes
22	NISA	Aug 25 2020	PC	IFRS for SMEs
23	PMC	Nov 25 2020	PC	Yes
24	PUC	Jul 22 2020	PC	Yes
25	SCB	Jun 23 2020	PC	Yes
26	SCAA	Jun 5 2020	PC	No
27	Nouvobanq	Sep 3 2020	PC	Yes
28	2020 DC	NOT SUBMITTED	NC	NOT SUBMITTED
29	SPTC	Jun 17 2020	PC	Yes
30	SPS	NOT SUBMITTED	NC	NOT SUBMITTED

Appendix 4. Board members, key personnel and auditors of PEs for 2019

Public Enterprise	Board	Key personnel	Auditor
Seychelles Petroleum Company Ltd	Chairperson: Dr Selwyn Gendron Member: Ms Philippa Samson Member: Mr Eddie Belle Member: Ms Veronique Laporte Member: Mr Suketu Patel Member: Dr Steve Fanny	CEO: Mr Conrad Benoiton	BDO Associates
Public Utilities Corporation	Chairperson: Mr Eddie Belle Member: Mr Stephen Rousseau Member: Mr Yannick Vel Member: Dr Selwyn Gendron Member: Ms Nanette Laure Member: Mr Phillippe Chong-Seng	CEO: Mr Philippe Morin Deputy CEO: Mr Joel Valmont	BDO Associates
Seychelles Civil Aviation Authority	Chairperson: Mr David Savy Member: Ms Anne Lafortune Member: Ms Nadine Potter Member: Mr Vincent Amelie Member: Ms Cindy Vidot Member: Ms Amelie Nourrice	CEO: Mr Garry Albert	Office of the Auditor General
Seychelles Public Transport Corporation	Chairperson: Mr Andy Moncherry Member: Mr Alone Edmond Member: Ms Marilyn Reginald Member: Ms Cecily Derjacques	CEO: Mr Patrick Vel Deputy CEO: Mr Maxwell Julie	BDO Associates
Seychelles Ports Authority	Chairperson: Mr Paul Hodoul Member: Mr Andre Ciseau Member: Mr Leslie Benoiton Member: Ms Doreen Bradburn Member: Mr Alexandre Antonakas	CEO: Mr Ronny Brutus Deputy CEO: Dr Egbert Moustache	Office of the Auditor General
Air Seychelles Ltd	Chairperson: Mr Jean Weeling-Lee Vice-Chairperson: Mr Robin Kamark Member: Mr Oliver Bastienne Member: Ms Sitna Cesar Member: Mr Cyril Bonnelame Member: Mr Christopher Youlten Member: Mr Bassam Al Mosa	CEO: Mr Remco Althuis	AFS 2019 not submitted to the Commission
Seychelles Trading Company Ltd	Chairperson: Mr Guy Morel Member: Mr Gerard Adam Member: Ms Farida Camille Member: Mr Oliver Bastienne Member: Mr Ashik Hassan	CEO: Ms Christine Joubert Deputy CEO: Ms Marie-France Hansen	Baker Tilly
National Information Services Agency	Chairperson: Ms Lucy Athanasius Vice-Chairperson: Ms Roseline Hoareau Member: Mrs Marie-Annette Ernesta Member: Ms Claudette Albert Member: Mrs Barbara Kilindo Member: Ms Joelle Perreau Member: Mr Conrad Lablache	CEO: Mr Gerard Govinden	Office of the Auditor General
Seychelles Postal Services Ltd	Chairperson: Ms Melanie Stravens Member: Ms Astride Tamatave Member: Ms Rudy Rose Member: Mr Ayub Suleman Adam Member: Mrs Dothy Valmont Member: Raforme	CEO: Mr Errol Dias	AFS 2019 not submitted to the Commission
Société Seychelloise d'Investissement Ltd	Chairperson: Ms Vijaykumari Tirant Member: Mr Ange Morel Member: Mr Karl Pragassen Member: Ms Annie Dugasse Member: Mr Bernard Adonis	CEO: Mr Rupert Simeon	Pool and Patel

L'Union Estate Ltd	Chairperson: Mr Frank Hoareau Member: Ms Corinne Delpeche Member: Mr Damien Thesée Member: Mr Gerald Lablache Member: Mr Andreix Rosalie Member: Mr Barry Assary	CEO: Mr Gustave Delpeche	Bhanderi & Co
Islands Development Company Ltd	Chairperson: Mr Patrick Berlouis Member: Mr Patrick Lablache Member: Mr Willy Confait Member: Ms Sherin Francis Member: Ms Angélique Antat Member: Ms Angele Lebon	CEO: Mr Glenn Savy	Pool and Patel
Seychelles Commercial Bank Ltd	Chairperson: Mr Patrick Payet Member: Ms Esther Boniface Member: Capt. Robert Morgan Member: M. Jenna Thelermont Member: Mr Sandy Mothee Member: Mr Jamshed Pardiwalla	CEO: Ms Annie Vidot	BDO Associates
SIMBC (Nouvobanq) Ltd	Chairperson: Mr Abdul Gafoor Yakub Member: Mr Vincent Van Heyste Member: Mr David Howes Member: Mr Anil Dua Member: Damien Thesee	CEO: Mr Ahmad Saeed Deputy CEO: Mr Michael Benstrong	BDO Associates
Housing Finance Company Ltd	Chairperson: Jennifer Morel Member: Mr Daniel Frichot Member: Mr Yves Choppy Member: Ms Elizabeth Agathine Member: Mr Michel Marie	CEO: Mr Ronny Palmyre	BDO Associates
Development Bank of Seychelles	Chairperson: Ms Brenda Bastienne Deputy Chairperson: Mr Brian Charlette Member: Ms Ina Barbe Member: Mr Rupert Simeon Member: Mr Marc Naiken Member: Mr Roy Clarisse Member: Ashwin Bhanderi	CEO: Mr Daniel Gappy	Pool and Patel
Financial Services Authority	Chairperson: Mr Suketu Patel Member: Mr Phillip Moustache Member: Mr David Esparon Member: Mrs Veronique Herminie Member: Mr Mike Laval Member: Ms Jenifer Sullivan Member: Ms Cindy Vidot Member: Mr Robert Stravens Member: Ms Seylina Verghese	CEO: Dr Steve Fanny Deputy CEO: Ms Zenabe Daman	Office of the Auditor General
Property Management Corporation	Chairperson: Mr Christian Lionnet Vice-chairperson: Ms Sitna Cesar Member: Ms Roma Edmond Member: Mr Denis Barbe Member: Ronny Palmyre Member: Mrs Gina Adelaide	CEO: Ms Evelina Antha	BDO Associates
Petro Seychelles Ltd	Chairperson: Amb. Barry Faure Member: Mr Patrick Payet Member: Mr Dennis Matatiken Member: Mr Raymond Chang-Tave	CEO: Mr Patrick Joseph	ACM & Associates
Seychelles Pension Fund	Chairperson: Mr Jacquelin Dugasse Member: Mr Patrick Payet Member: Ms Cilia Mangroo Members: Mr Ravi Valmont Members: Mr Antoine Robinson Members: Mr Peter Sinon	CEO: Ms Lekha Nair	Pool and Patel

	Members: Ms Cindy Vidot Members: Marie Claire Marie Members: Mr Bernard Adonis Members: Ms Elsie Morel		
2020 Development Company Ltd	Chairperson: Amb. Barry Faure Member: Yves Choppy Member: Priscille Chetty	CEO: Ms Sabrina Agathine	AFS 2019 not submitted to the Commission
Green Island Construction Company Ltd	Chairperson: Mr Patrick Berlouis Member: Mr Willy Confait Member: Mr Patrick Lablache Member: Ms Sherin Francis Member: Ms Angelique Antat Member: Ms Angele Lebon Member: Mr Alain Decommarmond	CEO: Mr Glenny Savy	Pool and Patel
Green Tree Investment Company Ltd	Chairperson: Mr Patrick Berlouis Member: Mr Willy Confait Member: Mr Patrick Lablache Member: Ms Sherin Francis Member: Ms Angelique Antat Member: Ms Angele Lebon Member: Mr Alain Decommarmond	CEO: Mr Glenny Savy	Pool and Patel
Bois De Rose Investment Ltd	Chairperson: Mr Brian Loveday Member: Ms Tacey Furneau Member: Ms Jeannette Lesperence Member: Mr Alderic Bristol Member: Mr Ayub Adam	CEO: Mr Rupert Simeon	Pool and Patel
Paradis Des Enfants Entertainment Ltd	Chairperson: Mr Roy Collie Member: Ms Beryl Pillay Member: Mr Joshua Marguerite Member: Mr Danny Fontaine Member: Ms Sophia Parmentier Member: Mr Nigel Pillay		AFS 2019 not submitted to the Commission

Appendix 5. Timeliness in the submission and content of monthly reports for 2019

Public Enterprise	Total timely submissions	Total late submissions	Compliance in submission of P&L, Balance Sheet and Cash flow Statement
Société Seychelloise d'Investissement Ltd	0	12	Yes
Seychelles Petroleum Company Ltd	3	9	Yes
Islands Development Company Ltd	12	0	Yes
Bois De Rose Investment Ltd	0	12	Yes
L'Union Estate Ltd	3	9	Yes
Petro Seychelles Ltd	12	0	Yes
Seychelles Trading Company Ltd	0	12	Yes
2020 Development Company Ltd	0	12	No
Paradis Des Enfants Entertainment Ltd	0	12	No
Seychelles Pension Fund	11	1	No
Air Seychelles	0	12	Yes
Development Bank of Seychelles	11	1	Yes
Financial Services Authority	0	12	Yes
Housing Finance Company Ltd	5	7	Yes
National Information Services Agency	1	11	Yes
Property Management Corporation	0	12	Yes
Public Utilities Corporation	1	11	Yes
Seychelles Commercial Bank Ltd	0	12	Yes
Seychelles Civil Aviation Authority	0	12	Yes
Seychelles International Mercantile Banking Corporation Ltd (Nouvobanq)	11	1	No
Seychelles Ports Authority	5	7	No
Seychelles Public Transport Corporation	0	12	Yes
Seychelles Postal Services Ltd	0	12	Yes

Appendix 6. Total number of people employed by PEs

Public Enterprise	2013	2014	2015	2016	2017	2018	2019
Air Seychelles Ltd	627	675	727	789	866	714	727
Bois de Rose Investment Ltd	0	0	0	0	0	0	0
Development Bank of Seychelles	45	49	56	58	55	58	64
Financial Services Authority	76	91	107	109	124	135	136
Green Island Construction Company Ltd	232	253	290	300	350	203	296
Green Oak Investment Company Ltd	0	0	0	0	0	0	0
Green Tree Investment Company Ltd	0	0	0	0	0	0	0
Housing Finance Company Ltd	33	41	45	50	51	50	54
Islands Development Company Ltd	286	285	626	630	710	995	800
L'Union Estate Ltd	62	58	61	71	80	78	93
National Information Services Agency	33	35	43	43	41	41	41
Petro Seychelles Ltd	9	10	10	9	9	9	9
Paradis des Enfants Entertainment Ltd	0	15	15	15	10	10	9
Property Management Corporation	27	33	35	43	41	46	46
Public Utilities Corporation	948	979	1016	1041	1103	1140	1182
Seychelles Commercial Bank Ltd	102	97	103	108	111	116	121
Seychelles Civil Aviation Authority	547	586	622	654	686	728	746
Seychelles Petroleum Company Ltd Group	196	188	206	216	206	215	223
Seychelles International Mercantile Banking Corporation Ltd (Nouvobanq)	129	126	131	130	138	144	147
Seychelles Ports Authority	129	141	149	207	202	213	234
Seychelles Pension Fund	71	79	94	113	123	130	128
Seychelles Public Transport Corporation	513	577	663	622	568	561	523
Seychelles Postal Services Ltd	119	115	112	108	104	106	114
Société Seychelloise d'Investissement Ltd	0	1	4	4	7	9	10
Seychelles Trading Company Ltd	516	635	687	764	724	727	710
2020 Development Company Ltd	0	1	1	1	1	1	2
Total	4,700	5,069	5,802	6,084	6,309	6,428	6,413