



# Public Enterprises Annual Report

# 2017



**PEMC**  
PUBLIC ENTERPRISE MONITORING COMMISSION



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## GLOSSARY

AFD	Agence Française de Development
AFS	Annual Financial Statements
AS	Air Seychelles Limited
BADEA	Arab Bank for Economic Development in Africa
BDRI	Bois de Rose Investment Limited
CBS	Central Bank of Seychelles
DBS	Development Bank of Seychelles
EIB	European Investment Bank
FSA	Financial Services Authority
GDP	Gross Domestic Product
GICC	Green Island Construction Company Limited
GOIC	Green Oak Investment Company Limited
GOS	Government Of Seychelles
GTIC	Green Tree Investment Company Limited
HFC	Housing Finance Company Limited
IDC	Islands Development Company Limited
IFRS	International Financial Reporting Standard
IMF	International Monetary Fund
I'UE	L'Union Estate Limited
MEECC	Ministry of Environment, Energy and Climate Change
MHILT	Ministry of Habitat, Infrastructure, and Land Transport
MoFTIEP	Ministry of Finance, Trade, Investment and Economic Planning
MTCAPM	Ministry for Tourism , Civil Aviation, Ports and Marine
bnSCR	Billion Seychelles Rupees
mSCR	Million Seychelles Rupees
mUSD	Million US dollar
NISA	National Information Services Agency
OICL	Opportunity Investment Company Limited
PDEE	Paradis des Enfants Entertainment Limited
PE	Public Enterprise
PEMC	Public Enterprise Monitoring Commission
PMC	Property Management Corporation
PS	Petro Seychelles Limited

PUC	Public Utilities Corporation
QFA	Quasi-Fiscal Activity
ROA	Return on Assets
ROCE	Return on Capital Employed
ROE	Return on Equity
SCAA	Seychelles Civil Aviation Authority
SCB	Seychelles Commercial Bank
SCI	Statement of Corporate Intent
SCR	Seychelles Rupee
SEYPEC	Seychelles Petroleum Company Limited
SIMBC	Seychelles International Mercantile Banking Corporation Limited
SPF	Seychelles Pension Fund
SPA	Seychelles Ports Authority
SPS	Seychelles Postal Services Limited
SPTC	Seychelles Public Transport Corporation
SRC	Seychelles Revenue Commission
SSI	Société Seychelloise d'Investissement Limited
STC	Seychelles Trading Company Limited
2020 DC	2020 Development (Seychelles) Limited

#### Yearly average exchange rates in SCR<sup>1</sup>

Indicator	2017	2016	2015	2014	2013
USD	13.6481	13.3194	13.3096	12.7527	12.0577
EUR	15.4618	14.7605	14.7554	16.9395	16.0064

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<sup>1</sup> Source: Central Bank Seychelles



## INTRODUCTION

**Public Enterprises have an important role in the economy of Seychelles.** The Public Enterprise (PE) sector is becoming pivotal to the national economy of the Seychelles as it assists the government by ensuring a steady flow of income through investments and returns, for instance, through payments of taxes and dividends; and furnishing employment opportunities. In 2017, there was a total mSCR 287 in Business Tax from Public Enterprises (PEs) to government and the PE sector represented 14% of the total average workforce for the years 2017 and 2016 respectively.

**The development of the Public Enterprise Annual Report heralds a new milestone for the PE Sector in Seychelles.** In line with good international practice, the publication of the PE Annual Report promotes good governance, transparency and accountability in the affairs of PEs to its main shareholder, the Government, and the general public. The state ownership of PEs carries macroeconomic and fiscal risks which impacts on the fiscal policy, financial stability and the economic growth of the country. This report aims at reviewing the PE landscape and assesses the financial performance of the PE Sector in the Seychelles for the period 2013 to 2017.

**The Public Enterprise Monitoring Commission (PEMC) has been assigned with the very important task of providing shareholder oversight of the PE Sector.** As per the Public Enterprise Monitoring Commission Act 2013 (PEMC Act), PEMC ensures that PEs “are properly controlled and managed for the purpose of better performance, transparency and accountability, to improve the efficiency and competitiveness of the economy, to foster and accelerate the macro-economic stability of the country and to provide for matters connected therewith.” In line with provisions in the PEMC Act, PEMC is mandated to:

- Ensure that the Government’s interests and investments as a major shareholder are maintained;
- Provide an efficient and effective oversight function, ensure that the PEs optimize their investments and at the same time become operationally efficient; and
- Improve the policy environment of PEs.

The publication of this Report forms part of PEMC oversight of the PE Sector. There are currently 31 PEs including their subsidiaries being monitored by PEMC operating in the financial, transport, energy, and services & development sectors of the economy (Refer to Annex 1).

**Some PEs are failing to comply with their reporting obligations, as stipulated in Part V of the PEMC Act.** PEs' selective or non-compliance to the PEMC Act and other governing legislations, such as

submitting the Annual Financial Statements (AFS) with substantial delays or not submitting<sup>2</sup>, has affected the quality of information for the review of this report (Refer to Annex 3). There is a total of five PEs that have not submitted their AFS for 2017 as at 15.09.2018.

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<sup>2</sup> The following PEs have not submitted their Annual Financial Statements 2017 as at 15.09.2018: Seychelles Ports Authority, L'Union Estate Company Ltd, Petro Seychelles Ltd, Seychelles Trading Company Ltd and Paradis des Enfants Entertainment Ltd

## EXECUTIVE SUMMARY

**There are variations in the PE sector financial performance in Seychelles.** In 2017, the energy sector recorded the highest aggregate net profit amongst the four PE sub-sectors, surpassing the financial sector which had recorded the greatest net profit for the year 2016. However, the transport sector was the least profitable sector for 2017, and experienced a decline of 149% in aggregate net profit from 2016 to 2017.

The overall PE financial performance and major trends of the PE sector in 2017 are as follows:

- Business Tax, amounting to mSCR 287 was expensed by PEs for the year 2017, with SEYPEC expensing the highest amount
- Dividend payments was at mSCR 345
- Six PEs received subsidies from the government which amounts to a total of mSCR 291; allocated to PUC, Air Seychelles, SPTC, DBS, PMC and SPS
- Three PEs received loans from the government which amounts to a total of mSCR 205 namely DBS, Air Seychelles and STC;
- The PE Sector represents 14% of the total average workforce in 2017 and 2016; with a total of 6472<sup>3</sup> persons employed in 2017, representing a 2% increase when compared to 2016.
- QFA's<sup>4</sup>, amounting to mSCR 298 was the total annual effect of QFA for PEs (mSCR 77 was compensated for from the budget).
- The aggregate asset base of the PEs represented 138% of nominal GDP for the year 2017 or bnSCR 28 which represents a growth of 13% compared to the year 2016.
- Total liabilities of the PEs amounted to bnSCR 13.4 for the year 2017, representing an increase of 4% when compared to the year 2016.
- Air Seychelles and DBS reported the highest borrowings of the PE sector as at December 31, 2017, amounting to bnSCR 1.1 and mSCR 445 respectively.

**The oversight framework of PEs in Seychelles is fragmented.** There are overlaps and duplications in the oversight of PEs from PEMC, the responsible ministry of each PE, the SSI and the Ministry of Finance, Trade, Investment and Economic Planning. The fragmented oversight framework in Seychelles might lead to poor decision-making which undermines the principles of good governance, accountability and transparency.

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<sup>3</sup> Data obtained from PEs

<sup>4</sup> A Quasi-Fiscal Activity (QFA) is defined as a non-commercial activity conducted by a PE on behalf of the Government for which it is not compensated.

**The oversight of PEs needs to be strengthened.** In line with good international practice there is no ownership policy outlining the rationale of the government ownership of the PEs and outlining the oversight framework to achieve effective and efficient PEs. In addition, the GOS or PEMC on its behalf is not vested with setting financial targets for PEs. In addition, there is no dividend policy outlining the procedures for treatment of dividend by the Government.

**Financial monitoring and reporting needs to be reinforced.** There are still weaknesses in the compliance of PEs to their reporting obligations to PEMC for instance in the timely submission of their audited Annual Financial Statements. Furthermore, some PEs are not quantifying their QFAs. PEMC is reviewing the PEMC Act 2013, to propose improved financial oversight of PEs.

**There are substantial fiscal risks emanating from PEs in Seychelles.** The key fiscal risks in Seychelles includes:

- Macroeconomic shocks, for instance the fluctuations in commodity prices (particularly for oil), interest and exchange rates, real estate prices and tourism growth rates;
- Fiscal risks emanating from other expenditure and revenue developments, for example higher increases in salaries or in QFAs or lower sales of PEs which reduces the net profit or increases losses;
- Contingent liabilities of which the government either has legal or no legal obligations to intervene in cases where PE faces liquidity problems;
- Arrears; such that if debts continuously accumulate hence becoming uncollectible and are written off, which may result in profitability and liquidity problems; and
- Deficiencies in the institutional framework such as the sizeable non-compliance of PEs to the PEMC Act and other governing legislations.

# 1 OVERVIEW

## 1.1 Aggregate Statistics on the Size of the PE Sector and Sub-Sectors, and Share of Economic Activity

The PE sector recorded a 24% lower aggregate net profit for the year 2017 compared to the year 2016, despite an increase of 2% in the number of persons employed. Net profit represented 5% of GDP for the year 2017 (2016: 8% of GDP) which was generated by a total assets of bnSCR 28 or 138% of GDP. The energy sector recorded the highest aggregate net profit for 2017, followed by the financial sector. The transport sector experienced a decline of 149% in aggregate net profit from 2016 to 2017.

## 1.2 Overall PE Financial Performance and Major Trends of The PE Sector (Cash Balance, Profit/Loss, Assets and Liabilities)

### 1.2.1 Net Profit/ Loss

Profitability is important as PEs have to be able to service their debt, provide funds for investment, ensure their long-term sustainability and provide sufficient returns to the budget through dividends.

The PEs recorded an aggregated net profit after tax of bnSCR 1.08<sup>5</sup> for the year 2017, representing a 24% decrease when compared to the year 2016. The total net profit after tax of PEs for 2017 was equivalent to 5% of GDP, compared to 8% of GDP for 2016.

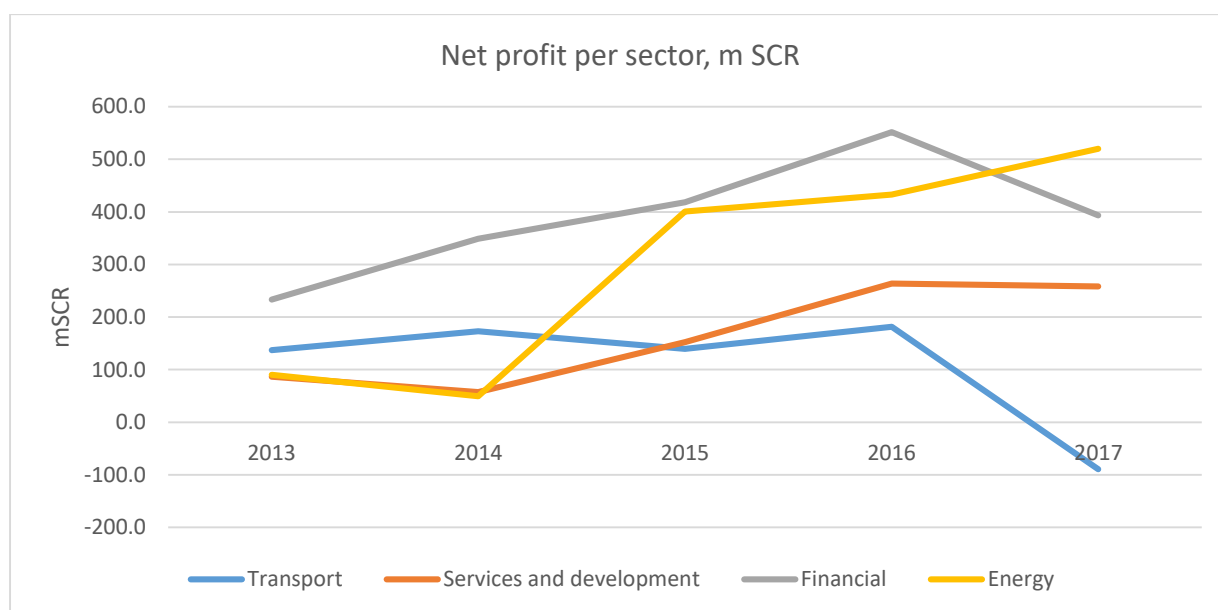
Six PEs recorded a loss for 2017, namely Air Seychelles Limited, Bois de Rose Investment Limited (BDRI), Seychelles Postal Services Limited, Seychelles Public Transport Corporation (SPTC), Green Island Construction Company Limited (GICC) and 2020 Development Company Ltd. Seven PEs had recorded losses for the year 2016. Three PEs, namely SPTC, BDRI, and 2020 Development Company Ltd have recorded consecutive losses for 2016 and 2017.

The figure below shows the aggregate net profit after tax of the PE sector for the period 2013 to 2017.

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<sup>5</sup> This figure is subject to change as the Commission was yet to receive certified Annual Financial Statements (AFS) 2017 from Petro Seychelles Ltd, Seychelles Ports Authority, Seychelles Trading Company Ltd, Paradis des Enfants Entertainment Ltd and L'Union Estate Ltd as at reporting date (15.09.2018).

**Figure 1: Aggregate Net Profit after Tax per Sector from 2013-2017**



The transport sector was the least profitable for 2017, recording an aggregate net loss of mSCR 90 for 2017. There was a decline of 149% in profitability from 2016 to 2017 for the transport sector, principally due to the net loss of mSCR 195 recorded by Air Seychelles. SPTC was also loss-making for 2017, having recorded consecutive losses for the period 2013 to 2017.

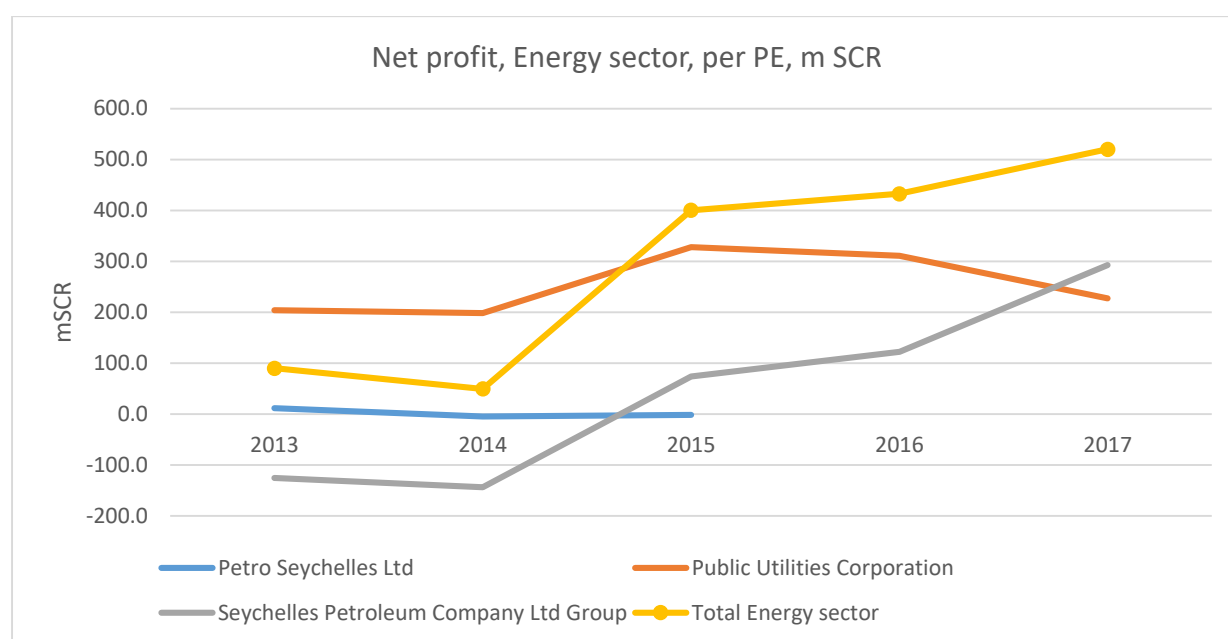
The energy sector recorded the highest net profit amongst the five PE sub-sectors for 2017, surpassing the financial sector. This is principally due to a 13% and 59% reduction in net profit of Nouvobanq and Seychelles Pension Fund respectively as well as a 140% increase in net profit of SEYPEC.

The figures below illustrate the trend in the individual PEs net profit and compares them to the PEs within a similar sector of activity.

### ***1.2.1.1 Energy Sector***

The AFS 2016 and 2017 of Petro Seychelles have not been submitted to the Commission, the PE is therefore not represented in the following figure for those years.

**Figure 2: Net Profit of the Energy Sector and per PE from 2013-2017**



SEYPEC recorded the highest net profit amongst the PEs in the Energy sector for 2017, the Company has been growing in profitability from 2014. This is in part due to reduced cost of sales, reduced interest expense, as SEYPEC has settled all loan balances in 2017, and foreign exchange gains.

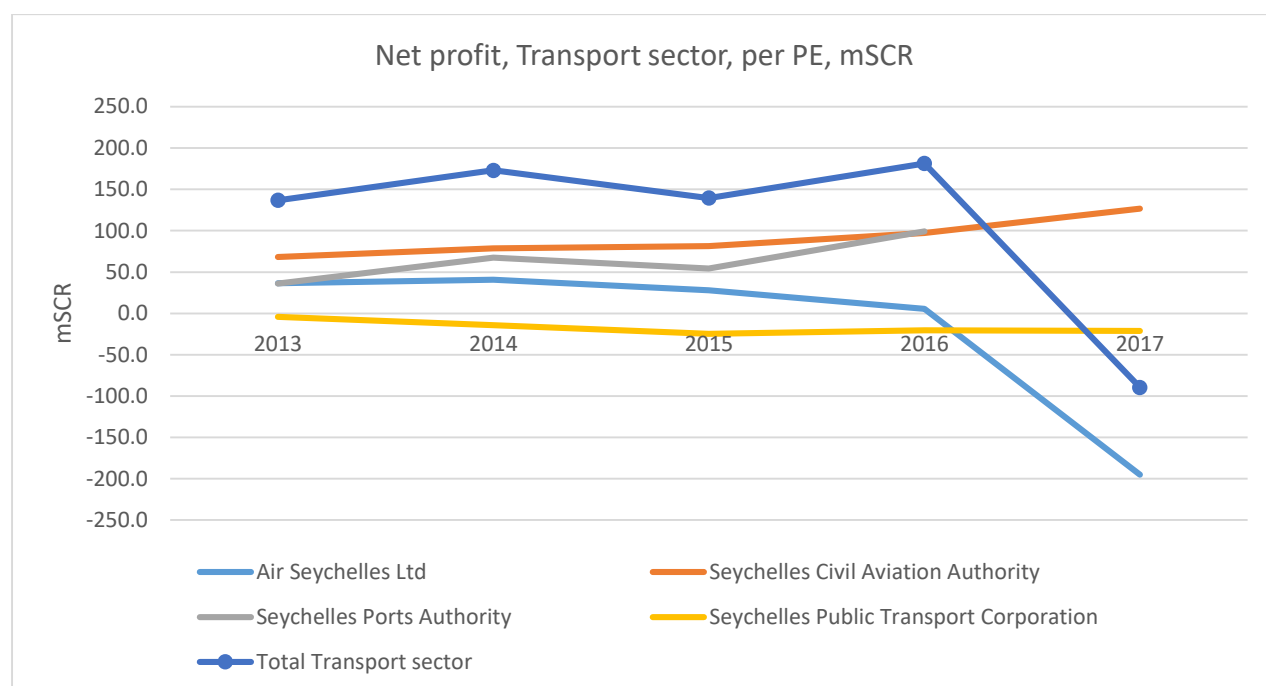
### *1.2.1.2 Transport Sector*

The AFS 2017 of Seychelles Ports Authority had not been submitted to the Commission at reporting date<sup>6</sup>, it is therefore not represented in the following figure for the year 2017.

Air Seychelles recorded a net loss of mSCR 195 for 2017, representing a decline of mSCR 201 or 3545% when compared to 2016. This was principally due to a reduction in Government grants and a greater rise in direct operating expenses than revenue, particularly fuel and oil expense and staff costs.

<sup>6</sup> 15.09.2018

**Figure 3: Net Profit of the Transport Sector and per PE from 2013-2017**

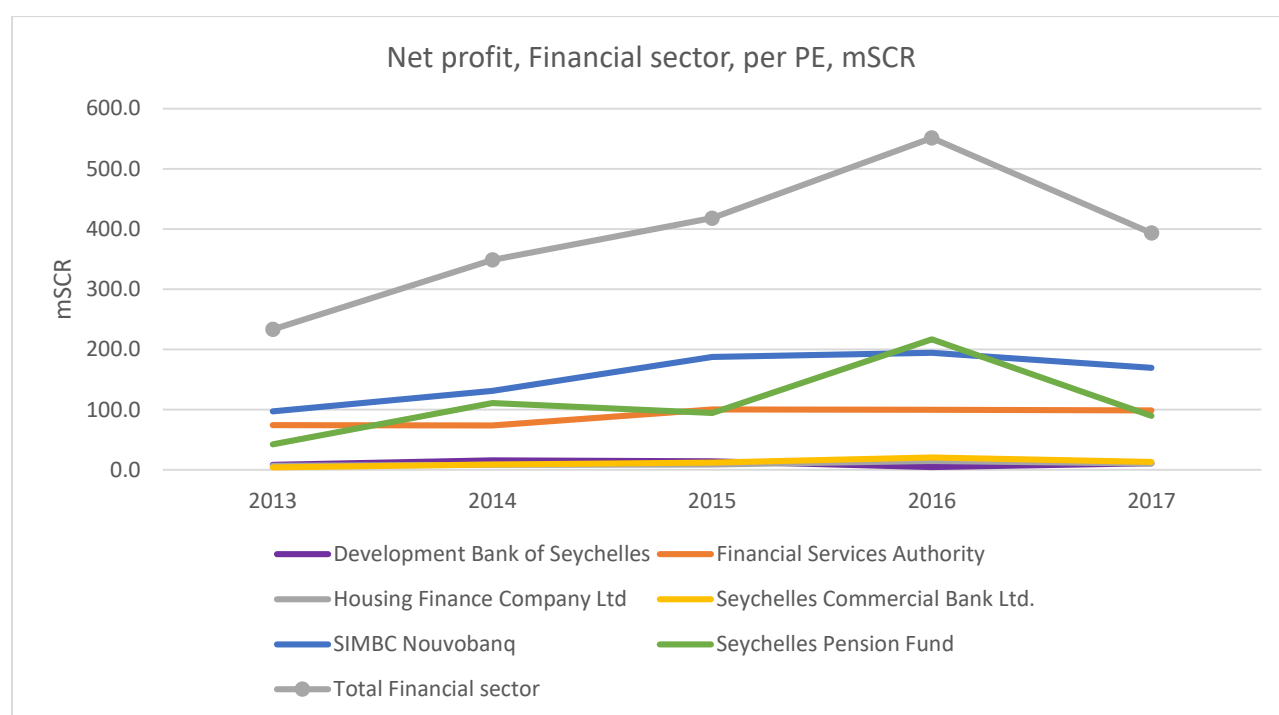


### *1.2.1.3 Financial Sector*

There was a decrease of 29% in the aggregate net profit of the PEs in the financial sector from 2013 to 2017. All of PEs in the financial sector recorded a lower net profit in 2017 compared to 2016, with the exception of DBS. The net profit of DBS grew by 142% from 2016 to 2017.



**Figure 4: Net Profit of the Financial Sector and per PE from 2013-2017**

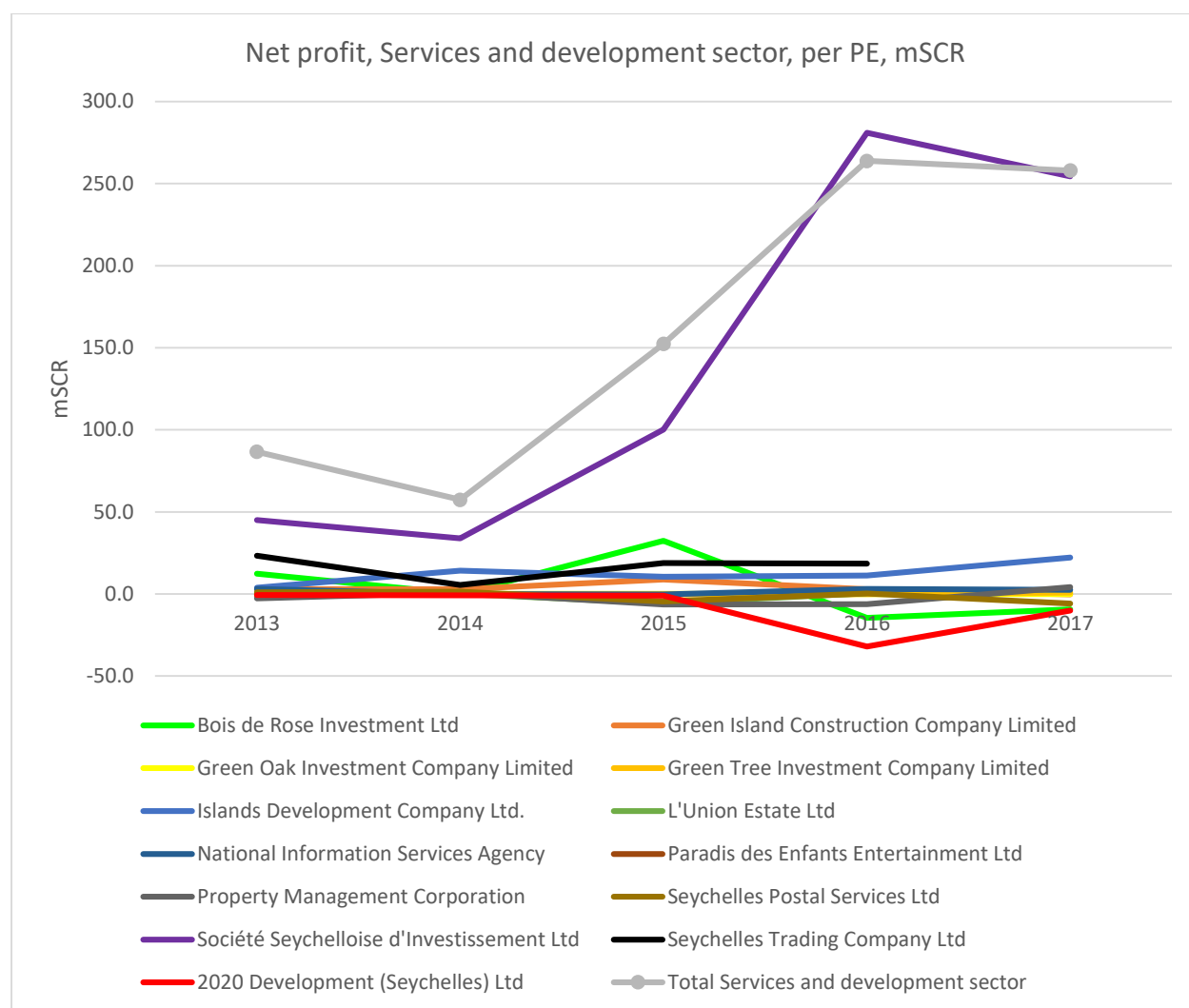


#### *1.2.1.4 Services and Development Sector*

The AFS 2017 of STC, l'Union Estate, and Paradis des Enfants Entertainment had not been submitted to the Commission at reporting date<sup>7</sup>, the PEs are therefore not represented in the following figure for that period.

<sup>7</sup> 15.09.2018

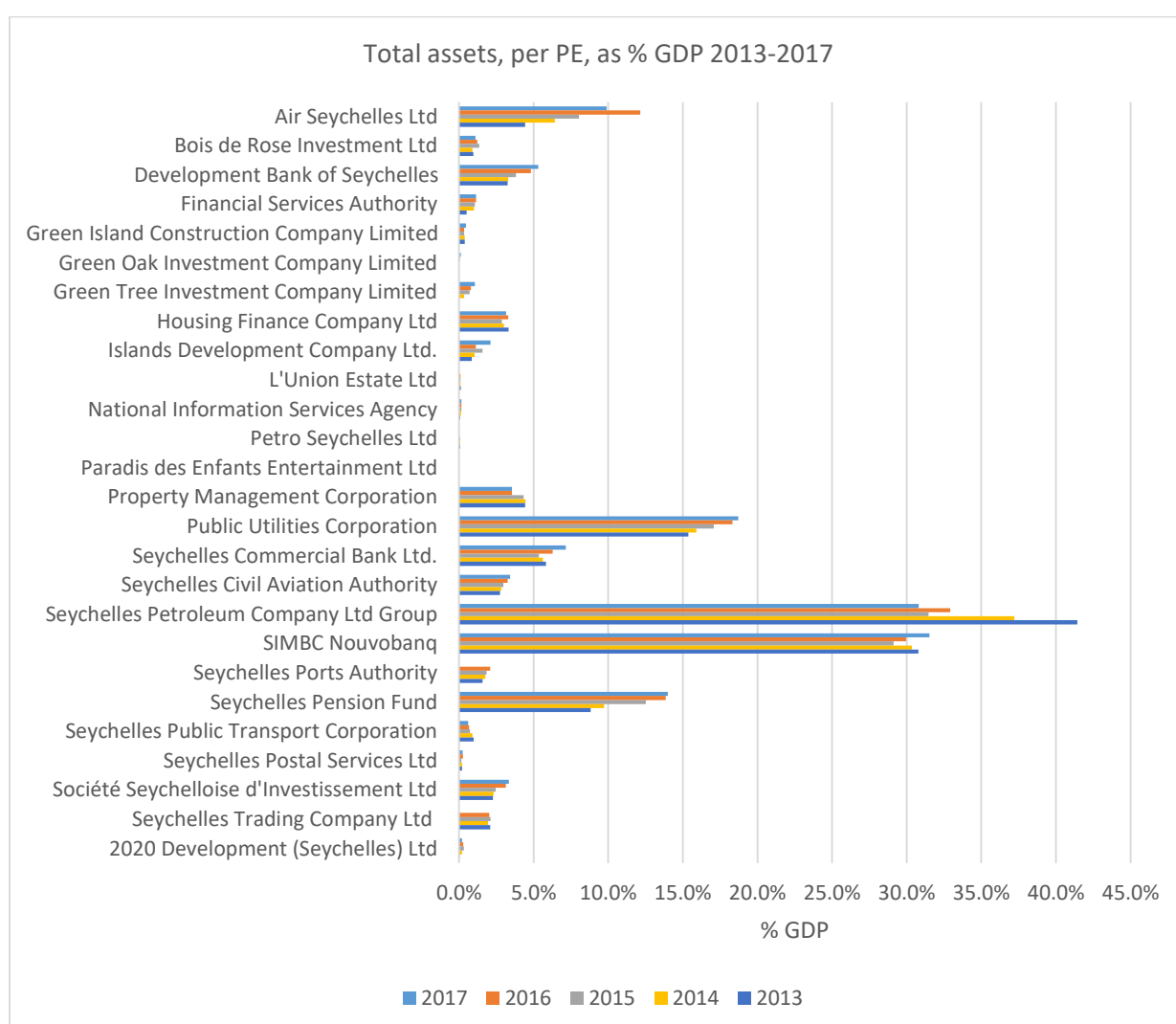
**Figure 5: Net profit of the Services and Development Sector and per PE from 2013-2017**



### 1.2.2 Total Assets

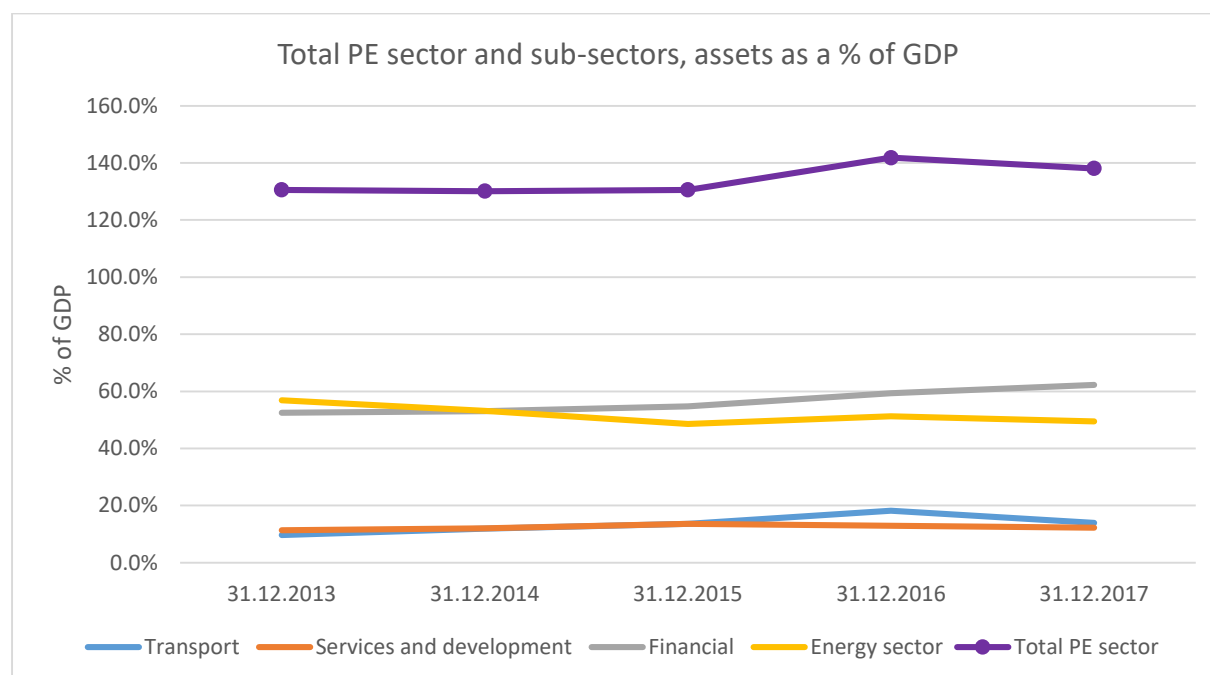
The aggregate asset base of PEs represented 138% of nominal GDP for the year 2017 or bnSCR 28. This represents a growth of 13% compared to the year 2016. There was relative stability in the proportion of aggregate total assets to nominal GDP for the period 2013 to 2015 with an increase in 2016. There was a decrease in the proportion of total assets of PE sector to the nominal GDP for 2017, indicating that the asset growth in the PE sector was lower than the GDP growth for the same period. It is to be noted that data for the year 2017 has not been received from all PEs. The figure below presents the total assets of the PEs as a percentage of GDP for the year 2013 to 2017.

**Figure 6: Total assets of PEs as a percentage of GDP from 2013-2017**



The figure below shows the trend in total assets per sector for the period 2013 to 2017.

**Figure 7: Total assets per sector from 2013-2017**



PEs in the financial sector carried the greatest value of assets (bnSCR12.6) which comprised principally of loans and advances to customers, investments in financial assets and cash and cash equivalents, followed by PEs in the energy sector (bnSCR 10).

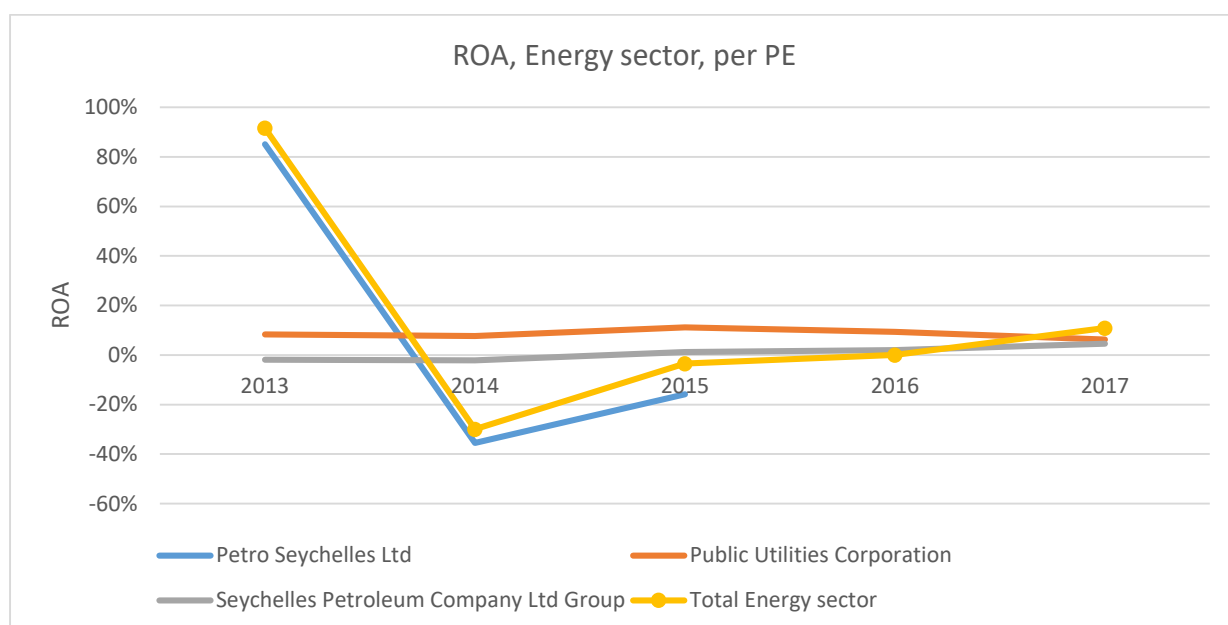
### 1.2.3 Return on Assets

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

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

### 1.2.3.1 Energy Sector

Figure 8: ROA of the Energy Sector and per PE from 2013-2017



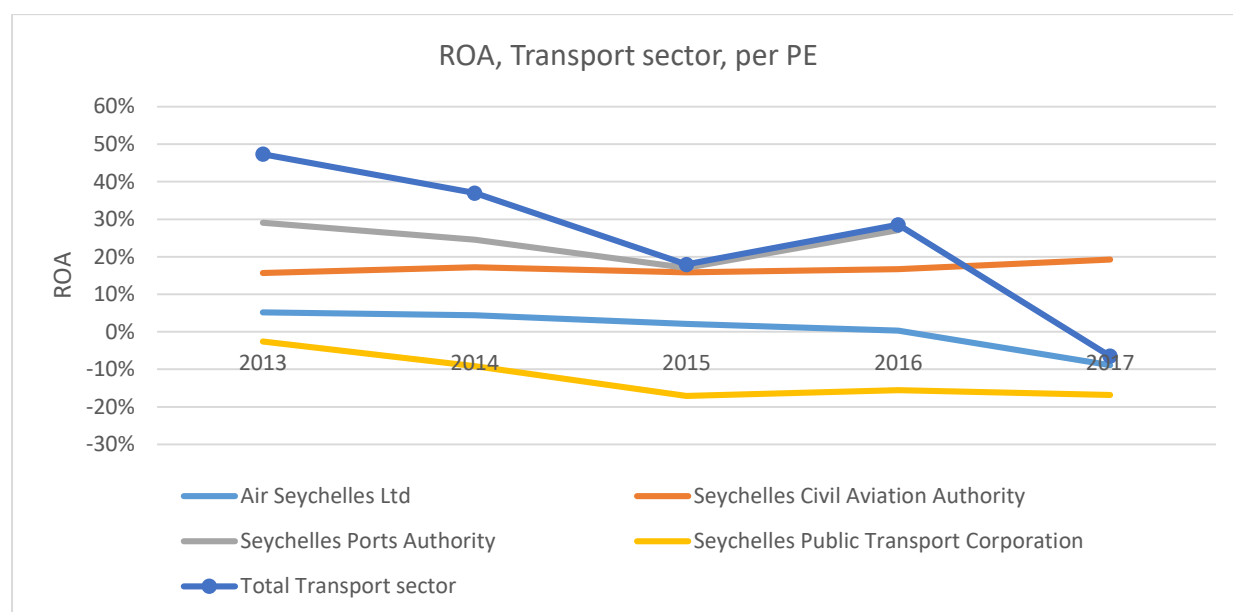
There was a sharp decline in the ROA of Petro Seychelles due to a decrease in net profit from 2014 due to a reduction in operating income. The AFS 2016 and AFS 2017 of Petro Seychelles had not been submitted to the Commission at reporting date.<sup>8</sup>

### 1.2.3.2 Transport Sector

The transport sector had a decreasing ROA from 2016 to 2017, this was principally due to the decline in profitability of Air Seychelles. The ROA of SPTC was negative throughout the period 2013 to 2017 due to net losses. The negative ROA for Air Seychelles and SPTC indicates that investment in total assets has not generated positive return or profit for those PEs.

<sup>8</sup> 15.09.2018

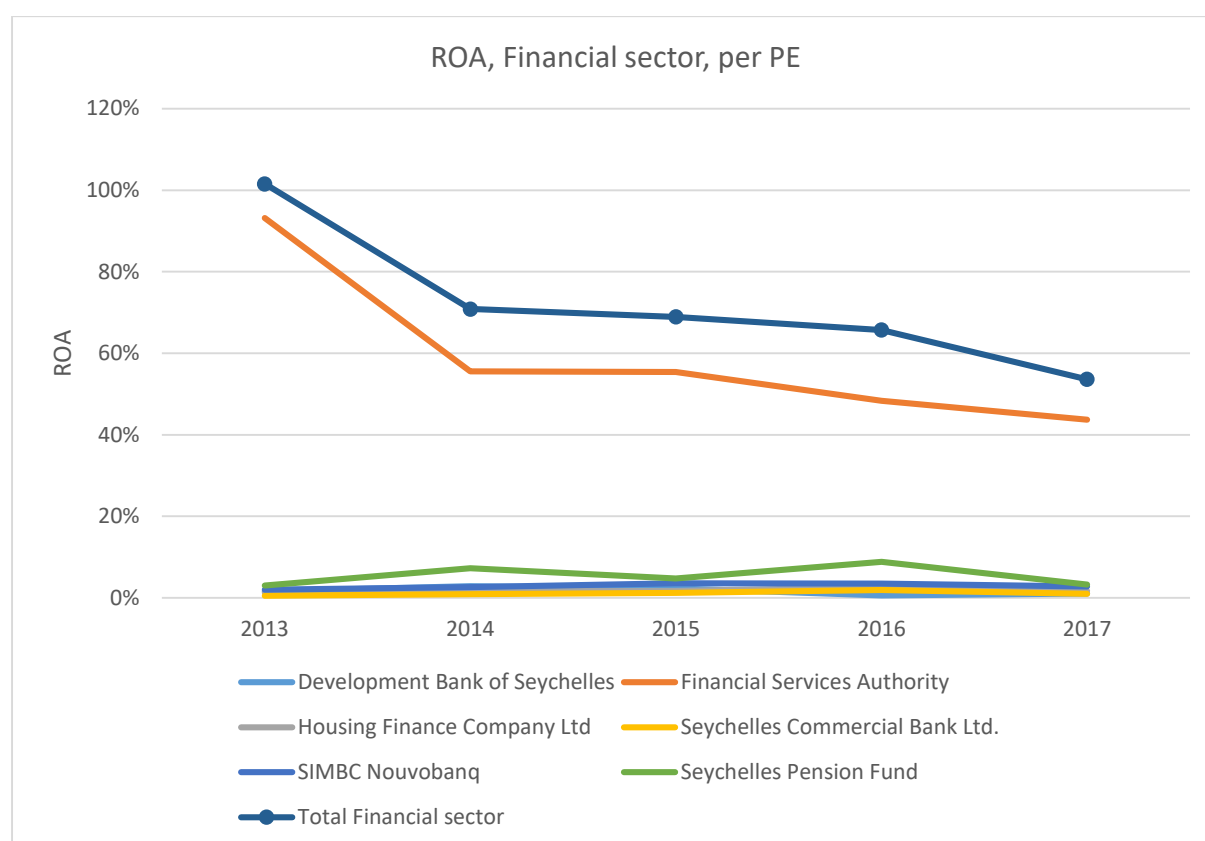
**Figure 9: ROA of the Transport Sector and per PE from 2013-2017**



### *1.2.3.3 Financial Sector*

The 29% decrease in aggregate net profit of PEs in the financial sector from 2016 to 2017 resulted in a decline in the aggregate ROA of the same PEs. All of the PEs in the financial sector, with the exception of DBS, experienced a decrease in their net profit from 2016 to 2017. Figure 10: ROA of the Financial Sector and per PE from 2013-2017.

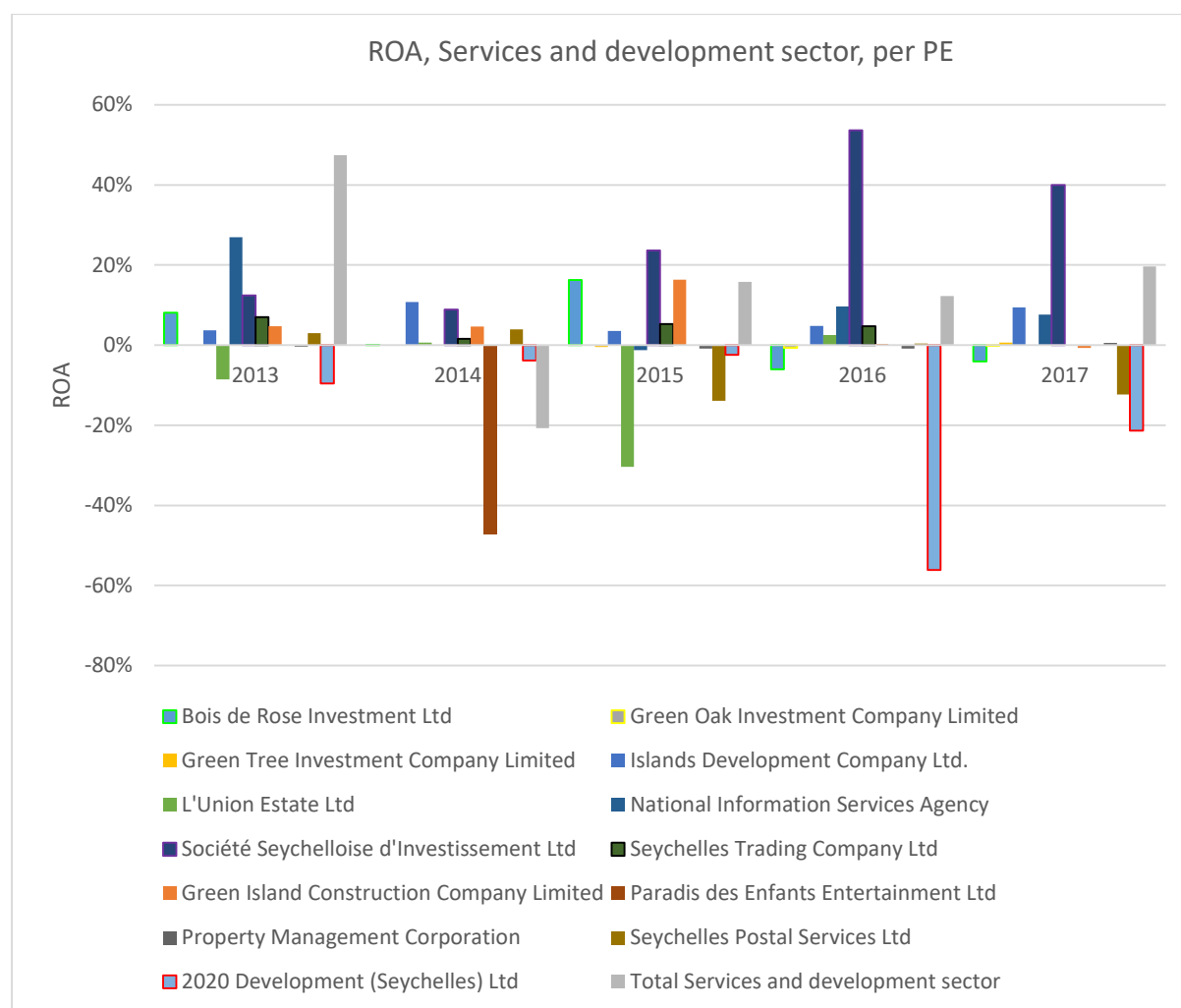
**Figure 10. ROA of the Financial Sector and per PE from 2013-2017**



#### *1.2.3.4 Services and Development Sector*

The ROA of the PEs in the services and development sector varied importantly between the different PEs due to their varying financial performance and nature of activity, with the highest ROA for 2017 being recorded by SSI, NISA and IDC. The lowest ROA for 2017 in the services and development sector were recorded by 2020 Development Company and Seychelles Postal Services.

**Figure 10: ROA of the Services and Development Sector and per PE from 2013-2017**



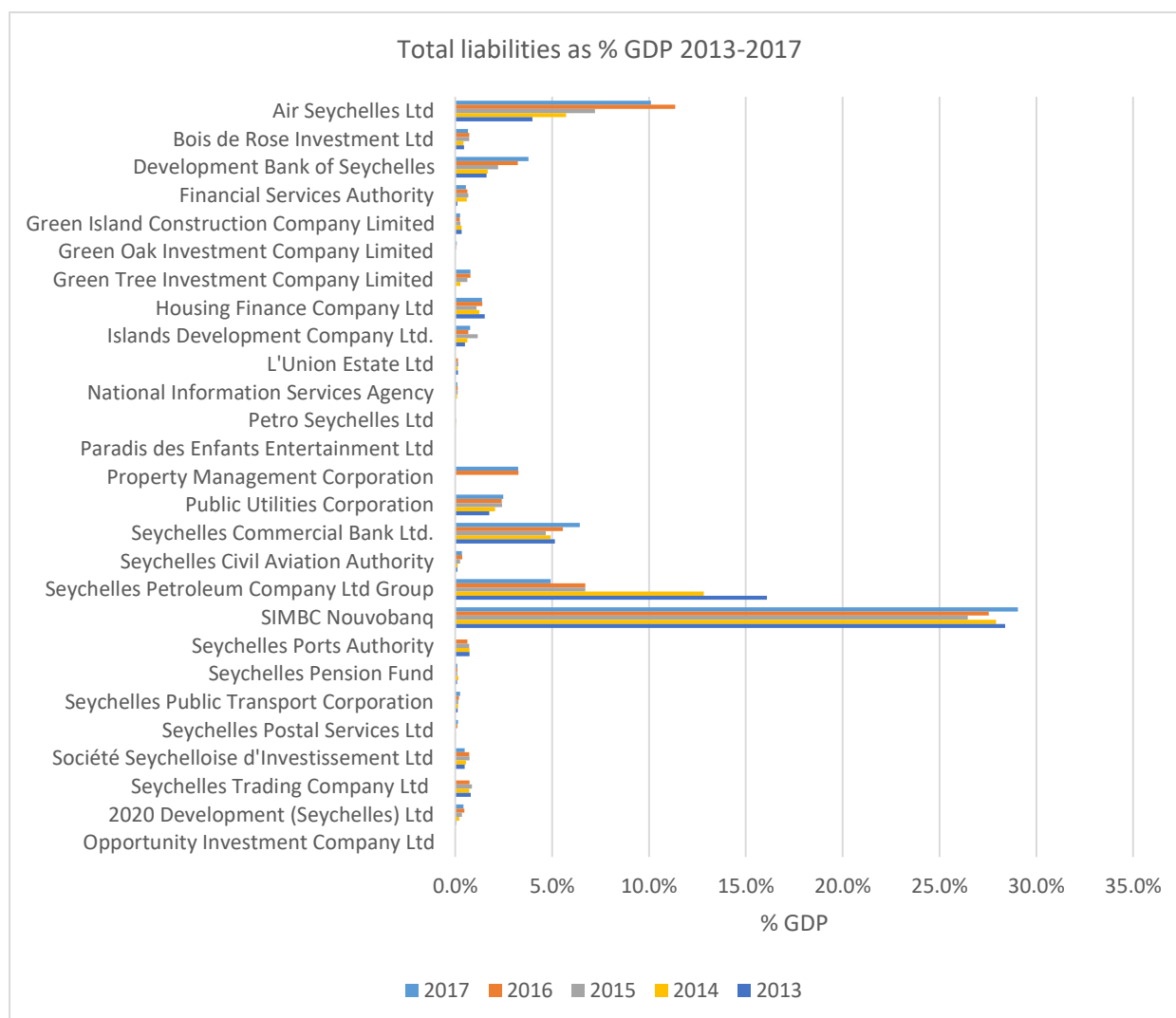


## 1.2.4 Liabilities

Total liabilities of PEs amounted to bnSCR 13.4 for the year 2017, representing an increase of 4% when compared to the year 2016. Total liabilities of PEs represented approximately 66% and 68% of GDP for the years 2017 and 2016 respectively.

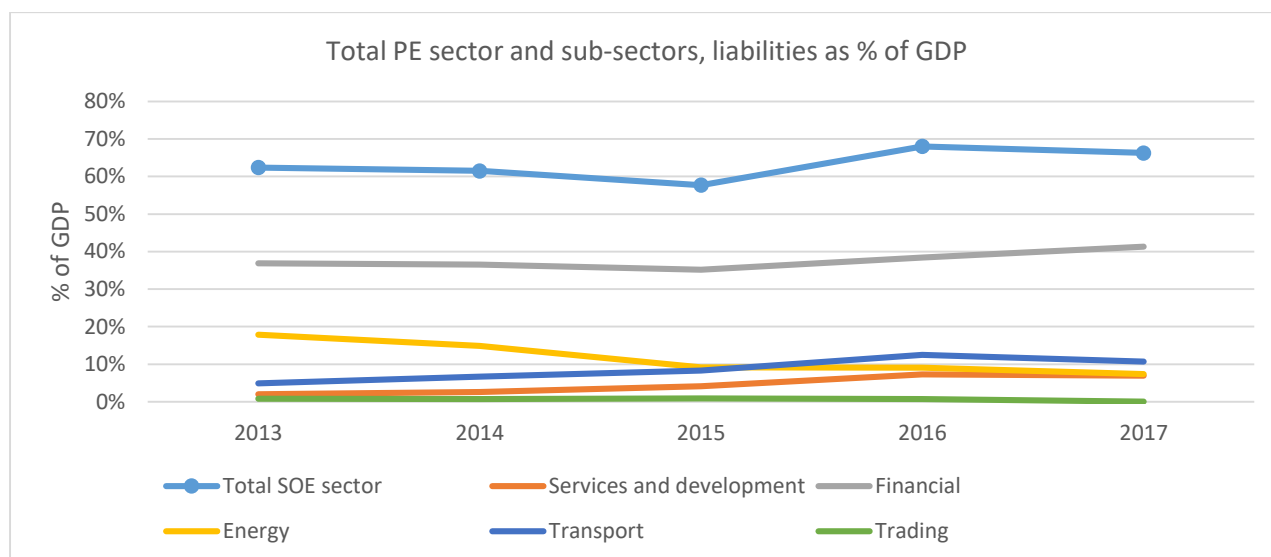
The figure below presents the total liabilities of PEs as a percentage of GDP for the year 2013 to 2017.

**Figure 11: Total liabilities of the PEs as a percentage of GDP from 2013-2017**



The figure below shows the trend in total liabilities per sector for the period 2013 to 2017. The financial sector had liabilities of the greatest value for the period 2013 to 2017, this principally comprised of customer deposits in deposit-taking financial institutions.

**Figure 12: Total liabilities per sector as a percentage of GDP from 2013-2017**



Another important source of liabilities of the PEs for the period 2013 to 2017 were borrowings.

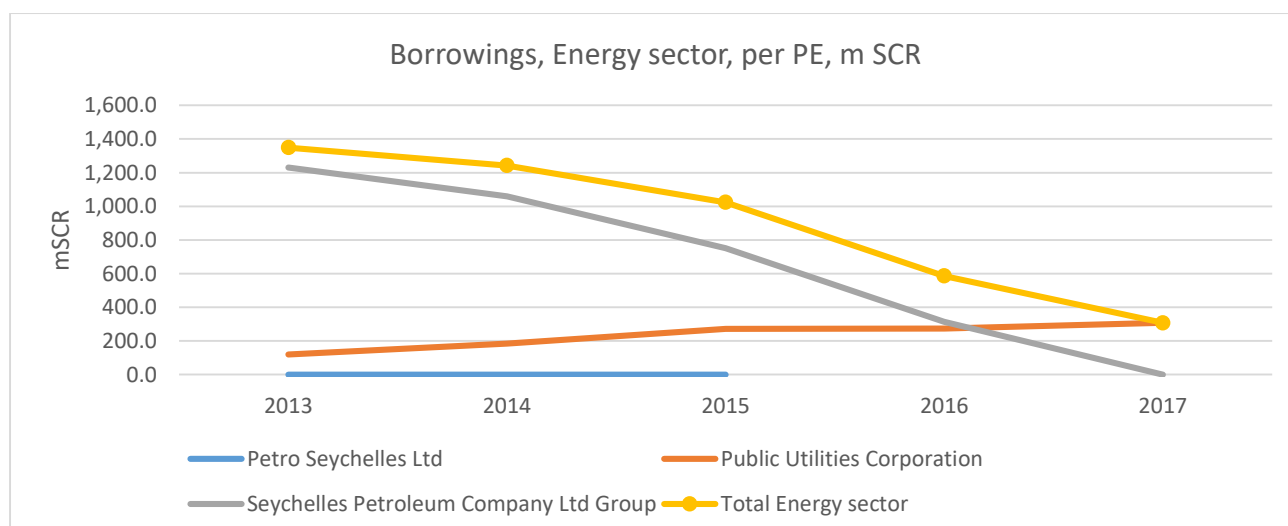
### 1.2.5 Borrowings

Air Seychelles and DBS reported the highest borrowings of the PE sector at December 31, 2017, amounting to bnSCR 1.1 and mSCR 445 respectively.

The figures below illustrate the trend in the individual PEs' borrowings and compares them to the PEs within a similar sector of activity for the period 2013 to 2017.

#### 1.2.5.1 Energy Sector

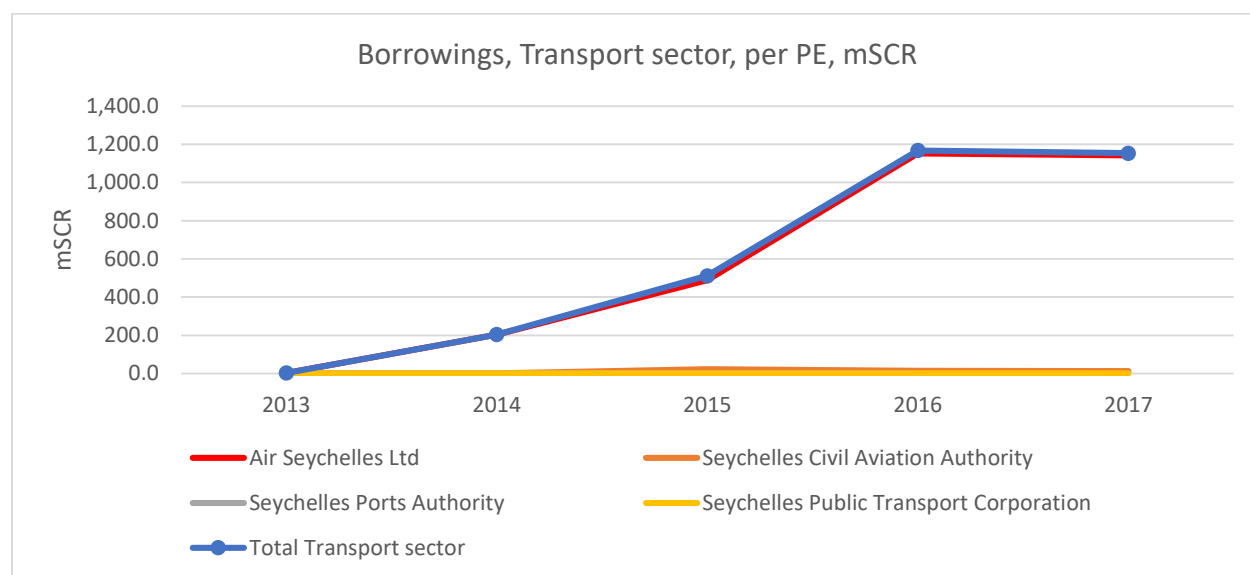
**Figure 13: Borrowings of the Energy Sector and per PE from 2013-2017**



Total borrowings of the Energy sector have declined from 2016 to 2017, principally due to the repayment of loans by SEYPEC.

### 1.2.5.2 Transport Sector

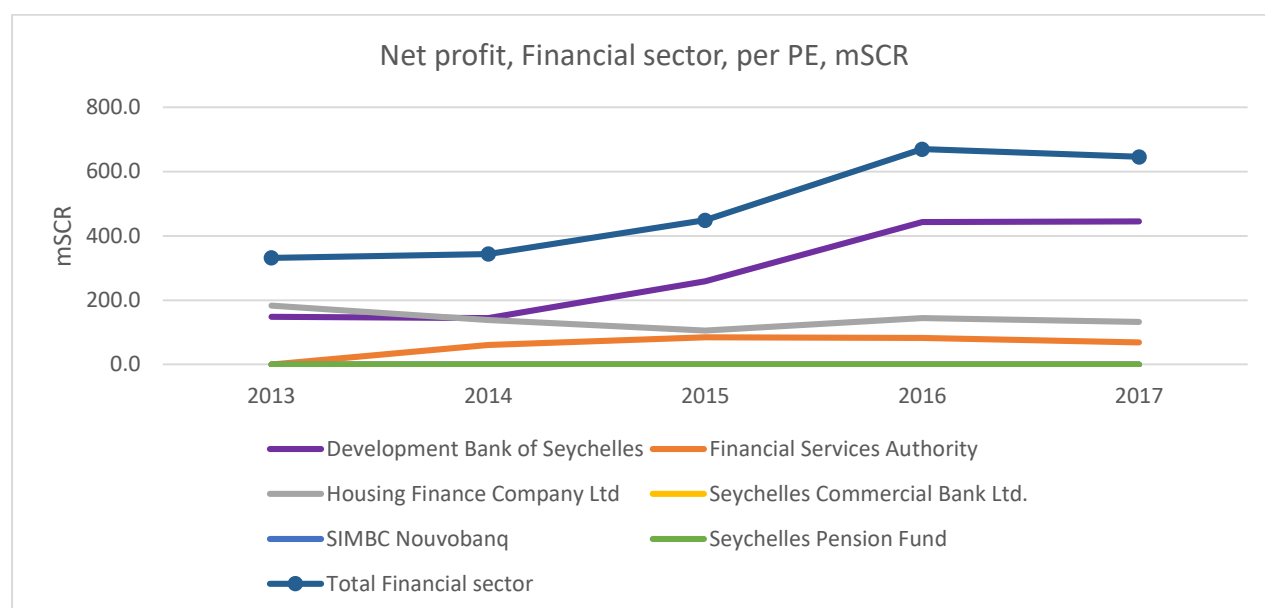
**Figure 14: Borrowings of the Transport Sector and per PE from 2013-2017**



Total borrowings of the transport sector have decreased by 1% from 2016 to 2017, due to loan repayments and no new borrowings. It is to be noted however that borrowings have increased by bnSCR 1.2 from 2013 to 2017, this is largely due to loans taken by Air Seychelles.

### 1.2.5.3 Financial Sector

**Figure 15: Borrowings of the Financial Sector and per PE from 2013-2017**

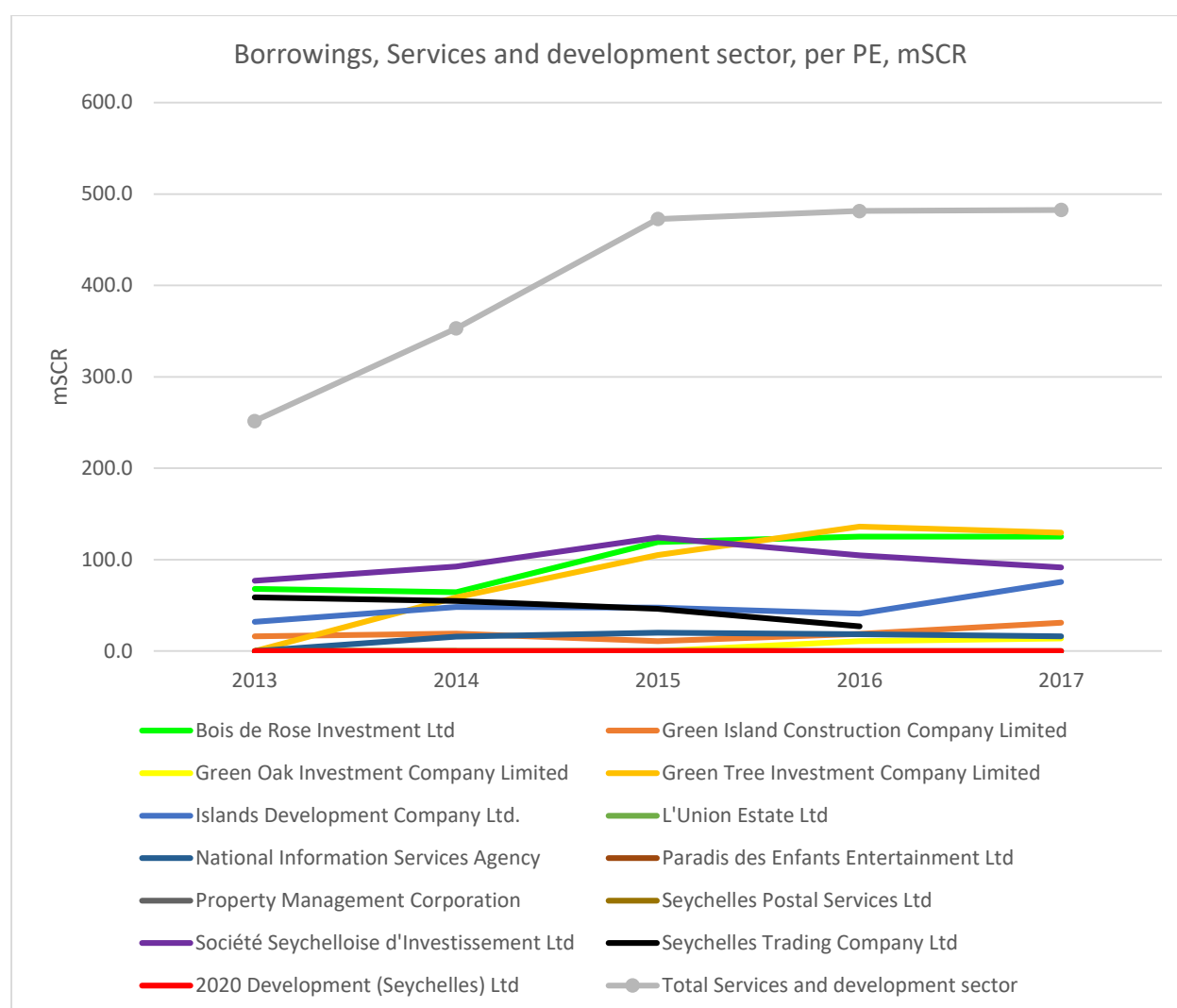


Borrowings of the PEs in the financial sector have grown from 2014 to 2016, with a decrease of 4% from 2106 to 2017, this was principally due to borrowings taken by DBS for on-lending purposes.

### 1.2.5.4 Services and Development Sector

Total borrowings of the services and development sector remained fairly stable from 2016 to 2017. The PEs with the most important borrowings in the services and development at December 31, 2017 sector were Bois de Rose Investment Ltd, Green Tree Investment Company Ltd, and Société Seychelloise d'Investissement Ltd.

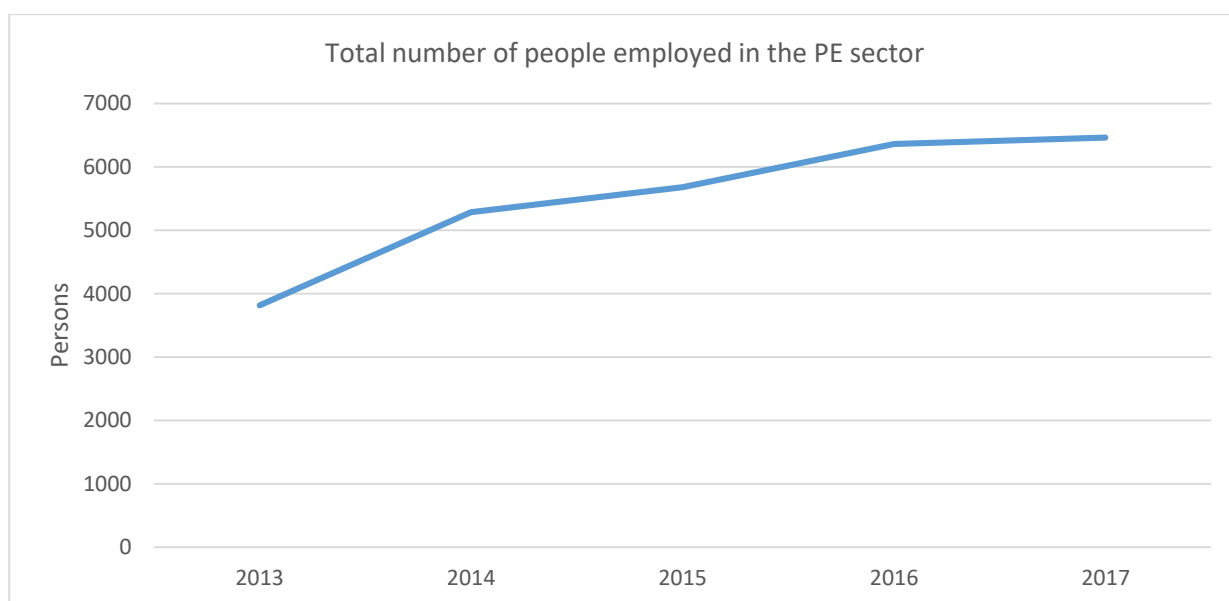
**Figure 16: Borrowings of the Services and Development Sector and per PE from 2013-2017**



### 1.2.6 Employment

The PE sector employed a total of 6,470 persons for the year 2017, representing a 2% increase when compared to the year 2016. Employment in the PE sector represented 14% of the total average workforce for the years 2017 and 2016 respectively.

**Figure 17: Total Number of People Employed in the PE Sector from 2013-2017**



### 1.3 Financial Transactions between PEs and the Government

Business Tax, amounting to mSCR 287 was expensed by the PEs for the year 2017, followed by dividends (mSCR 345.2<sup>9</sup>) and subsidies from the Government (mSCR 291). In the year 2017, six PEs received subsidies from the government, and this was allocated as follows:

PUC received the highest amount of subsidy in 2017, specifically mSCR 120 for infrastructure development for the utility service provision. Air Seychelles received an amount of mSCR 81.9 for restructuring. SPTC received mSCR 56 for operational expenses and capital expenditures. DBS received mSCR 17.6 for Small Medium Enterprises subsidies interest. PMC received mSCR 12.4 for major renovation work on Housing Estates. SPS received mSCR 3.5 for Universal Postal Contribution<sup>10</sup>.

In the year 2017, three PEs received loans from the government which amount to a total of mSCR 205, and this was allocated as follows:

DBS received the highest amount, i.e. mSCR 167.4 from the government in the form of on-lending from international institutions such as the Arab Bank for Economic Development in Africa (BADEA)

<sup>9</sup> Excluding mSCR 147.2 from SSI of dividends received from its subsidiaries, as these have already been recorded for the individual subsidiaries which are PEs. Dividends from minority shareholdings were not transferred by SSI to GOS for 2017 based on documentation received from SSI.

<sup>10</sup> A social commitment by providing service at a much lower cost and closer to its customers.

and European Investment Bank (EIB). Air Seychelles received a total amount of mSCR 22.8 for deferred payment plan regarding grants. STC received mSCR 15.0 for working capital.

In terms of capital injection, only PMC received capital injection from the government for 2017, which amounted to mSCR 76.2 and this corresponded to social houses to be allocated to applicants.

There was a total of mSCR 287 of Business Tax from the PEs to the government. SEYPEC paid the highest amount in Business Tax amounting to mSCR 125.5, and Nouvobanq was second with mSCR 76.6.

Table 1: Financial flows between GOS and PEs in 2017

	Total	Air Seychelles Ltd															SIMBC Nouvobanq					
	m SR	m SR	m SR	m SR	m SR	m SR	m SR	m SR	m SR	m SR	m SR	m SR	m SR	m SR	m SR	m SR	m SR	m SR	m SR	m SR	m SR	m SR
<b>Government-SOE</b>																						
Subsidies and transfers	291.4	81.9		17.6								12.4	120.0						56.0	3.5		
Loans	205.2	22.8		167.4																		15.0
Equity (capital injection)	76.2											76.2										
Other	0.0																					
<b>SOE-Government</b>	0.0																					
Business Tax	286.8	0.0	4.9	0.0	0.0	0.3	0.0	0.4	7.8	7.4	1.0	0.0	0.0	5.8	53.7	125.5	76.6	0.0	0.0	0.0	4.1	0.0
Dividends	492.4	0.0	0.0	0.0	73.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.6	53.2	90.0	125.0	0.0	0.0	0.0	147.2 <sup>11</sup>	0.0
Loan repayment	0.0																					
Interest	0.0																					
Other	0.0																					

<sup>11</sup> Dividends from SSI's subsidiaries which are PEs, e.g. Nouvobanq, SEYPEC, excludes minority shareholdings.



### 1.3.1 Arrears

There are arrears from the Government to PEs, arrears from PE to the Government, arrears between PEs and arrears between PEs and the private sector. The table below presents the arrears between PEs and the Government and between PEs for the year 2017. Arrears from Government to PEs and between PEs stem from delayed payment for services of the PEs.

**Table 2: Arrears between Government and PEs and between PEs**

Arrears as at December 31, 2017	Total
	mSCR
Government to PE	151
PE to Government	22
Arrears from PE to PE	34

The table below provides details of arrears between PEs at December 31, 2017.

**Table 3: Arrears between PEs at December, 2017<sup>12</sup>**

Debtor PE	Creditor PE	Amount Outstanding as at December 31, 2017 m SCR
Air Seychelles	Seychelles Civil Aviation Authority	2.08
Air Seychelles	SEYPEC	2.31
Air Seychelles	Public Utilities Corporation	0.36
PEs	STC	0.01
PEs <sup>13</sup>	SEYPEC	12.92
SEYPEC	Petro Seychelles	15.00
SEYPEC	PEs	0.15
Seychelles Civil Aviation Authority	Air Seychelles	0.33
Public Utilities Corporation	Air Seychelles	0.13
Seychelles Petroleum Company	Air Seychelles	0.11
Seychelles Trading Company	Air Seychelles	0.77
Seychelles Ports Authority	Air Seychelles	0.07
Petro Seychelles	Air Seychelles	0.02

<sup>12</sup> Data received from PEs

<sup>13</sup> Awaiting breakdown from SEYPEC

### *1.3.1.1 Government to PE*

In 2017, the government was in arrears towards four PEs which amount a total of mSCR 151, and this was allocated as follows;

**Table 4: Arrears from GOS to PEs**

PE	mSCR
Air Seychelles	119
Petro Seychelles	0.01
PUC	30.2
STC	1.4
<b>Total</b>	<b>150.68</b>

The arrears of mSCR 30.2 towards PUC were due to late payment of utilities invoices by ministries of which due longer than 90 days. Air Seychelles had an arrear of mSCR 119 from the government. STC had arrears of mSCR 1.4, reason for arrears was for purchase of items from its outlets and Petro Seychelles has mSCR 0.01 for share capital of 1% share for the Principal Secretary of Finance, still outstanding due more than a year.

### *1.3.1.2 PE to Government*

There was a total amount of mSCR 22.3 in arrears from two PEs to government. Air Seychelles had mSCR 22.3 which is due more than 120 days for processing lag and lack of budget. Petro Seychelles had an amount of mSCR 0.01 regards to the Audit Journal for year end 2016 being adjustment of PIT<sup>14</sup> under paid for 13th Month salary due more than a year.

## **1.3.2 Quasi-Fiscal Activities (QFAs)**

A QFA is defined as a non-commercial activity conducted by a PE on behalf of the Government for which it is not compensated. QFAs can have a negative impact on the financial performance of PEs and can reduce income that the Government will receive from the PEs in the form of dividends and taxes. PEs which are in a weak financial position may require Government support to continue the service provision for the QFAs.

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<sup>14</sup> Personal Income Tax

The table below presents the QFAs of the PEs for the year 2017.

**Table.5: QFAs of the PEs for 2017**

Public Enterprise	Description of QFA	Annual effect for PE	Compensation from budget
		mSCR	mSCR
Air Seychelles Ltd	Charging prices below market level for the resident fares on the domestic operation	35.5	0
Development Bank of Seychelles	Subsidised lending for SME Scheme	17.6	16.5
Housing Finance Company Ltd	Pensioner loans at 0%	13.5	3.9
Public Utilities Corporation	Charging prices for electricity and water prices below market level	57.2	0
Seychelles Commercial Bank Ltd.	Government Car Loan Scheme 2	0.6	0
Seychelles Petroleum Company Ltd	Selling petroleum products on other islands at the same price as on Mahe	54.8	0
Seychelles Public Transport Corporation	Charging prices below cost for all groups.	77.6	56.4
Seychelles Trading Company Ltd	Charging prices below market level including Transportation cost absorbed by STC on delivery of Category I products <sup>15</sup> to Inner Islands	31.97	0
Seychelles Civil Aviation Authority	Maintenance of XRAY Machine located at Cargo-Customs	0.05	0
	Maintenance of XRAY Machine-Immigration	0.04	
	Conveyor yearly maintenance- Air Seychelles	0.15	
	SCAA contribution to SLTA roundabout	4.5	
	SRC Customs building rental (Area: 515m <sup>2</sup> @ SR 350/- per m <sup>2</sup> SCR 180,250.00 monthly)	2.2	
	Met Office rental (Area: 295m <sup>2</sup> @ SR350/- per m <sup>2</sup> SCR 103,250.00 per month)	1.2	
	Met Office Electricity (Average: SCR 66,234.48 2016, SCR 79,444.95 2017)	1.0	
	Customs-Cargo Electricity (Average: SCR 33,099.59 2016, SCR 34,068.72 2017)	0.4	
<b>Total</b>		<b>298</b>	<b>77</b>

<sup>15</sup> Refer to Annex 6.

## 2 OWNERSHIP AND OVERSIGHT POLICY

### 2.1 General Objectives for State Ownership of Public Enterprises: Financial and Public Policy Targets for PEs

The Government' ownership mandate vis-à-vis PEs is to ensure that the latter are actively and professionally controlled and managed with the aim of obtaining long-term value performance, and where applicable, that social obligations policy of Government are duly performed.

**Presently, there are deficiencies to the oversight framework due to fragmentation, the misalignment of target-setting and the absence of key policies such as the Ownership policy and Dividend Policy.** The Ownership policy defines the mandates and objectives of Government as the owner of PEs and also includes the setting of financial and policy targets by the respective institution. The ownership policy has been drafted and is currently in the process of finalization. The missing dividend policy should outline the procedures for treatment of dividend by Government and is primarily relevant for SSI, a government-owned limited liability company for the purpose of investment and holding of shares on behalf of Government, has majority shareholding in fifteen PEs. The absence of the dividend policy indicates that the ownership framework does not have confirmed principles and procedures for the treatment of dividend by GOS.

**There is also a lack of enforcement mechanism for fostering compliance of PEs with the governing legislation including reporting obligations and other legal requirements such as the requirement for financial statements to be prepared in accordance to the IFRS<sup>16</sup>.** As the PEMC Act is in the process of being revised and amended, there has been provisions made for the implementation of the proposed ownership policy framework.

#### 2.1.1 General Objectives for State Ownership of PEs

**The current oversight framework of PEs by the state is fragmented across different government bodies.** The responsible ministry for each PE is mandated to provide oversight of the PE under its portfolio. The PEMC Act stipulates certain oversight functions of the parent ministry such as the formulation of policies and operational aspects of these PEs.

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<sup>16</sup> **PEMC Act 2013** - Schedule 4, Section 1(b), Part ii

The Minister for Finance, Trade, Investment and Economic Planning (MoFTIEP) is mandated to oversee the formulation process of the Budget Strategy Paper, the Medium Term Fiscal Framework (MTFF), and the Annual Budget of each PEs, in addition to overseeing the overall functions of the PEs under its portfolio. The Budget Strategy Paper aims to improve transparency and accountability whereas the MTFF consists of a statement of fiscal policy objectives and a set of integrated medium-term macroeconomic and fiscal targets and forecasts which is essential for the effective preparation of budgets. The Minister also has the power to make key decisions, in consultation with the President and the Responsible Ministers, such as that on the payment of dividends and the provision for capital reserves.

The PEMC was established by PEMC Act 2013 as an oversight institution for all PEs whereby its functions consists of monitoring and evaluating the overall performance of the PE Sector to ensure the efficiency in their operations.

## 2.1.2 General Financial Targets and Public Policy Targets for PEs

**The parent ministry is responsible for the formulation of policies<sup>17</sup> including the Public Policy objectives (Public policy) which entails the setting of the policy targets whereas the setting of financial targets falls under mandate of the Board of Directors of PEs<sup>18</sup>.** PEMC has the responsibility to assess the overall performance of both commercial and non-commercial PEs against their respective targets as defined in Section 4 of the PEMC Act below:

“The Principal Objective of a Public Enterprise is to be a successful business organization 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.”

**Currently, there is no Public Policy objectives for all PEs which indicates that there is no set policy target.** The Public policy states the objectives and purpose of a PE with the aim of providing guidance to achieve its goals. It also consists of defining, identifying, quantifying and disclosing the costs associated with the Public Service Obligations (PSOs), which leads to Quasi-Fiscal Activities where PEs

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<sup>17</sup> **PEMC Act 2013** - Section 6(2)

<sup>18</sup> **PEMC Act 2013** - Section 35

are not compensated for performing these obligations. In line with international good practice, the ownership and oversight unit set financial targets to ensure that there is alignment between these target and the objectives of the PEs as outlined in its Public policy. The absence of the public policy impacts the effectiveness of the financial targets and increase the probability of fiscal risks.

## 2.2 Organizational and Governance Arrangements

### 2.2.1 Overview of Key Legislations

In addition to the PEMC Act which governs the PEs as a whole, PEs are also subject to the obligations of other legislations, namely, the Public Finance Management Act 2012 (PFM Act) and the Seychelles Revenue Commission Act 2009 and the Companies Ordinance 1972 for PEs incorporated under the mentioned Companies Act as illustrated in Annex 2.

Furthermore, certain PEs are governed by the respective legislation, i.e. Acts or Decrees, under which they are established as listed in Annex 1.

### 2.2.2 Nominations Policy to PE Boards

**The president appoints the Board of Directors in accordance with the criteria for appointment of schedule 2 of the PEMC Act.** The CEO who is an ex-officio of the board is also appointed by the President. PEs are exempted to Part III & IV of the PEMC Act <sup>19</sup> in the case where there is a management contract between the Government of Seychelles and a third party. At present, Air Seychelles is the only PE to which this exemption applies.

In addition, the “CORPORATE GOVERNANCE GUIDELINES for Banks and Other Financial Institutions”; formulated and implemented in April 2015 by the CBS, provides a governance framework for PEs within Financial Sector (i.e. Banks or other Financial Institutions). The policy consists of a selection and appointment process<sup>20</sup> for board directors which includes the following elements:

- The provision for the establishment, composition and functions of a nomination committee to assist the process of identifying new potential board members;

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<sup>19</sup> **PEMC Act 2013** - Section 3

<sup>20</sup> **Corporate Governance Guidelines for Banks and Other Financial Institutions**, Page 6

- The criteria for selection of potential board directors;
- The prerequisite for a Fit and proper test and written approval of the regulator before appointment as well as the relevant professional qualification in the corporate governance field;
- An integral framework for new board directors such as orientation program; and
- The provision for the review of the board director's performance and the procedures for reappointment current board directors.

### 2.2.3 Remuneration Policy and Terms of Employment

The remuneration framework comprises of the '**Remuneration Policy and Framework on fees for Executive Boards**' (Board remuneration policy), and a **Policy Guideline on the Remuneration of Senior Executives of commercial PEs (Senior Executive Remuneration Policy)**. The Board remuneration policy was issued by the MoFTIEP for board of directors of PEs and implemented on January 01, 2016. The aim of the policy is to provide a standard approach to the remuneration of Board Members for Government's commercial entities and budget dependent public bodies as well as outlining a framework for compensation based on their position on the boards. The remuneration framework, as per the policy<sup>21</sup>, is based on three main categories, namely:

1. The *Grouping structure* which categorizes different types of boards and committees
2. The *Remuneration structure* which classify the different board fees according to the different groupings
3. The *Administration Structure* outlines the implication of coverage, authority, application and financing of the policy.

The aforementioned policy also outlines the responsibilities of Board of directors, i.e., their purpose, scope, responsibilities, expectations and job descriptions of Board members.

The Senior Executive Remuneration Policy which also applies to the CEO of those PEs, effective January 01, 2012, was issued by the Office of the President as a means of improving governance in PEs through attracting and retaining qualified senior executives. The Policy <sup>22</sup> outlines the guidelines for

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<sup>21</sup> **Remuneration Policy and Framework on fees for Executive Boards**, Page 4

<sup>22</sup> **Policy Guidelines on the Remuneration of Senior Executives of commercial Public Entities**, Page 5

remuneration based on performance which includes the suggested pay structure and the setting of performance indicators for CEOs.

### 3 INDIVIDUAL PUBLIC ENTERPRISES

PEs in Seychelles are classified into two categories; the limited Liability Companies (LLC) <sup>23</sup>and Corporate bodies<sup>24</sup>. PEs that are LLCs are usually identified as commercially oriented whilst corporate bodies are usually non-commercially oriented<sup>25</sup>, but should remain financially sustainable.

Each PE has a board of directors ensuring good governance as shown in Annex 4.

This chapter provides an overview of each of the PEs mandate, shareholding structure, summary of operations, financial indicators and the flows between the PE and the government

#### 3.1 Air Seychelles

Air Seychelles is a commercial limited company established in 1978 under the Companies Act (CA) 1972 and its responsible Ministry is the Ministry for Tourism, Civil Aviation, Ports and Marine.

##### 3.1.1 Mandate

Air Seychelles is the national airline of Seychelles, and is mandated to provide aviation and ground handling services at the airport.

##### 3.1.2 Shareholdings %

Government holds 60% of the shareholding and Etihad Airways holds 40% of Air Seychelles.

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<sup>23</sup> **Limited Liability Companies (LLC):** companies incorporated under the Companies Ordinance 1972, e.g. 2020 Development (Seychelles) Limited

<sup>24</sup> **Corporate Body:** Regulatory Bodies or Agencies established under their respective Acts, e.g. NISA, SCAA

<sup>25</sup> **Section 4 of PEMC Act 2013.** The principal objective of a Public Enterprise is to be a successful business organization 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



### 3.1.3 Summary of Operations

The company provides flights to and from Seychelles to both local and international customers. In addition, Air Seychelles provides ground handling services at the Seychelles airport.

### 3.1.4 Summary of Financial Performance

In 2017, the company recorded the lowest performance for the five-year period with a net loss of mSCR195 (mUSD 14.3). Gross profit and net profit margin were negative at -7% and -11% respectively. The debt ratio increased to 102% in 2017 due to increase in borrowings from 2014 to 2016. The interest coverage ratio has worsened to -1.07 in 2017 indicating that the company is becoming more leveraged, may face difficulties to honour future commitments and may require further government intervention.

### 3.1.5 Indicators of Financial Statements

The available data on financial performance of Air Seychelles covers the period 2013 – 2017.

#### *3.1.5.1 Profitability*

The gross profit margin was negative for the 2014, 2015 and 2017 at -9%, -3% and -7% respectively due to direct operating costs which were greater than revenue from operations, indicating that the operations did not generate sufficient revenue to cover their costs. For the year 2017, Air Seychelles recorded a 19% increase in direct operating cost compared to 2016 in part caused by a rise in the cost of fuel and oil expense and staff costs. In 2016 the gross profit improved to 7% due to a growth of passenger services revenues.

Air Seychelles recorded a positive operating profit for the years 2014 and 2015, despite recording a negative gross income. This was due to other revenue comprising principally of a mUSD 4.5 grant from the Government as a commercial incentive for direct flights between Seychelles and certain routes and mUSD 12.3 from Etihad Airways as part of a revenue sharing agreement in 2015. Other revenue for the year 2014 consisted principally of a Government grant and reimbursements amounting to mUSD 13.8. However, for the year 2017 the operating profit margin was negative (-6%) for the first time during the five-year period despite a 70% decrease in administrative and marketing expenses for 2017 compared to 2016. Other than the increase in direct operating costs mentioned above, the significant decrease in other income of 63% in 2017 compared to 2016 has also contributed to the drop in operating profit margin.

There was a general decline also in the net profit margin from 2013 to 2017. Rising finance costs, which comprise of both interest expense and foreign exchange losses, were an important contributing factor for the decline in the net profit. Finance costs grew at an average rate of 52% per year from 2013 to 2017. The rise in finance costs is associated to a significant rise in borrowings; from 2015 to 2016 borrowings increased by mUSD 49.9 or 136%.

#### *3.1.5.2 Capital and Cost Efficiency*

There was a decline in both Return on Assets (ROA) and Return on Equity (ROE) ratios as a consequence of the decline in the net income (at average rate of 236% per year) to reach the a loss of mUSD 14.3 for the year 2017.

#### *3.1.5.3 Financial Risks*

Air Seychelles' debt ratio increased from 90% in 2013 to 102% in 2017 indicating that there had been a greater increase in total liabilities relative to total assets. The proportion of borrowings in total liabilities increased from 0% in 2013 to 56% in 2017, indicating that the Air Seychelles has become increasingly leveraged.

The interest coverage ratio of Air Seychelles decreased from 2013 to 2017 due to an average growth in interest expense of 69% per year. Air Seychelles' ICR had a value of -1.07 for the year 2017 indicating that it is not generating enough revenue to cover its interest expense. The company could face difficulties in meeting future interest payments if its operating income continues to decrease.

The Cash flow to debt ratio has been negative for most of the period under review with the exception of the year 2014 and 2017. This is due to negative operating cash flow during the period under review and implies that Air Seychelles did not generate sufficient cash from its operating activities to pay its debt obligations. Air Seychelles' inability to generate sufficient cash over the period under review indicates that it may in the future either have to borrow further or request for assistance from its shareholders in order to sustain its operations. The Cash flow to debt ratio stood 9% in 2017 due to an improvement in the operating cash flow.

### **3.1.6 Flows between Air Seychelles and GOS**

Flows between Air Seychelles and Government during the year 2017 comprises of the following:

- GOS guarantees on Air Seychelles loans;
- Loans obtained from the GOS totaling to mSCR 22.8;
- Budget subsidies received from GOS totaling to mSCR 81.9;

- VAT and Payroll Taxes paid by Air Seychelles to the GOS totaling to mSCR39.9;
- Air Seychelles benefited on excise tax rebate on fuel used on domestic fleet;
- Arrears from GOS to Air Seychelles totaling to mSCR 119; and
- Arrears from Air Seychelles to GOS totaling to mSCR 22.3.

### 3.1.7 QFAs, Quantified and Information if Compensated from the Budget:

Air Seychelles was charging prices below market level for the resident fares on domestic operations. This had an effect of mSCR 35.5 for the Air Seychelles for 2017 which was not compensated by GOS.

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## 3.2 Islands Development Company Limited

IDC is a commercial limited liability company incorporated on the 29th of April 1980 under the CA 1972 and its responsible ministry is the Ministry of Finance, Trade, Investment and Economic Planning.

### 3.2.1 Mandate

The principal activity of IDC is to manage and develop the outlying islands.

### 3.2.2 Shareholdings %

SSI holds 99% of the shareholding and the remaining 1% is under PS of Finance on behalf of Government.

### 3.2.3 Summary of Operations

The company is involved in the farming of land, fishing, manufacturing and processing, as well as the development and management of settlement activities and estates. In addition, IDC is an importer, exporter and distributor of goods and materials. Since 2012 IDC has been exporting raw coconut oil to Mombasa and also to local buyers. It provides fresh produce to the staff and guests of resorts on the outer islands, where it can be difficult and expensive to supply by sea and air.

### 3.2.4 Summary of Financial Performance

Revenue increased by an annual average rate of 34%, compared to a higher growth rate in direct cost by 43%. During the period 2013 to 2017, IDC presented an average gross profit margin of 41% and net

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<sup>26</sup> Formula for calculation of AS QFAs = Total Revenue for domestic residents – (cost of domestic fares x total domestic pax).

profit margin of 8%. Liquidity has increased by an annual average growth rate of 42% while liabilities grew at an average rate of 15% and assets at 19%.

### 3.2.5 Indicators of Financial Performance

The available data on financial performance of the IDC covers the period 2013-2017.

#### *3.2.5.1 Profitability*

Construction is IDC's main source of revenue and represented 80% of total revenue. Other sources of income include transportation, maintenance of villas and upkeep of islands and property rental. The gross profit margin of IDC decreased from 49% at March 31, 2014 to 29% at March 31, 2018. Total revenue grew at an annual rate of 34%. The operating profit of IDC grew at an average annual growth rate of 46% per year from 2013 to 2017. IDC's direct costs comprise principally of the cost of construction materials. The net profit margin had a value of 6% for 2017.

#### *3.2.5.2 Capital and Cost efficiency*

The returns in 2017 have increased slightly compared to previous years; ROA had a value of 9%, ROE was at 20% while ROCE at 15%.

### 3.2.6 Flows between IDC and GOS

Flows between IDC and GOS during the year 2017 comprises of the following:

- Grants from GOS received in 2017 amounting to mSCR 1 for the construction of workers houses on Astove Island; and
- Business tax paid by IDC to GOS during the period amounted to mSCR 7.4.

## 3.3 National Information Services Agency

NISA is a non-commercial corporate body established under the NISA Act 2010 and the responsible Ministry is the Office of the Vice President.

### 3.3.1 Mandate

NISA is a news and information dissemination agency.

### 3.3.2 Shareholdings %

NISA is 100% owned by GOS.

### 3.3.3 Summary of Operations

The Agency is involved in the gathering and disseminating information, as well as contributing to the development of the mass media in Seychelles with the aim of promoting economic, political, social and diplomatic interest of Seychelles, nationally and internationally.

### 3.3.4 Summary of Financial Performance

NISA's revenue grew at an annual rate of 4% during the period. After recording losses in the year 2014 (SCR -30,952) and 2015 (SCR -342,826) due to high operating costs, NISA's profitability improved in 2016 with a net profit margin of 11% and 9% in 2017. Liabilities grew at an annual rate of 50% as of 2015 due to increased borrowings increasing the leverage, while assets grew at a rate of 24%. Liquidity grew at an average annual rate of 18% during the period.

### 3.3.5 Indicators of Financial Performance

The available data on the financial performance of NISA covers the period 2013-2017.

#### *3.3.5.1 Profitability*

Following the losses in 2014 and 2015, the net profit margin (9%) and operating profit margin (19%) decreased in 2017 compared to 2016. Operating costs grew at a rate of 20% and remain relatively high compared to the income.

#### *3.3.5.2 Capital and Cost efficiency*

Compared to previous years, 2016 and 2017 returns have increased. In 2017 ROA amounted to 8%, ROE at 22% and ROCE at 11% in 2017. However, 2016 returns had better results whereby ROA was 10%, ROE 35% and ROCE at 11%.

#### *3.3.5.3 Financial Risk*

NISA had an average debt ratio of 59% and an average net-to-debt-equity of 129%. These indicate that NISA is dependent on leverage.

### 3.3.6 Flows between NISA and GOS

Flows between NISA and GOS during the year 2017 comprises of the following:

- Guarantee by GOS of a loans of which the maximum exposure was mSCR 16.2 in 2017;  
and
- Business Tax paid by NISA to GOS during the period amounted to mSCR 1.

## 3.4 Property Management Corporation

PMC is a non-commercial corporate body established under the PMC Act 2004 and its responsible Ministry is the Ministry of Habitat, Lands, Infrastructure, and Land Transport.

### 3.4.1 Mandate

PMC is mandated to provide equitable living accommodation to the people of Seychelles.

### 3.4.2 Shareholdings %

PMC is 100% owned by government.

### 3.4.3 Summary of Operations

The Corporation is involved in the sale, lease or rental of flats and houses in accordance with the Government policy, as well as managing and maintaining buildings and properties on behalf of the Government.

### 3.4.4 Summary of Financial Performance

Total expenses during the period grew at an annual rate of 30% while total revenue at 31%. PMC incurred high operational expenses, which grew at a rate of 34% annually. The Corporation was unprofitable in the years 2013, 2015 and 2016 as its revenue were not able to cover its high costs. PMC recorded the highest profit in 2017 and made an increase of 165% from 2016 to 2017 in net profit. Its liabilities increased at an average annual rate of 195% due to investment property and finance leases in the capital reserve being recognized as deferred revenue in liabilities.

### 3.4.5 Indicators of Financial Performance

The available data on the financial performance of the PMC covers the period 2013-2017.

#### ***3.4.5.1 Profitability***

Despite increasing expenses, the 2017 net profit margin improved at 7% compared to -7% in 2016, and the lowest net profit margin was -18% in 2013. This was attributed to a decrease in PMC's operational expenses (mainly decreases in repairs and maintenance expenses and self-financing construction scheme expenditure) and an increase in other income (mainly insurance claims received and Government grant-investment properties). Profitability remains relatively low in proportion to the expenses of the Corporation in previous years. PMC has made a revenue deficit during the period due the continued net loss. As of 2016 PMC started to receive compensations for its Public Service Obligation of the rental of social housing from the GOS.

#### ***3.4.5.2 Capital and Cost efficiency***

Compared to previous years, ROA (1%), ROE (7%) and ROCE (1%) in 2017, turned remained low. During the year 2013, assets (equipment, finance lease receivable, investment properties and trade and other receivables) were transferred to PMC from HFC at net book value.

#### ***3.4.5.3 Financial Risk***

The debt ratio increased from 0% to 92% in the two last years of the period. The company adopted the International Accounting Standards (IAS) 20, which de-recognised an amount relating to investment property and finance leases in the capital reserve. Thus, this amount has been recognized as deferred revenue. Only grants and donations from the government is the remaining balance in the capital reserve balance. This in turn explains the high net debt-to-equity ratios and the debt ratio in 2017 and 2016.

### **3.4.6 Flows between PMC and GOS**

Flows between GOS and PMC for the year 2017 comprises of the following:

- Capital injections through houses received from GOS allocated to applicants during the 2017 amounting to mSCR 76.2.
- Development grant of mSCR 12.4 in 2017 for major renovation work on housing estates.
- Budget subsidy of mSCR 8.6 in 2017 as compensation for charging rental rates below market level.

### **3.4.7 PSOs, Quantified and Information if Compensated from the Budget**

The QFA identified for PMC was for the rental of social housing below market rate. The quantification of the compensation from the Government for the Public Service Obligation (PSO) is calculated based on the difference between rent at observable markets and rent based on GOS policy. During the period PMC was compensated for the years 2017 and 2016 PSOs by a total amount of mSCR 24.7 which is more than the cost of the PSOs in the form of subsidies in both years amounting to mSCR 15.8.

## **3.5 Public Utilities Corporation**

PUC is a non-commercial corporate body established under the PUC Act 1986 and its responsible Ministry is the Ministry of Environment Energy and Climate Change.

### **3.5.1 Mandate**

PUC is mandated to supply utilities services.

### **3.5.2 Shareholdings %**

PUC is 100% owned by the GOS.

### **3.5.3 Summary of Operations**

The Corporation's main operations comprise of the generation, distribution and sale of electrical energy on the main islands of Seychelles, as well as the storage, treatment of raw water and distribution of potable water to the population of Seychelles. It is also responsible for the treatment and safe disposal of wastewater to the environment.

Other relevant activities of PUC include metering, billing, procuring equipment and materials, inventory control, inspectorate services, customer services, public relations, system planning and project management.

### **3.5.4 Summary of Financial Performance**

PUC's revenue, expenditure and net profit increased at an annual rate of 2% during the period. During 2017, the profitability of the Corporation decreased, due to increments in cost, which increased at an average annual rate of 2% during the period 2013 to 2017. Liabilities increased at a rate of 13% during the period while assets increased at rate of 9%.



### 3.5.5 Indicators of Financial Statements

The data available on the financial performance of PUC covers the period 2013 – 2017.

#### *3.5.5.1 Profitability*

The gross profit margin of PUC has steadily increased from 42% in 2013 to 56% in 2017, with an average of 52% and a peak value of 60% in 2016. The value of the net profit margin has fluctuated from 2013 to 2017 to reach a value of 14% in 2017, with an average of 17% for the period 2013 to 2017. The highest net profit margin for the five-year period was recorded for the year 2015 at 22%.

Overall it was noted that the profitability ratios decreased in the year 2017 compared to the year 2016, this was in part due to a 27% decrease in net income. The decrease was primarily caused by a 20% rise in the expense for consumables and spares, which includes the cost of generation fuel and lubricants.

#### *3.5.5.2 Capital and Cost Efficiency*

There was a decrease in the ROA, ROE and ROCE which can be attributed to a higher growth rate in total assets (9% on average per year), total Equity (14% on average per year) and long-term borrowings (15% on average per year) over the five-year period compared to the growth rate in net income (2% on average per year).

#### *3.5.5.3 Financial Risks*

The debt ratio was stable over the five-year period with an average value of 13%, which implies that on average 13% of PUC assets were financed by debt during the five-year period.

The Free Cash Flow to Operating Cash Flow ratio was negative for the years 2017, 2014 and 2013. This was the result of significant capital investments made by PUC in those years, which resulted in capital expenditure being greater than cash generated by operations.

### 3.5.6 Flows between PUC and GOS

Flows between PUC and GOS for the year 2017 comprises of the following:

- Budget subsidy received from GOS amounted to mSCR 120 for infrastructure development for utility service provision; and
- Arrears from GOS to PUC amounting to mSCR 30.2, which pertain to utilities invoices.

### 3.5.7 QFAs, Quantified and Information if Compensated from the Budget

The main QFAs identified for PUC were charging electricity and water prices below market level which during the period amounted to mSCR 192.2 and cross-subsidising water tariffs with electricity tariffs, totalling mSCR 104.3 between 2013 to 2015. Tolerance of arrears from GOS was also identified as another QFA for PUC and this amounted to mSCR 123.5 for the period 2013 to 2017. PUC is not compensated for the QFAs.

**Table 6: QFA for PUC**

Activity		Quantification (i.e. cost to the PE)				
		2017	2016	2015	2014	2013
		mSCR	mSCR	mSCR	mSCR	mSCR
Charging prices below market level	quantity*price difference	57	42.5	19.9	42.4	30.1
Cross-subsidization of water tariffs by electricity tariffs	quantity*price difference	0	0	25.9	57	21.2
Tolerance of arrears	amount of arrears	30.2	42.5	18.1	15.5	17.2

## 3.6 Seychelles Petroleum Company Limited

SEYPEC is a commercial limited liability company incorporated on 2<sup>nd</sup> April 1985 under the CA 1972 and the responsible Ministry is the Office of the Vice President.

### 3.6.1 Mandate

SEYPEC is involved in the buying and selling of fossil fuel products both locally and internationally.

### 3.6.2 Shareholdings %

SSI holds 99% of the shareholding and the remaining 1% is under PS of Finance on behalf of Government.

### 3.6.3 Summary of Operations

The company purchases and sells petroleum oil products, oil related products, petro chemicals, oil by-products, and any other products in or out of Seychelles.

### 3.6.4 Summary of Financial Performance

The profitability of SEYPEC has improved during the five-year period under review with a net profit margin of 6% in 2017 from -3% in 2013. This has resulted in an improvement in the ROA and ROE at 5% and 6% respectively for the year 2017. SEYPEC has a sound financial health with a good capacity to cover interest and tax payments. There was remarkable reduction in the debt ratio due to significant decrease in total debts.

### 3.6.5 Indicators of Financial Performance

The financial performance of SEYPEC will cover the period 2013 – 2017.

#### *3.6.5.1 Profitability*

The gross profit margin has improved from 0.1% in 2013 to 7% in 2017 although revenue from operations has decreased at an average rate of 4% per year during the period. The improvement in gross profit was due to a reduction rate of 5% per year in the cost of sales within that same period.

The operating profit has also improved due to an increase in the other income averaging 8% per year during the period under review.

The net profit margin has also increased from -3% in 2013 to 6% in 2017.

#### *3.6.5.2 Capital and Cost Efficiency*

The ROA has improved from -2% in 2013 to 5% in 2017 and the ROE has improved from -3% in 2013 to 6% in 2017. The increase in both ROA and ROE was due to growth in net income.

#### *3.6.5.3 Financial Risks*

The debt ratio has decreased from 39% in 2013 to 16% in 2017 due to the significant decrease in the total debts. As a result, this has improved the interest coverage ratio from -0.06 times in 2013 to 222.8 times in 2017.

### 3.6.6 Flows between SEYPEC and GOS

Flows between SEYPEC and GOS during the year 2017 comprises of the following:

- Taxes from SEYPEC to GOS totaling to mSCR 804.6; and
- Dividends from SEYPEC to GOS totaling to mSCR 90.

### **3.6.7 QFAs, Quantified and Information if Compensated from the Budget**

The principal QFA identified for SEYPEC was the sale of petroleum products on other islands at the same price as on Mahe, which had a total cost to SEYPEC of mSCR 261.6 for the period 2013 to 2017. The value of QFA includes transportation costs, infrastructure and manpower.

## **3.7 Seychelles Ports Authority**

SPA is a non-commercial oriented corporate body established under the SPA Act 2004 and its responsible Ministry is the Ministry for Tourism, Civil Aviation, Ports and Marine.

### **3.7.1 Mandate**

SPA is mandated to develop, operate, regulate and manage the ports, including the safety and security of the port and its facilities.

### **3.7.2 Shareholdings %**

SPA is 100% owned by GOS.

### **3.7.3 Summary of Operations**

SPA is the regulator of the ports and is involved in the development and management of port infrastructures. In addition, the SPA is responsible to provide ancillary services, as well as security and safety for all users of the port and its facilities.

### **3.7.4 Summary of Financial Performance**

Total revenue consistently increased during the periods from year to year, i.e. 2013 to 2016 at an average growth rate of 13% per annum whilst the cost of services represents a growth rate of 4%. The average net profit margin during the period was equivalent to 44%. The debt ratio had an average value of was 39% from 2013 to 2016. The authority does not have any borrowings; it has operational liabilities (trade and other payables and tax liability and retirement benefit obligations).

### 3.7.5 Indicators of Financial Performance

The financial performance of the SPA will cover the period 2013-2016. The certified Annual Financial Statements for the year 2017 had not been submitted to PEMC at the time of reporting<sup>27</sup>.

#### *3.7.5.1 Profitability*

SPA's total revenue increased during the period an average growth rate of 13%. The principal income was Port related services and had a growth rate of 14% per annum. The operating profit margin had an average value of 47%. The net profit increased at an average rate of 29% per year. The highest net profit margin for the four-year period was recorded in 2016 at 56%. This shows that SPA is profitable.

#### *3.7.5.2 Capital and Cost Efficiency*

There was an improvement in both ROA and ROE in the year 2016 at 27% and 40% respectively, compared to the year 2015.

#### *3.7.5.3 Financial Risk*

SPA had payables amounting to mSCR 12.6 as at December 31, 2016 which grew at a rate of 9% annually from 2013 to 2016, retirement benefit obligations amounted to mSCR 5.7 and a tax liability of mSCR 101.3 as at December 31, 2016. An agreement has been reached between SPA, MoFTIEP and Seychelles Revenue Commission whereby the tax liability of the Authority from the year 2010 to 2016 would be settled in two equal instalments in March and September 2018.

### 3.7.6 Flows between SPA and GOS

Flows between SPA and GOS comprises of the following:

- Dividends paid by SPA to GOS during the period 2013 to 2016 amounted to mSCR 100.

## 3.8 Seychelles Postal Services Limited

SPS is a commercial limited liability company incorporated on 1<sup>st</sup> August 2011 under the CA 1972 and its responsible Ministry is the Ministry of Finance, Trade, Investment and Economic Planning.

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<sup>27</sup>As at 15.09.2018

### 3.8.1 Mandate

The SPS is mandated to provide public postal services in Seychelles.

### 3.8.2 Shareholdings %

GOS directly holds 99.9% of the shareholding and the remaining 0.1% by the SSI

### 3.8.3 Summary of Operations

The company is involved in producing, distributing and selling postage stamps and other philatelic products, as well as the provision of messenger and courier services.

### 3.8.4 Summary of Financial Performance

Total revenue consistently increased during 2013 to 2017 at an average growth rate of 5% per annum whilst expenses had a growth rate of 11%. The average net profit margin during the period was equivalent to -6%. The gross profit margin had an average value of 76%. The SPS has high costs in proportion to its revenue of which the most significant were employee benefit expenses. SPS for the year ended December 31, 2017 reported a net loss of mSCR -5.9.

### 3.8.5 Indicators of Financial Statements

#### *3.8.5.1 Profitability*

The operating profit margin decreased from 8% in 2013 to -23% in 2017. The net profit margin also decreased from 5% in 2013 to -21% in 2017. SPS was not profitable in 2015 and 2017, due to costs which were higher than revenue.

#### *3.8.5.2 Cost and Capital Efficiency*

The ROA has decreased from 3% in 2013 to -12% in 2017 and the ROE has decreased from 3% in 2013 to -24% in 2017.

#### *3.8.5.3 Financial Risk*

The debt ratio has increased from 7% in 2013 to 55% in 2017 due to increases in advances for amounts payable. This also includes provisions for expenses payable to Postal Logistical Partners (PLP) for the resale of international mail products in Asia from 1 November 2016 to 31 October 2017.

### 3.8.6 Flows between SPS and GOS

Flows between SPS and GOS for the year 2017 comprises of the following:

- Budget subsidies from GOS 2017 amounting to mSCR 3.5; and
- Tax paid by SPS to GOS amounting to mSCR 0.12.

## 3.9 Seychelles Public Transport Corporation

SPTC is a non-commercial corporate body established under the SPTC Decree and its responsible Ministry is the Ministry of Habitat, Lands, Infrastructure, and Land Transport.

### 3.9.1 Mandate

SPTC is mandated to provide an efficient, adequate and economical system of public transport within Seychelles for the public, consistent with a reasonable and adequate level of fares being charged.

### 3.9.2 Shareholdings %

SPTC is 100% owned by the GOS.

### 3.9.3 Summary of Operations

The Corporation is involved in the provision of an efficient, safe, reliable affordable and modern transportation capable of meeting the current and future needs of its customers.

### 3.9.4 Summary of Financial Performance

The profitability of SPTC continued to worsen in 2017 with a net loss of mSCR 21.2 resulting in net profit margin of -18% from -3% in 2013. This was in part due to increase in the administrative expenses which became greater than revenue as from the year 2015. SPTC reported a negative operating cash flow for 2013 to 2016. With this current business model, SPTC will either have to borrow from banks or request for additional funding from government to support their operations.

### 3.9.5 Indicators of Financial Statements

The financial performance of SPTC will cover the period 2013–2017.

### ***3.9.5.1 Profitability***

The operating profit margin and net profit margin has worsened from -3% in 2013 to -18% in 2017. This was mainly due to the increase in administrative expenses at an average rate of 6% per year over the same period. When comparing the revenue for the year 2017 against the year 2016, it was noted that there was a decrease of 6% (mSCR 7) in 2017. If this continues and operating expenses are not managed properly, profitability will continue to get worst and thus will create cash flow problems for SPTC and government.

### ***3.9.5.2 Capital and Cost Efficiency***

The ROA has decreased from -3% in 2013 to -17% in 2017 and the ROE also decreased from -3% in 2013 to -25% in 2017. This was due to the net income decreasing at an average rate of 40% per year over the same period.

### ***3.9.5.3 Financial Risks***

The operating cash flow to revenue ratio has improved to 6% in 2017 compared to all the previous years where a negative operating cash flow had been recorded. This positive operating cash flow in 2017 was mainly due to a significant increase in the “trade and other payables” during the year as a result of a subvention of mSCR13.98 received from GOS in December 2017 classified as trade and other payables. From the year 2014 to 2016, SPTC recorded negative operating cash flows, which means that SPTC were not generating enough cash to support their operations. Therefore, SPTC either has to borrow money from banks or request for additional funding from the government

## **3.9.6 Flows between SPTC and GOS**

Flows between SPTC and GOS during the year 2017 comprises of the following:

- Subvention from GOS totalling to mSCR 56

## **3.9.7 QFAs, Quantified and Information if Compensated from the Budget**

The main QFAs identified for SPTC was charging bus fare below actual cost of bus fare<sup>28</sup> which SPTC has estimated to cost mSCR 77.6 for the year 2017.

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<sup>28</sup> The formula for calculating QFA = (Cost of bus fare – actual price of bus fare) \* No. of passengers benefiting on low bus fare.



## 3.10 Seychelles Trading Company Limited

STC is a commercial LLC incorporated in March 2008 under the CA 1972 and the responsible Ministry is the Ministry of Finance, Trade, Investment and Economic Planning.

### 3.10.1 Mandate

STC is mandated with carrying out the business of a trading company.

### 3.10.2 Shareholdings %

SSI holds 99% of the shares of STC and the remaining 1% is under PS of Finance on behalf of GOS.

### 3.10.3 Summary of Operations

The company carries on the business as importer, wholesaler, retailer, distributor, exporter of all kinds of goods and products. The company also operates as a commission agent and representative of manufacturers and distributors of goods.

### 3.10.4 Summary of Financial Performance

Total revenue consistently increased during the periods from year to year, i.e. 2013 to 2016<sup>29</sup> at an average growth rate of 9% per annum. Likewise, the cost of sales has increased and had an average growth rate of 7% per annum. During the period, on average the cost of sales was equivalent to 78% of STC's revenue. The average net profit margin during the period was equivalent to 2%, with the highest being 3% in 2013. The debt ratio had an average value of 38% and a cash flow to debt ratio average value of 137%.

### 3.10.5 Indicators of Financial Statements

#### 3.10.5.1 *Profitability*

The gross profit margin of STC has steadily increased from 19% in 2013 to 25% in 2016. Contrary to the gross profit margin, STC experienced a decrease in its operating profit from 5% in 2013 to 3% in 2016. This was in part due to growth in the administrative expense at an average rate of 19% per year from 2013 to 2016, which was largely associated to the continual rise in rental expenses by an annual growth rate of 55%, also employee benefits expenses by a growth rate of 20% and electricity and

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<sup>29</sup> The certified AFS of STC was not submitted to the Commission by the reporting date

water charges by a growth rate of 7% during the period. Cost of inventories had a growth rate of 7%. Administrative expenses were the most significant expense for the company.

The net profit margin remained quite low during the period from 3% in 2013 to 2% in 2016.

#### **3.10.5.2      *Cost and Capital Efficiency***

The capital and cost efficiency ratios had decreased during the period under review. ROA has decreased from 7% in 2013 to 5% in 2016. ROE has decreased from 11% in 2013 to 8% in 2016. Though total assets and total equity had grown at an average rate of 4% and 5% respectively over the same period. The decrease was mainly attributed with the average decrease of 6% in the net income per annum in part caused by the growth rate of administrative expenses.

#### **3.10.5.3      *Financial Risk***

The cash to debt ratio had fluctuated over the four-year period. In the year 2014, this ratio dropped to only 1% due to low cash flow from operating activities. However, 2015 and 2016 STC had made remarkable improvement in its cash flow to debt ratio to reach a peak of 372% in 2016.

#### **3.10.6    Flows between STC and GOS**

Flows between STC and GOS for the year 2016 comprises of the following:

- STC received a loan from GOS and the amount outstanding in 2016 was mSCR 25
- Taxes paid by STC to GOS totalling to mSCR 18.1
- Arrears from GOS to STC amounting to mSCR 1.5

#### **3.10.7    QFAs, Quantified and Information if Compensated from the Budget:**

The principal QFA for STC is the sale of goods at prices below market level including transportation cost absorbed by STC on delivery of Category I products to Inner Islands amounting to mSCR 31.97 for 2017. This is estimated based on comparison of subsidised products' margin and if subsidised products would have been sold at the margin of other non-subsided products on an aggregate basis.

### 3.11 Seychelles International Mercantile Banking Corporation Limited (NOUVOBANQ)

Nouvobanq is a commercial bank incorporated as a limited liability company on 19th July 1991 under the CA 1972 and its responsible Ministry is the Ministry of Finance, Trade, Investment and Economic Planning.

#### 3.11.1 Mandate

Nouvobanq is mandated to conduct commercial banking.

#### 3.11.2 Shareholdings %

SSI holds 78% of the shareholding and Standard Chartered Africa PLC holds the remaining 22%.

#### 3.11.3 Summary of Operations

The Bank is involved in the business of banking and to transact financial business of every description, as well as, to carry on the business of banking in every aspect in any part of the world.

#### 3.11.4 Summary of Financial Performance

Revenue grew at an average rate of 9% per year over the period 2013 to 2017. The ROA had an average value of 3% due to high total assets comprising of loans and advances and investment in financial assets. The profit per year grew at an average rate of 12% per year for 2013 to 2017.

#### 3.11.5 Indicators of Financial Performance

The financial performance of Nouvobanq will cover the period 2013-2017.

##### *3.11.5.1 Profitability*

Nouvobanq's revenue from operations grew at an average rate of 9% per year over the five-year. Net profit decreased by 13% in 2017 compared to the year 2016. This was primarily caused by a reduction of 7% in interest income from and a 35% rise in the fee and commission expense.

##### *3.11.5.2 Capital and Cost efficiency*

The ROA had an average rate of 3% during the five-year period. The slight decrease in ROA from 2016 (4%) to 2017 (3%) was the result of a growth in total assets, particularly loans and advances and

investment in financial assets, which did not translate into a growth in net profit. ROE has decreased to 35% during the year 2017 from 42% in 2015.

### 3.11.5.3 *Financial Risk*

Though the net-debt-to-equity ratio remains very high during the period, this is not accounted to borrowings by Nouvobanq to creditors; rather these are customer deposits due to the nature of the activities of the bank.

### 3.11.6 Flows between SIMBC/ Nouvobanq and GOS

Flows between Nouvobanq and GOS during the year 2017 comprise of the following:

- Business Tax from Nouvobanq to GOS totaling to mSCR 76.6
- Dividends from Nouvobanq to GOS totaling to mSCR 125

The Bank did not record any QFAs.

## 4 FISCAL RISKS OF PEs

**The fiscal risk analysis identifies, quantifies and discloses the fiscal risk exposure of GOS arising from PEs.** Given the size of the PE sector as part of the economy it is important to monitor whether PEs are performing well financially and are sustainable. The analysis aims to ensure effective decision-making and management of PE related fiscal risks by key stakeholders and decision makers across both the public sector and PEs by providing analytical insights that stretch over the years 2013 - 2017.

**Fiscal Risks are either implicit<sup>30</sup> or explicit<sup>31</sup> risks arising from various factors that could lead to fiscal outcomes deviating from what was expected at the time of the budget or other forecasts.** PEs are a source of financial risk for the government, if the government would have to provide unexpected financial support to a PE or would unexpectedly receive less revenue from it.

**The fiscal risk analysis is organized into six main categories.** The six sections provide an analysis in regards to the fiscal risks emanating from the PEs. This includes analysing macroeconomic risks and

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<sup>30</sup> **Implicit risks** explain situations where there are no legal responsibilities or announced obligations, but however the possibility of public expectations and pressure stimulates fiscal risks.

<sup>31</sup> **Explicit risks** explain situations where there are legal obligations or announced policies, that government will be responsible to provide fiscal support in specific circumstances

identifying mitigation measures, followed by an analysis of risks from expenditure and revenue, contingent liabilities, arrears, institutional risks and the reporting on PE-related fiscal risks. Finally, the analysis concludes with the key findings and includes recommended actions of ways to mitigate the fiscal risks emanating from the PEs.

## 4.1 Macroeconomic Risks

**Macroeconomic developments can cause fiscal outcomes to deviate from projections for key macroeconomic variables such as oil price, interest rates, exchange rates and commodity prices and are consequently a source of fiscal risk.** Macroeconomic developments can impact the financial performance of PEs which would have a consequence on Government finances, such as the amount of taxes or dividends being paid into the budget.

### 4.1.1 Risk identification

The risk matrix below shows the vulnerability of each PE to different types macroeconomic risks. Some macroeconomic risks would have a substantial impact on all PEs, such as inflation, whereas other macroeconomic risks are more specific to the sector in which the PEs operate, such as oil price risk. The matrix also indicates that all PEs are vulnerable to at least one type of macroeconomic risk.

**Table 7: Risk Matrix illustrating the Macroeconomic Risks of PEs**

<b>Risk parameter</b>	<b>Oil price</b>	<b>Other commodity prices</b>	<b>Exchange rate</b>	<b>Interest rate</b>	<b>Credit availability</b>	<b>Tourism</b>	<b>Housing prices</b>	<b>Inflation</b>
<b>AS</b>	x	x	x	x	x	x		x
<b>BDR1</b>		x		x	x			x
<b>DBS</b>		x	x	x	x	x	x	x
<b>FSA</b>		x	x	x	x			x
<b>GICC</b>	x	x	x	x	x		x	x
<b>GOIC</b>	x	x		x	x		x	x
<b>GTIC</b>	x	x		x	x		x	x
<b>HFC</b>		x		x	x		x	x
<b>IDC</b>	x	x	x	x	x	x	x	x
<b>I'UE</b>	x	x	x			x		x
<b>NISA</b>	x	x		x	x			x
<b>PS</b>	x		x	x				x
<b>PDEE</b>								x
<b>PMC</b>				x	x		x	x
<b>PUC</b>	x	x	x	x	x	x		x
<b>SCB</b>			x	x	x	x	x	x
<b>SCAA</b>	x	x	x	x	x	x		x
<b>SEYPEC</b>	x		x	x	x	x		x
<b>SIMBC</b>			x	x	x	x	x	x
<b>SPA</b>	x		x			x		x
<b>SPF</b>			x	x			x	x
<b>SPTC</b>	x		x	x				x
<b>SPS</b>	x		x					x
<b>SSI</b>	x	x	x	x	x			x
<b>SPTC</b>	x	x	x	x	x			x
<b>2020 DC</b>		x	x	x	x		x	x

Oil price, other commodity prices, exchange rates, interest rates, credit availability and inflation are the macroeconomic variables to which more than 50% of PEs were exposed. Important fluctuations in the macroeconomic variables would have varying impact on the PEs, depending on the nature of their activity and their ability to absorb these fluctuations. For example, a significant spike in the oil price could affect the PEs which are heavily dependent on oil products, such as Air Seychelles, SEYPEC, PUC and SPTC, as they will have greater costs to absorb. A rise in interest rates would negatively impact PEs that have borrowings or those that had planned to borrow, as they may have greater interest payment.

#### 4.1.2 Sensitivity Analysis

A sensitivity analysis was performed to measure the impact on the net profit of four different PEs of fluctuations in oil price, exchange rates and interest rates. The results are as follows:

#### 4.1.2.1 Oil Price

For the period 2008 to 2017, an important increase in oil price over a one-year period was from 2010 to 2011, when the global average oil price increased by 32%. The effect of such an increase in oil price for Air Seychelles, PUC and SEYPEC is outlined below.

**Air Seychelles is exposed to oil price risk given that it is dependent on jet fuel for its air crafts.** A 32% increase in oil price of the year 2017 would have resulted in an increase in fuel and oil expense in the range of mSCR 160 to mSCR 165<sup>32</sup> and this could mean that the net loss of mSCR 195 would have turned into a loss of approximately mSCR 350, if all other variables remained constant.

**PUC is also exposed to the risk of a rise in oil prices, as generation fuel and lubricants constitutes the bulk of its operating expense and represented on average 44% of its total revenue per year for the period 2013 to 2017.** A 32% increase in oil price of the year 2017 would have to have resulted in an increase in fuel and oil expense in the range of mSCR 205 to mSCR 210 and would have reduced the net profit of mSCR 227 by approximately 90% to reach a value in the range of mSCR 15 to mSCR 20, if all other variables remained constant.

PUC would not be able to absorb the Quasi-Fiscal Activities (QFA) of charging prices below market level and cross-subsidising water tariffs by electricity tariffs in the event of an important reduction in its profitability. The total cost to PUC of these QFAs for the five year period 2013 to 2017 was mSCR 296.4, which represented on average 26% of the net profit per year. The Government would either have to provide resources to PUC to continue providing the QFAs or end them.

**Increase in oil prices would have a direct impact on SEYPEC as its principal activities comprise of the supply of petroleum products in Seychelles, marine bunkering, aviation refuelling and transshipment and transportation of petroleum and chemical products by tankers.** A 32% increase in oil price of the year 2017 would have to have resulted in an increase in fuel and oil expense for SEYPEC in the range of mSCR 875 to mSCR 880 and would have turned the net profit of mSCR 293 into a loss amounting to approximately mSCR 580 to mSCR 585, if all other variables remained constant.

Reduced revenue and profitability of SEYPEC would have a direct consequence on the business tax revenue collected by the Government from SEYPEC and the dividend paid by SEYPEC. Business tax paid by SEYPEC for the period 2013 to 2017 amounted to a total of approximately mSCR 360. Total dividends paid by SEYPEC amounted to mSCR 246 for the same period.

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<sup>32</sup> Exchange rate: USD/SCR 13.6481

Also, SEYPEC's ability to absorb the cost of the Quasi-Fiscal Activity (QFA) of selling petroleum products on the other islands at the same price as on Mahe may become impaired if the price of oil increases. The total cost absorbed by SEYPEC for transporting fuel to the other islands from 2013 to 2017 amounted to mSCR 260 and represented on average 40% of the net profit per year for those five years. In the event of an important increase in oil prices the Government may have to find alternative means to fund this QFA or decide to end it.

#### *4.1.2.2 Exchange Rate*

The principal currency exposures of the PEs are the US Dollar, the Euro and the Great Britain Pound. An important fluctuation in the yearly average exchange rate of the Seychelles Rupee against the US Dollar during the period 2009 to 2017 was from the year 2012 to 2013, where its value fluctuated by 12%<sup>33</sup>.

Fluctuations in the yearly average exchange rate of the US Dollar relative to the Euro was also considered, as the US Dollar is the functional currency of two PEs, SEYPEC and Air Seychelles. The impact of a fluctuation of 5% in the value of the US Dollar relative to the Euro on the PEs was considered, as this was within the range of the fluctuations over the period 2008 to 2017.

**Air Seychelles operates internationally and is exposed to exchange rate risk arising from various currency exposures that are denominated in currencies other than its functional currency.** Air Seychelles' primary currency exposures for the year 2017 were with respect to the Seychelles Rupee, the Euro and the South African Rand. If Air Seychelles' functional currency, the US Dollar, had weakened or strengthened against the Seychelles Rupee by 12%, the net profit would have fluctuated by 5% to 6% due to foreign exchange gains or losses in the range of mSCR 10 to mSCR 11.

If the US Dollar, had weakened or strengthened against the Euro by 5%, the net profit would have fluctuated by approximately +/-5% due to foreign exchange gains or losses in the range mSCR8 to mSCR 9.

**PUC is exposed to exchange rate risk arising from its acquisition of supplies and capital projects that are denominated in currencies other than its functional currency, which is the Seychelles Rupee.**

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<sup>33</sup> The year 2008 was not included in the analysis, as the exchange rate of the Seychelles Rupee was converted from fixed to floating in November 2008 and the Seychelles Rupee weakened by 43%. This would not be representative of a variation of the exchange rate of the the Seychelles Rupee over the past 10 years.



PUC's primary currency exposures are with respect to the Euro, the United States Dollar, the Singapore Dollar, the South African Rand and Great Britain Pound. If the Seychelles Rupee had weakened or strengthened against the Euro by 5%, with all other variables remaining constant, the net profit would have fluctuated by +/- 3% to 4% due to foreign exchange gains or losses in the range of mSCR 6 to mSCR 7.

If the Seychelles Rupee had strengthened or weakened against the US Dollar by approximately 12%, with all other variables remaining constant, net profit would have fluctuated by 1% to 2%.

**SEYPEC is exposed to foreign exchange risk as it operates on an international market.** For the year 2017, SEYPEC's primary currency exposure was with respect to the Seychelles Rupee. If SEYPEC's functional currency, the US Dollar, had weakened or strengthened against the Seychelles Rupee by 12%, the net profit would have fluctuated by approximately +/- 130% due to foreign exchange gains or losses in the range of mSCR 290.

#### *4.1.2.3 Interest Rate*

**The exposure of Air Seychelles to interest rate risk arises primarily from long-term borrowings.** If interest rates on borrowings had been 1% higher with all other variables held constant, the net result of Air Seychelles would have decreased by approximately mSCR 11 to mSCR 12, to reach a loss in the range of mSCR 200.

If Air Seychelles were to pass on the cost of an increased interest expense to its consumers, it may be faced with a decrease in demand for its services as it operates in a competitive market. In the event that Air Seychelles would be unable to service its loans, there would be a risk that Government would have to re-imburse the two loans which it has guaranteed in 2017. The maximum exposure from the two guarantees amounts to mSCR 200 (mUSD 14.5).

**PUC's exposure to interest rate risk arises primarily from long-term borrowings at floating rates.** If interest rates on borrowings had been 1% higher or lower with all other variables held constant, the net result of PUC would have decreased by approximately mSCR 3 for the year 2017 and would have decreased a net profit of mSCR 227 by 1% to a value within the range of of mSCR 224. PUC would therefore have been able to absorb the impact of a 1% increase in the interest rate on its borrowings.

## 4.2 Risks from Other Expenditure and Revenue Development

**All PEs across the public sector are at risk of expenditure and revenue deviating from the plans on their respective financial performance.** A selection of risks to the financial performance of the PE were identified and listed in Table 4.2 below.

### 4.2.1 Risk Identification

The risk matrix below shows the vulnerability of PEs to risks associated to fluctuating revenue and expenditure. Some expenditure and revenue risks would have substantial impacts on all PEs, such as natural disasters and/or lower sales. The matrix also indicates that all PEs are vulnerable to at least one type of expenditure or revenue risk.

**Table 8: Risk Matrix of PEs substantially affected by Risks from Expenditure and Revenue Development**

Risk Parameter		higher expenditure because of								lower revenue because of				
		higher wages/salaries	other current cost	cost overruns investment projects	new or increased QFAs	unexpected maintenance, new investment	natural disaster	government policies and regulations		lower sales	lower taxes paid in terms government	lower dividends received	QFAs	lower loan repayment
AS		x	x	x	x	x	x	x		x			x	
BDRI			x			x	x			x				
DBS							x			x				x
FSA							x	x		x				
GICC							x			x				
GOIC							x			x				
GTIC							x			x				
HFC							x	x		x				x
IDC							x			x		x		
I'UE							x			x				
NISA							x	x		x				
PS							x			x				
PDEE							x			x				
PMC							x	x		x				
PUC							x	x		x				
SCB							x	x		x				x
SCAA						x	x	x		x				
SEYPEC						x	x	x		x		x		
SIMBC							x	x		x				x
SPA		x		x		x	x	x		x	x	x		
SPF		x		x		x	x	x		x		x		
SPTC		x	x	x	x	x	x	x		x			x	
SPS			x				x			x				
SSI				x			x	x		x	x	x		
STC		x	x	x	x	x	x	x		x			x	
2020 DC			x	x		x	x			x				
OICL			x	x			x			x				

## 4.2.2 Sensitivity Analysis

A sensitivity analysis was performed to measure the impact on the net profit of five different PEs of fluctuations that influences expenditure and revenue. The results are as follows<sup>34</sup>:

<sup>34</sup> All assumptions below are based on figures from the AFS 2017 of the respective PEs.

**a. Higher Expenditure:**

*4.2.2.1 Wages or Salaries/ Other Current Cost/ Cost Overruns Investment Projects*

**PEs are vulnerable to fiscal risk from expenditure i.e., increase of salaries, current costs, cost overruns on investment projects and unexpected maintenance because they impact the financial performance of the respective PEs.** A 5% increase of the total salary and direct operating costs of Air Seychelles would result in additional net loss of approximately mSCR 17 and mSCR 93 and respectively. Additionally a 5% increase in acquisition of property would result in an approximate mSCR 4.5 decrease in cash flow. Air Seychelles would suffer a financial loss of approximately mSCR 110 if the 5% increase in the expenditure would happen simultaneously. Similarly, for SPTC, a 5% increase of the salaries or current costs of 2017, would result in an increase in net loss of approximately mSCR 5 and mSCR 2.8 respectively and a total loss of approximately mSCR 7.8 from a simultaneous increase of 5% in both expenditures.

*4.2.2.2 New or Increased QFAs*

**The financial performance of PEs is vulnerable to additional QFAs and unexpected maintenance or investment costs.** A 5% increase in the cost of QFAs of SPTC would result in a loss of approximately mSCR 3.8. Similarly, a 10% increase in the cost of QFAs for Air Seychelles would result in an additional loss of mSCR 3.5. These increases would result in a total growth of almost mSCR 7.3 in the cost of QFAs from the two PEs.

*4.2.2.3 Natural Disasters*

**The PE sector is also vulnerable to the risks of natural disasters.** In December 2004, the Seychelles was hit by the great Indian Ocean tsunami and various infrastructures, such as the buildings, port and airport runways were severely affected and resulted in damages worth mUSD 30<sup>35</sup>. The same would cost approximately mSCR 409 at the 2017 average exchange of SCR.13.65/USD rate.

**b. Lower Revenue:**

*4.2.2.4 Lower Dividends Received*

**PEs are also vulnerable to a decrease in revenues or dividends received.** A 5% decrease in the sales or revenues of Air Seychelles, SPTC and SPA would result in decrease of annual income worth

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<sup>35</sup> <http://www.drdm.gov.sc/history-of-major-disasters-in-seychelles/>

approximately mSCR 86.8, mSCR 5.8 and mSCR 9<sup>36</sup> respectively. Similarly, in the case of SSI, 5% decrease in dividend received from its subsidiaries and minority interests will result in a decrease of income worth approximately mSCR 13. The four PEs would encounter a reduction in income totalling to approximately mSCR 115.4 if the revenues of the PEs would decrease by 5% respectively.

## 4.3 Contingent Liabilities

**Contingent liabilities can be defined as “any obligations, either explicit or implicit, triggered by an uncertain event (e.g. a loan guarantee dependent on future default).”** In the event these contingent liabilities materialize, there is a high risk that GOS will be liable to provide fiscal support to PEs.

### 4.3.1 Risk Identification

The risk matrix below shows the vulnerability of PEs to different types contingent liabilities. Risk factors for contingent liabilities are classified into two main categories; explicit and implicit contingent liabilities.

#### a. Explicit Contingent Liabilities

**Explicit contingent liabilities refer to the legal obligation or announced policy that government will be responsible to provide fiscal support in specific circumstances.** Table 3 refers to four of the potential explicit contingent liabilities for the Government of Seychelles for the period 2013-2017.

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<sup>36</sup> Based on 2016 data for SPA.

**Table 9: Risk Matrix of PEs substantially affected by explicit contingent liabilities risks**

<b>Risk parameter</b>	<b>Loans granted by government to PEs</b>	<b>Government guarantees granted to PPPs undertaken by PEs</b>	<b>Other government guarantees granted to PEs</b>	<b>Bailouts of PEs/capital injections because of explicit contingent liabilities emanating from PEs</b>
<b>2020 DC</b>		<i>PEMC did not obtain data relating to GOS guarantees granted to PPPs undertaken by PEs</i>		
<b>AS</b>	<b>x</b>		<b>x</b>	<b>x</b>
<b>BDRI</b>				
<b>DBS</b>	<b>x</b>		<b>x</b>	
<b>FSA</b>				
<b>HFC</b>			<b>x</b>	
<b>IDC</b>				
<b>LUE</b>				
<b>NISA</b>			<b>x</b>	
<b>PDEE</b>				
<b>PMC</b>			<b>x</b>	
<b>PS</b>				
<b>PUC</b>			<b>x</b>	
<b>SCAA</b>			<b>x</b>	
<b>SCB</b>				
<b>SEYPEC</b>				
<b>SIMBC</b>				
<b>SPA</b>				
<b>SPF</b>				
<b>SPS</b>				
<b>SPTC</b>				
<b>SSI</b>			<b>x</b>	
<b>STC</b>	<b>x</b>			

The following section provides more details on five PEs namely Air Seychelles, DBS, STC, PUC and SSI.

#### *4.3.1.1 Loans Granted by Government to PEs<sup>37</sup>*

**For the year 2017 GOS provided financial assistance in the form of outstanding loans to three PEs.**

In the event that these PEs are not able to honor their commitments, GOS will not be able to recover these loans from the PEs. Details of the outstanding amount as at 31<sup>st</sup> December 2017 of the three loans are as follows:

- **Air Seychelles** obtained a loan amounting to **mSCR 17.8 plus interest totaling to mSCR 4.9** from the Government of Seychelles on 24<sup>th</sup> April 2017.
- **GOS** borrowed on behalf of **DBS** from the following institutions:
  - (i) **AFD** with an outstanding amount of mSCR 82.5
  - (ii) **BADEA** with an outstanding amount of mSCR 13.2
  - (iii) **EIB** with an outstanding amount of mSCR 71.
- **STC** obtained a direct loan for working capital and the outstanding amount was mSCR 15.

#### *4.3.1.2 Government Guarantees Granted to PPPs undertaken by PEs*

At the time of reporting, PEMC did not have the data pertaining to GOS guarantees granted to Public Private Partnerships (PPP) undertaken by PEs. However, the Commission intends to incorporate data relating to this in future reports.

#### *4.3.1.3 Other Government Guarantees Granted to PEs<sup>38</sup>*

**In the event that these PEs are not able to honor their commitments, the GOS will be liable to repay these debts.** Explored in Table 4.3 above, the GOS is the guarantor for eight PEs. The guarantees are quantified for two PEs in Table 4.4 below:

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<sup>37</sup> Loans granted by Government to PEs refers to financial assistance provided by the government to a PE for which the PE is liable to repay the government on an agreed term.

<sup>38</sup> Any debts of PEs for which GOS is the main creditor

**Table 10: Details of Government Guarantees granted to PEs**

PEs	Currency	Type of guarantee	Purpose	Legal end date	Maximum exposure 2017 in millions
AS	SCR	Loan	To provide working capital facility	Not yet in place	170.60
	SCR	Loan	To provide funding for A320 NEO deposits	Not yet in place	27.30
SSI	SCR	Pledge to assign dividend payable by Nouvobanq to Nouvobanq	Guarantee on SSIL loan with Nouvobanq	28th Feb 2020	91.6
	SCR	Pledge to assign dividend payable by Nouvobanq to Nouvobanq	Guarantee on SSIL loan with Nouvobanq	31st Mar 2017	2.5

#### *4.3.1.4 Bailouts of PEs*

This refers to the possibility that GOS will have to intervene to provide financial assistance in the event that a PE is in liquidity problems. For instance, GOS might have to pay redundancy costs of a PE if the PE does not have sufficient cash to do so. From 2013-2017, government had to inject a total of mSCR 154 into Air Seychelles to “assume liability for borrowings”.

#### **b. Implicit Contingent Liabilities**

Implicit contingent liabilities refer to cases where there is no legal responsibility or announced obligation, but there is possibility/likelihood of government intervention in cases where a PE faces liquidity problems (e.g. possible need for government to bail out a PE). This section focuses on identified implicit contingent liabilities based on information collected from PEs as shown in Table 4.5 below.



**Table 11: Risk Matrix of PEs substantially affected by implicit contingent liabilities risks**

Risk parameter	Loans granted by PE to other PEs	Loans granted by PE to third parties	Legal against PEs claims
AS			PEMC had no data pertaining to legal claims at the time of writing this report
SPF	x		
SPTC			
SSI	x		
SPA			
SEYPEC			
PUC			
SCB	x	x	
PMC	x		
SPS			
SIMBC	x	x	
BDRI	x		
DBS	x	x	
FSA	x		
IDC	x		
LUE			
NISA	x		
PS			
HFC	x	x	
PDEE			
SCAA	x		
STC			
2020 DC			

**Implicit contingent liabilities consist of mainly loans amongst PEs and loans provided by financial institutions to third parties.** Table 5 refers to the potential implicit contingent liabilities for GOS. PEMC currently does not have data on legal claims against PEs and therefore have not included this as part of the contingent liabilities for this year. For future reports, the Commission plans to incorporate legal claims as part of contingent liabilities.

As can be noted in Table 5 above, 12 PEs had been impacted by loan transactions. This is mainly related to a PE providing loans to another PE as can be seen in Table 4.6.

**Table 12: Details of loans between PEs**

<b>Lending Institutions/PE</b>	<b>Beneficiary</b>	<b>Currency</b>	<b>Legal end date</b>	<b>Maximum Exposure 2017 (m)</b>
<b>SSI</b>	BDRI	SCR	7th Jan 2022	125
<b>SCB</b>	GTIC	SCR	31 <sup>st</sup> March 2019	28.8
	HFC	SCR	30th Jan 2024	148
<b>Nouvobanq</b>	NISA	SCR	29th Feb 2024	16
	DBS	EUR	2nd July 2018	5
		EUR	12th April 2020	3
		SCR	16th Mar 2023	39.5
	PUC	EUR	28th Oct 2018	3
	GTIC	SCR	7th April 2025	92
	GTIC	SCR	13 <sup>th</sup> June 2024	3.5
	IDC	USD	31 <sup>st</sup> December 2019	1.1
	GICC	SCR	11 <sup>th</sup> July 2019	5.3
	GICC	SCR	31 <sup>st</sup> March 2019	6.5
	GICC	USD	31 <sup>st</sup> March 2019	0.4

## 4.4 Arrears

Arrears are financial obligations which are due and have not yet been paid. They are recognized as a further source of fiscal risks, which may create liquidity problems and reduce profitability if debts are not collectible.

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

- i) from government to PEs
- ii) from PEs to government and
- iii) between PEs.

#### 4.4.1 Risk Identification

Arrears that are not identified and quantified can disguise the true size of the government's or the PEs' arrears. As in many countries like the Seychelles, payments of arrears owing to PEs are recognised as having a lower priority than paying other creditors. The risk matrix below identifies four PEs with the issue of payments of arrears for the year 2017.

**Table 13: Risk Matrix of PEs substantially affected by risks related to arrears**

<b>Risk parameter</b>	<b>Government in arrears to PEs</b>	<b>PE in arrears to government</b>	<b>Arrears to or from other PE(s)</b>
<b>AS</b>	<b>x</b>	<b>x</b>	<b>x</b>
<b>PS</b>	<b>x</b>	<b>x</b>	<b>x</b>
<b>PUC</b>	<b>x</b>		
<b>SEYPEC</b>			<b>x</b>
<b>STC</b>	<b>x</b>		<b>x</b>
<b>SCAA</b>			<b>x</b>

The information below highlights the extent of total arrears broken down by PEs and by risk parameters.

##### *4.4.1.1 Arrears from Government to PEs*

**Table 14: Arrears from Government to PEs (in mSCR)**

<b>PE</b>	<b>mSCR</b>
Air Seychelles	119
Petro Seychelles	0.01
PUC	30.2
STC	1.4
<b>Total</b>	<b>150.68</b>

**Arrears from Government to PEs can create liquidity and profitability problems for the PE if debts continuously accumulate and become incolectible and may even have to be written off.**

- PUC has large receivables composing of outstanding utility invoices from government organization customers reducing its cash flow.
- In the case of Petro Seychelles, the SCR 10,000 is the remaining share capital of 1% share for PS of Finance still outstanding.
- The STC government arrear is related to the purchase of items from its outlets.

#### 4.4.1.2 Arrears from PEs to GOS

**Table 15: Arrears from PEs to Government (in mSCR)**

PEs	m SCR
Petro Seychelles Ltd	0.012
Air Seychelles Ltd	22.3
<b>Total</b>	<b>22.3</b>

**Arrears from PEs to GOS can also create financial problems for the public department or concerned ministry, may exert more fiscal burdens on the budget and may affect the availability of public finance if the PE cannot pay the amounts owing to GOS.**

- The Petro Seychelles arrears are in regards to the Audit Journal for year-end 2016 being adjustment of PIT under paid for 13<sup>th</sup> Month salary.
- Air Seychelles' arrears to GOS in 2017 correspond to processing lag and lack of budget.

#### 4.4.1.3 Arrears between PEs

**Table 16: Arrears from PE to PE(s) (in mSCR)**

Debtor PE	Creditor PE	Amount outstanding as at December 31, 2017 m SCR
Air Seychelles	Seychelles Civil Aviation Authority	2.08
Air Seychelles	SEYPEC	2.31
Air Seychelles	Public Utilities Corporation	0.36
PEs	STC	0.01
PEs <sup>39</sup>	SEYPEC	12.92
SEYPEC	Petro Seychelles Ltd	15.00
SEYPEC	PEs	0.15
Seychelles Civil Aviation Authority	Air Seychelles Ltd	0.33
Public Utilities Corporation	Air Seychelles Ltd	0.13
Seychelles Petroleum Company	Air Seychelles Ltd	0.11
Seychelles Trading Company	Air Seychelles Ltd	0.77
Seychelles Ports Authority	Air Seychelles Ltd	0.07
Petro Seychelles	Air Seychelles Ltd	0.02

<sup>39</sup> Awaiting breakdown from SEYPEC

**Likewise, arrears between PEs reciprocally affects their profitability and may lead to cash flow problems if not managed accordingly.**

Uncertainty of arrears may also cause PEs to limit their investments by being more conservative in their operation approach, thereby limiting growth in the public sector and the economy as a whole. This uncertainty can also deepen fiscal risks if both PEs and GOS do not have clear and quantifiable data on the extent of their arrears whilst they continue to invest or accumulate their dues. In this way the monitoring of arrears is critical and needs to be addressed

It was recommended that MoFTIEP state a clear policy requiring the prompt payment of amounts owing by government bodies to PEs. In addition, the PEMC could start to analyze information on the amount and age of PE receivables to determine the extent of any arrears problem and whether any action is necessary. (Oversight of Fiscal Risks of the SOE Sector Report, 2016)<sup>40</sup>.

PEMC could play an active role in determining whether there is any issue of payment arrears concerning PEs and if so draw MoTIEP and PE attention to the need to rectify this.

## 4.5 Institutional Risks

**The institutional risks which arise from the gaps in the oversight framework, inadequate capabilities to deal with the increasing number of PEs and the lack of compliance to the relevant legislations by PEs may lead to fiscal risks if not mitigated.** A weak oversight framework may have a substantial impact on their financial performance whereas non-compliance with the submission of relevant documents such as audited financial statements prevent the proper analysis and forecast of the financial performance of PEs. This in turn may have an effect on the executive decision making and the policy formulation for their effective control and management.

### 4.5.1 Risk Identification

#### *4.5.1.1 Oversight Framework*

**The absence of an Ownership policy indicates that there is inadequate guidance being provided to the PEs towards achieving their goals and objectives.** The Ownership Policy which defines the

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<sup>40</sup> Shand. D., Gokgur. N., & Aziz. I. (2016). *Oversight of Fiscal Risks of the SOE Sector*. International Monetary Fund IMF Afritac South

mandates and objectives of the Government of Seychelles as the owner of PEs with the aim of improving efficiency and competitiveness of the economy, has been drafted and is yet to be implemented.

**Presently, no Public Policy Objective (Public policy) has been formulated for each PE which indicates that the policy target has not been set by their responsible ministry.** The Public policy outlines the mandate and purpose of the PEs which also includes defining, identifying and quantifying and disclosing the costs associated with the Public Service Obligations (PSOs) currently being undertaken by PEs. PSOs lead to Quasi-Fiscal Activities (QFAs) where PEs are not reimbursed for performing these obligations. QFAs can affect the financial performance of a PE, such as in the case of STC whereby it is charging prices below market prices for 14 commodities. As STC is not being compensated for the provision of the reduced prices, it is cross-subsidizing the reduced price by increasing the prices of its other goods. As the parent ministry is not setting the policy target, it may lead to financial consequences which in turn impacts the setting of financial targets.

**The PEMC does not partake in the setting of these financial targets despite its responsibility to monitor and evaluate the financial performance of PEs.** As per the PEMC Act<sup>41</sup>, the setting of financial targets falls under the mandate of their respective board. In line with international good practice, the ownership and oversight unit set financial targets to ensure that there is alignment between these targets and the objectives outlined in its policy targets.

**There is fragmentation across the oversight framework whereby PEs are mandated to report to numerous oversight bodies and ministries in respect of its financial, governance and sectorial performance.** This leads to duplication of effort and impedes the effectiveness of the oversight framework.

#### *4.5.1.2 Growing Number of PEs*

**Currently as per the PEMC Act<sup>42</sup>, the President appoints the Board of directors whereas the PEMC who is responsible for monitoring the governance of PEs is not involved in the appointment process.** As such, the PEMC is unable to ensure that the potential board of directors who provide oversight of the PEs, have the required expertise to effectively undertake board responsibilities. Proper and efficient boards are a crucial aspect for the long-term success of PEs.

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<sup>41</sup> PEMC Act, 2013, Section 35

<sup>42</sup> PEMC Act, Section 25

#### 4.5.1.3 Lack of Compliance (PEMC Act/Companies Act)

**Table 17: Risk Matrix of PEs substantially affected by risks stemming from lack of compliance**

<b>Risk Parameter</b>	Delayed submission of Annual Financial Statement	Delayed submission of budget	Delayed submission of Statement of Corporate Intent	Delayed submission of monthly financial statements	Delayed submission of other data requested by PEMC /Annual Reports	Lack of Compliance with the IFRS-standards
<b>AS</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>	
<b>SPF</b>		<b>x</b>		<b>x</b>		
<b>SPTC</b>	<b>x</b>			<b>x</b>	<b>x</b>	
<b>SSI</b>	<b>x</b>	<b>x</b>		<b>x</b>	<b>x</b>	
<b>SPA</b>	<b>x</b>	<b>x</b>		<b>x</b>	<b>x</b>	<b>x</b>
<b>SEYPEC</b>	<b>x</b>		<b>x</b>	<b>x</b>	<b>x</b>	
<b>PMC</b>	<b>x</b>		<b>x</b>	<b>x</b>	<b>x</b>	
<b>PUC</b>	<b>x</b>	<b>x</b>		<b>x</b>	<b>x</b>	
<b>SPS</b>	<b>x</b>		<b>x</b>	<b>x</b>	<b>x</b>	
<b>SIMBC</b>	<b>x</b>			<b>x</b>	<b>x</b>	
<b>NISA</b>	<b>x</b>		<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b> <sup>43</sup>
<b>SCB</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>	
<b>FSA</b>	<b>x</b>			<b>x</b>	<b>x</b>	
<b>2020 DC</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>
<b>I'UE</b>	<b>x</b>			<b>x</b>	<b>x</b>	<b>x</b>
<b>IDC</b>				<b>x</b>	<b>x</b>	<b>x</b>
<b>PS</b>	<b>x</b>			<b>x</b>	<b>x</b>	
<b>STC</b>	<b>x</b>		<b>x</b>	<b>x</b>	<b>x</b>	
<b>DBS</b>	<b>x</b>				<b>x</b>	
<b>HFC</b>	<b>x</b>			<b>x</b>	<b>x</b>	
<b>SCAA</b>	<b>x</b>			<b>x</b>	<b>x</b>	<b>x</b>

<sup>43</sup> NISA uses IFRS for Small and Medium-Sized Entities (SMEs)

**There is an overall non-compliance to the time frame for submission of the Annual Financial Statements, Budgets, Statements of Corporate Intent, monthly financial statements and Annual Reports for the year 2017 as illustrated by Table 11.** The PEMC Act lacks the enforcement powers as it does not allow for sanctions to be taken in the case where PEs are not complying with its reporting obligations. The lack of data and inadequate legal provisions contributes to the delay in conducting an effective and efficient analysis which in turn hinders the timely provision of information to stakeholders for decision making.

**i. Delayed submission of Annual Financial Statements/ Delayed submission of other data requested by PEMC / Annual Reports**

**The majority of PEs are not adhering to the deadline for submission of Annual Financial Statements and Annual Report as per the PEMC Act<sup>44</sup>.** Only 2 out of 21 PEs submitted their AFS within the timeframe of 3 months following its financial year end as stipulated in the PEMC Act. The financial year-end for all PEs is on the 31st of December except for Island Development Company whose financial year end is on the 31st of March. The PEMC Act also makes provision for the submission of the Annual report along with the Annual Financial Statement, whereby as shown in the Risk Matrix only the Seychelles Pension Fund submitted its Annual Report on time. As shown in Annex 1, 3 PEs submitted their Annual Report past their respective deadlines. In addition, certain PEs have not submitted their AFS and Annual Report as at reporting date<sup>45</sup>.

**ii. Delayed submission of budget**

**As indicated in the Risk Matrix, 6 PEs submitted their budget past the deadline set by the PEMC.** The PEMC Act<sup>46</sup> makes provision for the PEMC to determine the deadline for the submission of budgets. As such the deadline for the year 2018 budget was set to the 4th October 2017. Furthermore, the Seychelles Pension Fund has to date not submitted its budget to the PEMC.

**iii. Delayed submission of Statement of Corporate Intent**

**The Risk Matrix shows the failure to submit a new and updated Statement of Corporate Intent (SCI) by 8 PEs.** In addition, the PEMC Act<sup>47</sup> makes provision for the financial targets to be included in the SCI of PEs. As such, these PEs have not set their financial targets.

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<sup>44</sup> **PEMC Act 2013** - Section 36

<sup>45</sup> 15.09.2018

<sup>46</sup> **PEMC Act 2013** - Section 39

<sup>47</sup> **PEMC Act 2013** - Section 34



i. **Delayed submission of monthly financial statements**

**All PEs was non-compliant to the prescribed requirements of the PEMC Act<sup>48</sup> for submission of the monthly financial statements, with the exception of Development Bank of Seychelles.** The compliance analysis was conducted by calculating the percentage of timely submissions over the 12-month period for the year 2017. Moreover, certain PEs have not submitted the monthly reports for certain months to date.

ii. **Lack of Compliance with the IFRS-standards**

**As shown in the Risk Matrix, 6 PEs did not adhere to the prescribed requirements for preparation of the financial statements in accordance with the IFRS in PEMC Act<sup>49</sup>.** The PEMC Act makes provision for the Annual Financial Statements to be prepared in accordance with the IFRS. Non-compliance to these standards lead to difficulty in comparing and benchmarking the performance of the PEs.

## 4.6 Reporting on PE-Related Fiscal Risks

PEMC has increased its reporting requirements of PEs in order to enhanced oversight and fiscal risk disclosure and mitigation by;

- Improving the flexibility and frequency of reporting requirement
- Review of the PEMC Act, 2013 to include administrative sanctions.
- PEs do not comply with the deadline put in place by PEMC.

PEMC has increased its reporting requirements of PEs in order to enhance oversight and fiscal risk disclosure and mitigation by:

- Improving the flexibility and frequency of reporting requirement
- Reviewing the PEMC Act, 2013 to include mechanisms to improve compliance.

**PEMC is also increasing the frequency of its reporting requirements when necessary for certain PEs and also improving its flexibility, even though there is currently no legal means to make sure PEs respect the deadline in place.** A PE is legally obliged to submit any information within a period that is specified by the Commission. According to the PEMC Act, 2013 Section 36 (1) and (2), the frequency of submission of reports from the PEs to PEMC are fifteen days for monthly reports and three months after the end of each financial year for annual reports.

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<sup>48</sup> **PEMC Act 2013** - Section 38

<sup>49</sup> **PEMC Act 2013** - Schedule 4, Section 1 (b), Part iii

**Such deadlines are put in place to avoid untimely reports from PEs.** When PEs breach the deadlines they also delay PEMC's ability to assess the reports for any risk that may be developing within the PE and also to request further information or investigation.

When PEs submit information well after the deadline, analyses performed by PEMC whereby important factors may be highlighted that aid in identifying the causes of potential fiscal risks emanating from the PE sector, may be outdated causing failures in taking appropriate measures to mitigate risks and promote and resort to poor decision making.

**To avoid situations mentioned above, PEMC is reviewing the PEMC Act, 2013 to include compliance mechanisms.**

**Many PEs are not being compliant with the laws from the PEMC Act, 2013 by not meeting the deadline put in place by PEMC.** For submission of the AFS for 2017, only IDC<sup>50</sup> and SPF submitted their AFS on time and the other PEs submitted their AFS past the deadline.

From the above it can be noticed that a low number of PEs<sup>51</sup> met the deadline of submission of PEMC for the year 2017. In those cases, PEMC can – within the current framework - only request PEs to comply via letters or emails. PEMC will also start transparently publishing the lists of PEs that are non-compliant with the deadlines.

## 4.7 Summary and Recommendations of Fiscal Risks

Dealing with risks and uncertainties is a key issue in fiscal management. Improper management of the risks exposes GOS to dangers and risks to the public finances.

**The fiscal risk review firstly suggests that the fiscal balance in Seychelles is sensitive to macroeconomic shocks.** Shocks particularly from oil prices, interest rates, exchange rates, commodity prices and the inflation affects significantly PEs such as Air Seychelles, SEYPEC and STC.

**The PEs are further exposed to revenue and expenditure risks.** All PEs are affected by at least one revenue or expenditure change, which worsens their financial position and hence the position of GOS. The impact on four PES; AS, SPTC, SPA, SSI and NISA were observed to be negative.

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<sup>50</sup> IDC: AFS 31.03.2018

<sup>51</sup> SPF - AFS 2016 & 2017, and SPTC - AFS 2016 only

**It was also noted that other factors, such as contingent liabilities and calls on government guarantees across PEs, could also have a significant negative impact.** In the case that it materializes fully, calls on government guarantees could add pressure to the GOS' budget and increase Seychelles public debt. Consider for instance, from 2013-2017, government injected a total of mSCR 154.07 into Air Seychelles to assume liability for borrowings.

**Fiscal risks emanating from PEs represent a substantial risk on public finances.** PE to Government arrears, as has been present in Air Seychelles and Petro Seychelles since 2016, increases the fiscal burden on the budget and limits the availability of public finances.

**Lastly risks deriving from the government's institutional capacity could also take a toll on Seychelles' fiscal aggregates.** Risks emerge from deficiencies in the institutional framework particularly as a result of lack of mitigating measures. Such discrepancies produce uncertainty and inadequate guidance undermining compliance transparency and accountability. Considering for instance that only 2 out of 21 PEs submitted their Annual Financial Statement 2017 within the specified period.

**To mitigate these risks PEMC is improving the reporting requirements.** PEMC is also working at increasing the frequency of its reporting requirement when necessary for certain PEs. In accordance to the PEMC Act 2013, PEMC collects and analyse extensively information on the financial performance and position of PEs. There has been recent improvements in the database that collects information in regards to fiscal risks. In the process PEMC identifies potential liabilities and advises the government so that the government can take appropriate course of action to deal with these risks.

**Government strategies are recommended to help in mitigating fiscal risk.** PEMC does not have any documented procedures regarding how the government mitigates these risks. However, to better manage Government of Seychelles' exposure to risks associated with PEs, several initiatives can be undertaken to help in mitigating fiscal risks, these are expressed below:

- Provisions in the budget to cater for the evaluation of risks materializing.
- Transferring the risk directly associated to particular PEs, through hedging and insurance instrument. The mentioned would help in mitigating the macroeconomic risks associated to the relative PEs.
- Implementing a coordinated framework of reporting between MoFTIEP, the responsible ministries, regulators and the PEs with regards to any decisions that would impact PEs performance negatively.

- Establish a budget contingency provision or reserve fund for fiscal risks that are likely to materialize. This is expensed in the budget to cover for any unforeseen expenditures that may arise, which were initially not predicted during budget preparation.
- Make provision for the appropriate subsidization to PEs in case the institutional risks were to materialize into the fiscal risks and for the proper planning for the cost associated to QFAs so as to ensure that the compensation is incorporated in the government budget which will in turn avoid the risk of distorting the government's fiscal position.
- Imposing caps on the liabilities public entities can accumulate.
- Imposing limits on the average liabilities public entities can mount up.

## 5 CONCLUSION

**The performance of the PE sector in Seychelles shows a mixed picture.** In 2017 the energy sector is performing better than other sectors in terms of net profit, whereas the transport and financial sectors are experiencing declines in profitability. In 2017 the share of employment in the PE Sector is increasing. Also, some PEs are receiving loans, subsidies and capital injection from GOS; and the QFAs of certain PEs have a negative impact on the financial performance of PEs which translates into less revenue for GOS in the form of dividends and taxes from the PEs.

**In line with good international practice the Seychelles should improve oversight of the PE sector** particularly in the following key areas:

- The oversight framework of the PEs in Seychelles
- Financial Monitoring and Reporting of PEs
- Fiscal Risk Management

**The key recommendations are;**

1. Implementation of a clearly defined ownership policy to ensure an effective framework of financial oversight.
2. The PEMC should strengthen its oversight of the PE Sector with qualified, competent and technical individuals.
3. Establish a clear oversight framework in the Seychelles by establishing a single institution to implement the financial oversight function of the PE Sector, thus avoiding duplications and the spread of resources. The government should mandate a single institution to set out clear financial targets for each public enterprise thus promoting optimal performance which would lead to improving the efficiency and competitiveness of the economy.
4. Dividend policy should be implemented to guide the PE Sector on how to balance out return on investment for the majority shareholder i.e. GOS and the financial power of the PEs.
5. Strengthening the monitoring and reporting obligations of the public enterprises by introducing enforcement mechanism to foster compliance of PEs with the PEMC Act and other governing legislations.
6. The government should put in place a risk-based approach for oversight of the PE sector
7. Disclosure of fiscal risks via the Fiscal Risk Analysis for PEs and mitigating the risks by developing a fiscal risk mitigation strategy

## 6 ANNEX

### 6.1 ANNEX 1: LIST OF PUBLIC ENTERPRISES IN SEYCHELLES

Public Enterprises	PE sector	Government shareholding	Value of shareholding	Parent Ministry	Subsidiaries	Legal basis
<b>Société Seychelloise d'Investissement Ltd</b>	Services and Development	100%	SCR 10,000	Ministry of Finance, Trade, Investment and Economic Planning	SEYPEC IDC Bois De Rose Investment L'Union Estate Ltd Petro Seychelles Ltd 2020 DC Ltd Paradis des Enfants STC	Co. Act 1972
<b>Seychelles Petroleum Company Ltd</b>	Energy	100%	USD 8,595,053	Office of the Vice-President	Seychelles Progress Seychelles Patriot Seychelles Pioneer Seychelles Prelude	Co. Act 1972
<b>Seychelles Progress</b>	Energy	100%	GBP 2,000			Isle of Man Co. Acts
<b>Seychelles Patriot</b>	Energy	100%	GBP 2,000			Isle of Man Co. Acts
<b>Seychelles Pioneer</b>	Energy	100%	GBP 2,000			Isle of Man Co. Acts
<b>Seychelles Prelude</b>	Energy	100%	GBP 2,000			Isle of Man Co. Acts
<b>Islands Development Company Ltd</b>	Services and Development	100%	SCR 13,634,300	Office of the Vice-President	Green Island Construction Green Oak Investment Green Tree Investment	Co. Act 1972
<b>Green Island Construction Company Ltd</b>	Services and Development	100%	SCR 100,000			Co. Act 1972
<b>Green Oak Investment Company Ltd</b>	Services and Development	100%	SCR 100,000			Co. Act 1972
<b>Green Tree Investment Company Ltd</b>	Services and Development	100%	SCR 100,000			Co. Act 1972

<b>Bois de Rose Investment Ltd</b>	Services and Development	100%	SCR 175,535,000			Co. Act 1972
<b>L'Union Estate Ltd</b>	Services and Development	100%	SCR 7,292,400	Office of the Vice-President		Co. Act 1972
<b>Petro Seychelles Ltd</b>	Energy	100%	SCR 990,000	Office of the Vice-President		Co. Act 1972
<b>Seychelles Trading Company Ltd</b>	Services and Development	100%	SCR 10,000	Ministry of Finance, Trade, Investment and Economic Planning		Co. Act 1972
<b>2020 Development (Seychelles) Ltd</b>	Services and Development	100%	SCR 10,000	Ministry of Finance, Trade, Investment and Economic Planning		Co. Act 1972
<b>Paradis des Enfants Entertainment Ltd</b>	Services and Development	100%	SCR 10,000			Co. Act 1972
<b>Seychelles Pension Fund</b>	Financial	.52	n.a	Ministry of Finance, Trade, Investment and Economic Planning	Opportunity Investment Company Ltd	Seychelles Pension Fund Act, 2005
<b>Opportunity Investment Company Ltd</b>	Financial	51%		Ministry of Finance, Trade, Investment and Economic Planning		
<b>Air Seychelles Ltd</b>	Transport	60%	SCR 390,000,000	Ministry of Tourism, Civil Aviation, Ports and Marine		Co. Act 1972
<b>Development Bank of Seychelles</b>	Financial	61%	SCR 24,199,300	Ministry of Finance, Trade, Investment and Economic Planning		Development Bank of Seychelles Decree
<b>Financial Services Authority</b>	Financial	100%	<sup>53</sup>	Ministry of Finance, Trade, Investment and Economic Planning		Financial Service Authority Act, 2013
<b>Housing Finance Company Ltd</b>	Financial	100%	SCR 20,000,000	Ministry of Finance, Trade, Investment and Economic Planning		Co. Act 1972
<b>National Information Services Agency</b>	Services and Development	100%	<sup>54</sup>	Office of the Vice - President		National Information Services

<sup>52</sup> Owned by members of the Fund (employees of public and private sector)

<sup>53</sup> Entity is fully owned by the government of Seychelles and does not have any issued share capital

<sup>54</sup> Refer to note 53

						Agency Act, 2010
<b>Property Management Corporation</b>	Services and Development	100%	<sup>55</sup>	Ministry of Habitat, Infrastructure and Land Transport		Property Management Corporation Act, 2004
<b>Public Utilities Corporation</b>	Energy	100%	<sup>56</sup>	Ministry of Environment, Energy and Climate Change		Public Utilities Corporation Act, 1986
<b>Seychelles Commercial Bank Ltd</b>	Financial	60%	SCR 60,000,000	Ministry of Finance, Trade, Investment and Economic Planning		Co. Act 1972
<b>Seychelles Civil Aviation Authority</b>	Transport	100%	<sup>57</sup>	Ministry of Tourism, Civil Aviation, Ports and Marine		Seychelles Civil Aviation Authority Act, 2005
<b>SIMBC Nouvobanq</b>	Financial	78%	SCR 100,000,000	Ministry of Finance, Trade, Investment and Economic Planning		Co. Act 1972
<b>Seychelles Ports Authority</b>	Transport	100%	<sup>58</sup>	Ministry of Tourism, Civil Aviation, Ports and Marine		Seychelles Ports Authority Act, 2004
<b>Seychelles Public Transport Corporation</b>	Transport	100%	<sup>59</sup>	Ministry of Habitat, Infrastructure and Land Transport		Seychelles Public Transport Corporation Decree 1977
<b>Seychelles Postal Services Ltd</b>	Services And Development	100%	SCR 100,000	Ministry of Finance, Trade, Investment and Economic Planning		Co. Act 1972

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<sup>55</sup> Refer to note 53

<sup>56</sup> Refer to note 53

<sup>57</sup> Refer to note 53

<sup>58</sup> Refer to note 53

<sup>59</sup> Refer to note 53



## 6.2 ANNEX 2: OVERVIEW OF KEY LEGISLATION

Legislative	Category of PE	Relevance
Public Enterprise Monitoring Commission Act 2013 (PEMC Act)	All PEs	The PEMC Act makes provision for the establishment of the Public Enterprise Monitoring Commission (PEMC) to oversee the PEs and stipulates the PE's reporting obligations to the Responsible Minister, the Minister of Finance and the PEMC. 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	<p>The POE Act makes provision for the establishment of 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).</p> <p>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.</p>
Public Finance Management Act 2012 (PFM Act)	All PEs	The PFM Act outlines the duties and responsibilities of the Accounting officer <sup>60</sup> with the aim of ensuring efficient financial management of PEs (Part VIII).
Seychelles Revenue Commission Act 2009 (SRC Act)	All PEs	<p>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.</p> <p>The PEs are obliged to comply with tax laws and regulations as well as the tax policies formulated specifically for PEs by the MoFTIEP unless exempted by a specific GOS policy.</p>
Companies Ordinance Act 1972 (Companies Act)	For incorporated PEs under the Company 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.

<sup>60</sup> PFM Act, Section 2

### 6.3 ANNEX 3: SUBMISSION OF ANNUAL FINANCIAL STATEMENTS AND ANNUAL REPORTS

No.	PUBLIC ENTERPRISES	Date of submission of Annual Financial Statements (including auditor's report)	Lateness in days	Annual Report	Lateness in days
1	Development Bank of Seychelles (DBS)	27/04/2018	27	NOT SUBMITTED	N/A
2	Housing Finance Company Ltd (HFC)	19/06/2018	80	NOT SUBMITTED	N/A
3	Property Management Corporation (PMC)	03/07/2018	94	NOT SUBMITTED	N/A
4	Public Utilities Corporation (PUC)	30/05/2018	60	20/08/2018	142
5	Seychelles Civil Aviation Authority (SCAA)	25/04/2018	25	19/06/2018	80
6	SIMBC/Nouvobanq	03/05/2018	33	NOT SUBMITTED	N/A
7	National Information Services Agency (NISA)	19/06/2018	80	NOT SUBMITTED	N/A
8	Seychelles Commercial (Savings) Bank	18/05/2018	48	NOT SUBMITTED	N/A
9	Financial Services Authority - FSA	24/04/2018	24	NOT SUBMITTED	N/A
10	Seychelles Ports Authority	NOT SUBMITTED	N/A	NOT SUBMITTED	N/A
11	2020 Development Company Ltd	13/09/2018	166	NOT SUBMITTED	N/A
12	Air Seychelles Ltd	10/09/2018	163	NOT SUBMITTED	N/A
13	L'Union Estate Company Ltd	NOT SUBMITTED	N/A	NOT SUBMITTED	N/A
14	Seychelles Postal Services	21/08/2018	143	NOT SUBMITTED	N/A
15	Seychelles Public Transport Corporation	25/04/2018	25	13/06/2018	74
16	Islands Development Company Ltd (IDC)	25/06/2018	-5	NOT SUBMITTED	N/A
17	Petro Seychelles Ltd	NOT SUBMITTED	N/A	NOT SUBMITTED	N/A
18	Seychelles Trading Company Ltd (STC)	NOT SUBMITTED	N/A	NOT SUBMITTED	N/A
19	Seychelles Pension Fund	26/03/2018	-5	28/03/2018	-3
20	Seychelles Petroleum Company Ltd (SEYPEC)	23/08/2018	145	NOT SUBMITTED	N/A
21	Societe Seychelloise D'Investissement Ltd (SSI) Company accounts	04/09/2018	157	NOT SUBMITTED	N/A

## 6.4 ANNEX 4: BOARD MEMBERS, KEY PERSONNEL AND AUDITORS OF PEs

<b>No.</b>	<b>Public Enterprise</b>	<b>Board</b>	<b>Key Personnel</b>	<b>Auditors</b>
1	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	<b>CEO:</b> Mr Conrad Benoiton	BDO Associates
2	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	<b>CEO:</b> Mr Philippe Morin <b>Deputy CEO:</b> Mr Joel Valmont	Baker Tilly (Mathur Associates)
3	Seychelles Civil Aviation Authority	Chairperson: Captain David Savy Member: Ms Anne Lafortune Member: Ma Amelie Nourrice Member: Ms Nadine Potter Member: Mr Vincent Amelie Member: Ms Cindy Vidot	<b>CEO:</b> Mr Gilbert Faure	Auditor General's Office
4	Seychelles Public Transport Corporation	Chairperson: Mr Andy Moncherry Member: Mr Alone Edmond Member: Ms Noemi Woodcock Member: Ms Marilyn Reginald Member: Ms Cecily Derjacques	<b>CEO:</b> Mr Patrick Vel <b>Deputy CEO:</b> Mr Maxwell Julie	BDO Associates
5	Seychelles Ports Authority	Chairperson: Mr Paul Hodoul CEO/Member: Mr Andre Ciseau Member: Mr Leslie Benoiton Member: Ms Doreen Bradburn Member: Mr Alexandre Antonakas	<b>CEO:</b> Mr Andre Ciseau <b>Deputy CEO:</b> Dr Egbert Moustache	BDO Associates
6	Air Seychelles Ltd	Chairperson: Mr Jean Weeling-Lee Vice-Chairperson: Mr Kevin Knight Member: Ms Sitna Cesar Member: Ms Marie-Louise Potter	<b>CEO:</b> Mr Remco Althuis	KPMG
7	Seychelles Trading Company Ltd	Chairperson: Mr Guy Morel Member: Mr Gerard Adam Member: Ms Farida Camille Member: Mr Oliver Bastienne Member: Mr Ashik Hassan	<b>CEO:</b> Ms Christine Joubert <b>Deputy CEO:</b> Ms Marie-France Hansen	Baker Tilly (Mathur Associates)
8	National Information Services Agency	Chairperson: Ms Lucy Athanasius Vice Chairperson: Ms Roseline Hoareau Member: Ms Marie-Annette Ernesta Member: Ms Claudette Albert Member: Ms Barbara Kilindo Member: Ms Joelle Perreau Member: Mr Conrad Lablache	<b>CEO:</b> Mr Gerard Govinden	Office of the Auditor General
9	Seychelles Postal Services Ltd	Chairperson: Ms Melanie Stravens Member: Mr Alex Etienne Member: Ms Astride Tamatave Member: Ms Ruddy Rose Member: Mr Ayub Suleman Adam	<b>CEO:</b> Mr Errol Dias	BDO Associates

10	Societe Seychelloise d'Investissement Ltd	Chairperson: Ms Vijaykumari Tirant Member: Mr Ange Morel Member: Mr Karl Pragassen Member: Ms Annie Dugasse Member: Mr Bernard Adonis	<b>CEO:</b> Mr Rupert Simeon	Pool and Patel
11	L'Union Estate Ltd	Chairperson: Mr Frank Hoareau Member: Ms Corinne Delpeche Member: Mr Damien Thesée Member: Mr Gerard Lablache Member: Mr Andreix Rosalie	<b>CEO:</b> Mr Gustave Delpeche	BDO Associates
12	Islands Development Company Ltd	Chairperson: Mr Patrick Berlouis Member: Mr Patrick Lablache Member: Ms Sherin Francis Member: Ms Angelique Antat Member: Ms Angele Lebon Member: Mr Alain Decommarmond Member: Mr R. Renaud	<b>CEO:</b> Mr Glenn Savy <b>Deputy CEO:</b> Ms Veronique Herminie	Pool and Patel
13	Seychelles Commercial Bank Ltd	Chairperson: Mr Patrick Payet Member: Ms Esther Boniface Member: Capt. Robert Morgan Member: M. Jenna Thelermont Member: Mr Sandy Mothee	<b>CEO:</b> Ms Annie Vidot	ACM and Associates
14	SIMBC (Nouvobanq) Ltd	Chairperson: Mr Abdul Gafoor Yakub Member: Mr Andrew Bainbridge Member: Mr Vincent Van Heyste Member: Mr Roger Toussaint Member: Mr Anil Dua	<b>CEO:</b> Mr Ahmad Saeed <b>Deputy CEO:</b> Mr Michael Benstrong	BDO Associates
15	Housing Finance Company Ltd	Member : Mr Daniel Frichot Member : Mr Yves Choppy Member : Ms Elizabeth Agathine Member : Mr Michel Marie	<b>CEO:</b> Mr Ronny Palmyre	Baker Tilly
16	Development Bank of Seychelles	Chairperson: Ms Brenda Bastienne Deputy Chairperson: Mr Brian Charlette Member: Ms Ina Barbe Member: Ms Rosanda Alcindor Member: Mr Mark Naiken Member: Mr Roy Clarisse	<b>CEO:</b> Mr Daniel Gappy	Ernst and Young
17	Financial Services Authority	Chairperson: Mr Suketu Patel Member: Irene Croisee Member: Mr David Esparon Member: Ms Marie- Cecile Esparon Member: Ms Annie Vidot Member: Ms Jenifer Sullivan Member : Ms Cindy Vidot Member: Ms Tania Potter Member: Mr Mike Laval	<b>CEO:</b> Dr Steve Fanny <b>Deputy CEO:</b> Ms Zanabe Daman	Office of the Auditor General
18	Property Management Corporation	Chairperson: Mr Gilbert Madeleine Vice-chairperson: Mr Ronny Palmyre Member: Ms Roma Aglae Member: Mr Denis Barbe Member: Ms Sitna Cesar Member: Mr Michel Bistoquet	<b>CEO:</b> Ms Evelina Antha	BDO Associates
19	Petro Seychelles Ltd	Chairperson: Amb. Barry Faure Member: Mr Patrick Payet Member: Mr Dennis Matatiken	<b>CEO:</b> Mr Patrick Joseph	Ernst and Young

		Member: Mr Raymond Chang-Tave Member: Ms Caroline Abel		
20	Seychelles Pension Fund	Chairperson: Mr. Jacquelin Dugas Member: Mr Patrick Payet Member: Ms Cilia Mangroo Members: Mr Ravi Valmont Members: Ms Malika Jivan Members: Ms Brenda Morin Members: Mr Antoine Robinson Members: Mr Peter Sinon Members: Ms Cindy Vidot Members: Marie Claire Marie Members: Mr Bernard Adonis Members: Ms Elsie Morel	<b>CEO:</b> Ms Lekha Nair	Pool and Patel
21	2020 Development Company Ltd	Chairperson: Amb. Barry Faure Member: Yves Choppy Member: Bertrand Belle Member: Sabrina Agathine	<b>CEO:</b> Amb. Barry Faure	BDO Associates
22	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 De Commarmond Member: Mr R. Renaud	<b>CEO:</b> Mr Glenn Savy <b>Deputy CEO:</b> Ms Veronique Herminie	Pool and Patel
23	Green Oak 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 De Commarmond Member: Mr R. Renaud	<b>CEO:</b> Mr Glenn Savy <b>Deputy CEO:</b> Ms Veronique Herminie	Pool and Patel
24	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 De Commarmond	<b>CEO:</b> Mr Glenn Savy <b>Deputy CEO:</b> Ms Veronique Herminie	Pool and Patel
25	Bois De Rose Investment Ltd	Chairperson: Mr Brian Loveday Member: Ms Tessy Furneau Member: Ms Jeannette Lesperence Member: Mr Alderick Bristol Member: Mr Ayub Adam	<b>CEO:</b> Mr Rupert Simeon	Pool and Patel
26	Paradis Des Enfants Entertainment Ltd	Chairperson: Ms Amenda Padayachy	<b>CEO:</b>	
26	Opportunity Investment Company Ltd <sup>61</sup>	Data not provided by SPF, the majority shareholder of OICL.		

<sup>61</sup> Opportunity Investment Company Ltd is a Public Enterprise in accordance with the definition of a Public Enterprise in Section 2 of the PEMC Act 2013.

## 6.5 ANNEX 5: LATENESS IN MONTHLY SUBMISSION OF FINANCIAL STATEMENTS

PEs	LATENESS IN DAYS												Total timely submissions per PE	% timely submissions
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec		
DBS	1	0	-2	0	-1	-1	-6	-2	-3	0	-3	-2	11	92%
HFC	13	0	3	0	1	2	1	3	1	0	3	0	4	33%
PMC	85	57	26	130	99	69	38	53	123	92	62	32	0	0%
PUC	159	131	100	70	39	9	3	6	15	14	16	N/A	0	0%
SCAA	154	126	85	65	34	4	58	27	12		N/A	N/A	1	8%
SIMBC	22	-6	26	-4	6	-2	-4	14	-5	15	-1	-6	7	58%
NISA	82	54	23	66	35	5	41	10	N/A	64	34	3	0	0%
SCB	9	2	3	-2	5	26	3	5	1	2	0	N/A	2	17%
FSA	N/A	58	27	8	33	3	3	4	5	5	N/A	N/A	0	0%
SPA	196	167	216	183	152	123	92	61	34	1	0	2	1	8%
2020 DC	169	141	110	80	49	19	79	48	18	6	N/A	N/A	0	0%
AS	138	110	79	78	47	N/A	N/A	N/A	N/A	N/A	N/A	4	0	0%
L'UE	91	63	32	2	1	-2	-1	3	4	6	1	3	2	17%
SPS	113	85	54	24	48	54	59	49	20	44	39	N/A	0	0%
SPTC	113	85	54	24	18	95	64	33	N/A	N/A	N/A	N/A	0	0%
IDC	5	0	4	2	1	2	2	11	1	2	3	N/A	1	8%
PS	13	1	3	1	5	2	3	0	1	1	3	0	2	17%
STC	118	90	59	85	54	24	29	25	12	9	25	1	0	0%
SPF	N/A	N/A	24	-4	-6	-3	-1	-1	-4	-5	-2	4	8	67%
SEYPEC	N/A	N/A	N/A	N/A	N/A	123	92	61	31	16	3	15	0	0%
SSI	91	63	32	2	43	13	86	55	25	7	5	3	0	0%

## 6.6 ANNEX 6: CATEGORY 1 PRODUCTS FROM STC

<b>SUNFLOWER OIL</b>
Oscar Sunflower Oil 12x1Lt
Reinna Sunflower 12x1Ltr
OILIO Refined Sunflower Oil 15X1LTR
OILIO Refined Sunflower Oil 15X1LTR
OLIO SUNFLOWER OIL 6X2 LT
ROZEN SUNFLOWER OIL 15X1LT
Oki Sunflower Oil 12x1Ltr
OILIO Sunflower Oil 4X5LT
SOLEIL D'OR Refined Oil 15x1LTR
INCI SUNFLOWER OIL 12X1LT
Reinna Sunflower 12x1Ltr
<b>SUNFLOWER MARGARINE</b>
Vital Margarine Brick 40x250gm
Remia Sunflower Margarine 24x500g
<b>MILK POWDER</b>
HAKA Milk Powder 24x400g tins
HAKA Milk Powder 12x900gm tins
HAKA Milk Powder 6x1800gm tins
HAKA INST. MILK POWDER 24X400GMPOUCH
HAKA INST. MILK POWDER 12X900GMPOUCH
HAKA INST. MILK POWDER 6X1800GMPOUCH
<b>RICE</b>
Pakist.Super Long Grain Basmati 50kg
Pakist.Super Long Grain Basmati 25kg
Regular Pakistani Basmati Rice 25kg
Indian Regular Basmati Rice 25Kg
INDIAN CITY BIRD REGULAR BASMATI RICE 25KG
Regular Basmati Rice 40x1kg
Regular Basmati Rice 8x5kg
Regular Basmati Rice 50KG
Premium Basmati Rice 40x1KG
Premium Basmati Rice 8x5kg
Premium Basmati-25kg(Indian)25kg bag
Pakistan Basmati Rice 8x5KG
Pakistan Basmati Rice 40x1KG
Long Grain White Rice 40x1 kg
Long Grain White Rice 8 x 5kg
Long Grain White Rice 25kg
Pakist.Super Long Grain Basmati 50kg
<b>REFINED SUGAR</b>
Refined Sugar Domestic x 50kg

Refined Sugar 50kg
Refined White Sugar - 25Kg Bag
Pure refined sugar 25x 1kg
Pure refined sugar 25x 2kg
Refined Sugar 40x1Kg
WHITE REFINED SUGAR 12X1KG (MAU)
WHITE REFINED SUGAR 12X500G (MAU)
WHITE REFINED SUGAR 6X2KG (MAU)
White Refined Sugar 8x5kg
<b>SALT</b>
IODISED SALT 50x500gms
AANANDHAM IODIZED SALT 50X500G
<b>WHITE FLOUR</b>
High Protein Flour x25Kgs
High Protein Flour x25Kgs
<b>INFANT FORMULA</b>
Celia Nutrition 1 12x400g
Celia Nutrition 3 12x400g
Celia Nutrition 2 12x400g
Lactogen 1 12x400gm
Lactogen 2 12x400gm
<b>LENTILS</b>
Turkish Red Lentils 20 x 500g
Red Turkish Lentils 30x500G
Red Turkish Lentils 20x500G
Turkish Red Lentils 20 x 500g
<b>TOILET PAPER</b>
Orchid Toilet Paper Unwrapped 1X4's
Orchid Toilet Paper Unwrapped 1X6's
Orchid Toilet Paper Unwrapped 1X10's
<b>TOTAL WHOLESALE DRY GOODS</b>
<b>APPLES</b>
APPLES ROYAL GALA
Red Apples Starking (SA)
Queen Apples - NZ
Fuji Apple
Fuji Apple
HUANIU - FRESH APPLES
Apples Cripps Pink
Cripps Red Apples (SA)
Cripps Red Apples (SA)
Apples-Red Delicious
PINK LADY APPLES (NZ)



APPLES ROYAL GALA (NZ)
Apples (ROSE) NZ
APPLES ROYAL GALA (NZ)
Apples Braeburn
Apples - Gala (SA)
Apple Red Chief
APPLES (MAHANA)
Apples Gala Buschet-FR
Apple's Cripps Pink (AIR)
Top Red Buschel - Apples
<b>ORANGES</b>
ORANGES (IMPORTED)
ORANGES (IMPORTED)
ORANGES (IMPORTED)
ORANGES (IMPORTED) (PROMO)
<b>POTATOES</b>
POTATOES (Holland)
POTATOES (IMPORTED) (China)
POTATOES (FRANCE)
Potato Washed - FRANCE
POTATOES (IMPORTED) - INDIA
POTATOES (IMPORTED) - INDIA
POTATOES (IMPORTED) - INDIA
Potatoes (Pakistan)
<b>ONIONS</b>
RED ONIONS IMPORTED
RED ONIONS IMPORTED
RED ONIONS IMPORTED