PUBLIC UTILITIES CORPORATION

Members' Report and Audited Financial Statements
For the year ended December 31, 2018

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Members' Report

The Members present their report together with the audited financial statements of the Corporation for the year ended December 31, 2018.

CORPORATION

The Public Utilities Corporation is a parastatal organisation formed in the year 1986 subsequent to the merger of two previous parastatals, namely the Seychelles Water Authority and Seychelles Electricity Corporation Limited.

PRINCIPAL ACTIVITIES

The Corporation is engaged in generation and distribution of electricity; storage, treatment and distribution of potable water; treatment and disposal of waste water. These activities remain unchanged as compared to the prior financial years.

RESULTS

	SR
Profit for the year	142,651,922
Change on initial application of IFRS 9	(13,828,832)
Retained earnings brought forward	743,246,437
Retained earnings carried forward	**872,069,527**

PROPERTY, PLANT AND EQUIPMENT

Additions to property, plant and equipment of SR. 514 million during the year comprised mainly land, buildings, plant, equipment and vehicles. Disposals during the year comprised of 19 vehicles carried at Nil book value.

Property, plant and equipment are stated at cost less accumulated depreciation. The Members have estimated that the carrying amount of property, plant and equipment at the balance sheet date approximate their fair value.

MEMBERS AND MEMBERS' INTERESTS

The Members of the Corporation since the date of the last report and the date of this report are:

Chairman	Mr. Eddy Belle
Chief Executive Officer	Mr. Philippe Morin
Non-executive members:	Mr. Yannick Vel
	Mrs. Nanette Laure
	Mr. Stephen Rousseau
	Mr. Selwyn Gendron
	Mr. Philippe Chong-Seng

Members hereby confirm that none of the Members held any interest in the Corporation nor entered into any contracts or arrangements (other than service contracts and normal course of business) or made any profit from the operation of the Corporation.

STATEMENT OF MEMBERS' RESPONSIBILITIES

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

The Members are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards ('IFRS') and in compliance with the Public Utilities Corporation Act, 1985, Public Procurement Act, 2008 (together with Public Procurement Regulations, 2014) and Public Enterprise Monitoring Commission Act, 2013. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances. The Members have the general responsibility of safeguarding the assets, both owned by the Corporation and those that are held in trust and used by the Corporation.

The Members confirm that the financial statements presented for audit are free from material misstatement and that they have met their aforesaid responsibilities.

AUDITORS

The Auditor General of Seychelles is mandated to carry out the audit of the Corporation as per Article 158 of the Constitution and as specified under Section 16 (2) of The Public Utilities Corporation Act, 1985 (as amended). The Auditor General has contracted Messers. Baker Tilly, Chartered Accountants to perform the audit function for the year and report their findings to the Auditor General.

Signed in accordance with the authorisation of the Board

Mr. Eddy Belle	**Mr. Philippe Morin**
Chairman	Chief Executive Officer

Dated: May 30, 2019
Victoria, Seychelles

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OPINION OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF THE PUBLIC UTILITIES CORPORATION FOR THE YEAR ENDED 31 DECEMBER 2018

Opinion

The accompanying financial statements of the Public Utilities Corporation, set out on pages 5 to 42, which comprise of the Statement of Financial Position as at 31 December 2018, the Statement of Comprehensive Income, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and a summary of significant accounting policies and explanatory notes, have been audited on my behalf by Baker Tilly, appointed under section 19 of the Auditor General Act, 2010 read with Section 16(2) of the Public Utilities Corporation Act, 1985 as amended. As per the agreement with the auditors, they have reported to me the results of their audit and on the basis of their report, I am satisfied that all information and explanations which, to the best of my knowledge and belief, where necessary for the purpose of the audit have been obtained.

Accordingly, in my opinion, the financial statements on pages 5 to 42 present fairly, in all material aspects, the financial position of the Corporation as at 31 December 2018 and of its financial performance and its cash flows for the year then ended, in accordance with the applicable International Financial Reporting Standards and comply with the Public Utilities Corporation Act, 1985, as amended.

Basis for Opinion

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

Other Information

Members are responsible for other information. My opinion on the financial statements does not cover the other information and I do not and will not express any form of assurance conclusion thereon.

In connection with the audit of the financial statements, my responsibility is to read the other information and in doing so consider whether the information is materially inconsistent with the financial statements or knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work performed on the other information I obtained prior to the date of this audit report, I conclude that there is a material misstatement of this information, I am required to report that fact. I have nothing to report in this regard, in view that no other information was available.

Responsibilities of the Board of the Corporation for the Financial Statements

Board is responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards and in compliance with the requirements of the Public Utilities Corporation Act, 1985, as amended and for such internal control as Board determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

Responsibilities of the Auditor General

The audit objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and issue an auditor's report in accordance with the Public Utilities Corporation Act, 1985, as amended. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identifies and assesses that risk of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtains audit evidence that is sufficient and appropriate to provide a basis for the opinion. The risk of not detecting material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omission or misrepresentation, or the override of internal control;

- obtains an understanding of the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the board's internal control;

- evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board;

- concludes on the appropriateness of the Board' use of going concern basis of accounting and, based on the audit evidence obtained, concludes whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If the auditor concludes that a material uncertainty exists, the auditor is required to draw attention in the auditor's report to the related disclosures in the financial statements or if such disclosures are inadequate, to modify the opinion. My conclusions are based on audit evidence obtained to the date of my auditor's report. However, future unforeseeable events or conditions may cause the Corporation to cease to continue as a going concern;

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

- communicates with board among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

Gamini Herath
Auditor General

31 May 2019
Victoria, Seychelles

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INDEPENDENT AUDITORS' REPORT TO THE AUDITOR GENERAL OF SEYCHELLES
IN RESPECT OF THE AUDIT OF THE FINANCIAL STATEMENTS OF PUBLIC UTILITIES CORPORATION

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

Report on the Audit of the Financial Statements

Opinion

We have audited the attached financial statements of the Public Utilities Corporation set out on pages 5 to 42 which comprise the Statement of Financial Position at December 31, 2018, the Statement of Comprehensive Income, Statement of Changes in Equity and the Statement of Cash Flows for the year then ended and a summary of significant accounting policies and explanatory notes.

In our opinion, the financial statements set out on pages 5 to 42 give a true and fair view of the financial position of the Corporation at December 31, 2018 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with the provisions of the Public Utilities Corporation Act, 1985 (as amended).

Basis of Opinion

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITORS' REPORT TO THE AUDITOR GENERAL OF SEYCHELLES
IN RESPECT OF THE AUDIT OF THE FINANCIAL STATEMENTS OF PUBLIC UTILITIES CORPORATION

Report on the Audit of the Financial Statements *Continued*

Other information

The Members are responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Members for the Financial Statements

The Members are responsible for the preparation of the financial statements in accordance with International Financial Reporting Standards ('IFRS') and in compliance with the provisions of the Public Utilities Corporation Act, 1985 (as amended), Public Procurement Act, 2008 (together with Public Procurement Regulations, 2014) and Public Enterprise Monitoring Commission Act, 2013 and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, members are responsible for assessing the Corporations' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

INDEPENDENT AUDITORS' REPORT TO THE AUDITOR GENERAL OF SEYCHELLES
IN RESPECT OF THE AUDIT OF THE FINANCIAL STATEMENTS OF PUBLIC UTILITIES CORPORATION

Report on the Audit of the Financial Statements *Continued*

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.

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

**INDEPENDENT AUDITORS' REPORT TO THE AUDITOR GENERAL OF SEYCHELLES
IN RESPECT OF THE AUDIT OF THE FINANCIAL STATEMENTS OF PUBLIC UTILITIES CORPORATION**

Report on the Audit of the Financial Statements *Continued*

Report on Other Legal Regulatory Requirements

Public Utilities Corporation Act, 1985

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

We have obtained all information and explanations we have required.

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

Public Enterprise Monitoring Commission Act, 2013

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

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

Baker Tilly

BAKER TILLY ★ P.O. Box 285 Seychelles ★ CHARTERED ACCOUNTANTS

BAKER TILLY
Chartered Accountants

Dated: May 30, 2019
Victoria, Seychelles

Statement of Financial Position as at December 31, 2018

	Notes	2018	2017
		SR	SR
ASSETS			
Non Current assets:			
Property, plant and equipment	5	**1,996,143,949**	1,653,687,560
Intangible assets	6	**13,722,523**	19,982,937
Capital work in progress	7	**724,203,909**	747,743,968
Trade and other receivables	8	**1,441,762**	1,489,832
		2,735,512,143	2,422,904,297
Current assets:			
Inventories	9	**721,171,711**	624,990,441
Trade and other receivables	8	**401,790,224**	325,075,297
Cash and cash equivalents	10	**504,454,963**	421,935,872
		1,627,416,898	1,372,001,610
Total Assets		**4,362,929,041**	3,794,905,907
EQUITY, DEFERRED GRANT AND LIABILITIES			
Equity			
Assigned capital	11	**1,439,743,591**	1,439,743,591
Retained earnings		**872,069,527**	743,246,437
Total Equity		**2,311,813,118**	2,182,990,028
Deferred Grants			
Non Current	12	**1,044,440,958**	1,023,148,198
Current	12	**94,852,802**	87,073,106
		1,139,293,760	1,110,221,304
Non Current liabilities:			
Borrowings	13	**636,533,131**	234,789,791
Trade and other payables	14	**37,175,032**	35,314,891
Employee benefit liabilities	15	**84,509,708**	68,205,088
		758,217,871	338,309,770
Current liabilities:			
Borrowings	13	**8,505,257**	72,660,470
Trade and other payables	14	**143,334,962**	86,884,543
Employee benefit liabilities	15	**1,764,073**	3,839,792
		153,604,292	163,384,805
Total Liabilities		**911,822,163**	501,694,575
Total Equity, Deferred Grants and Liabilities		**4,362,929,041**	3,794,905,907

These financial statements were approved for issue by the Members of the Corporation on May 30, 2019

Mr. Eddy Belle
Chairman

Mr. Philippe Morin
Chief Executive Officer

The notes on pages 9 to 42 form an integral part of these financial statements
Auditor General's Opinion on pages 3 to 3 (b)

Statement of Comprehensive Income for the year ended December 31, 2018

	Notes	2018	2017
		SR	SR
Revenue			
Revenue from operations	16	**1,654,871,200**	1,528,654,747
Other income	17	**112,531,193**	101,671,468
		1,767,402,393	1,630,326,215
Expenditure			
Consumables and spares	18	**876,256,016**	722,612,100
Staff cost	19	**246,587,787**	219,752,773
Finance cost		**4,934,434**	4,230,142
Depreciation and amortisation	5 & 6	**178,147,331**	141,687,879
Other operating overheads	20	**318,824,903**	314,923,796
		1,624,750,471	1,403,206,690
Profit for the year and total comprehensive income		**142,651,922**	227,119,525

Statement of Changes in Equity for the year ended December 31, 2018

	Assigned Capital	Retained Earnings	Total
	SR	SR	SR
Balance at January 1, 2018	**1,439,743,591**	**743,246,437**	**2,182,990,028**
Effect of change in measurement on initial application of IFRS 9	**-**	**(13,828,832)**	**(13,828,832)**
Profit for the year	**-**	**142,651,922**	**142,651,922**
Balance at December 31, 2018	**1,439,743,591**	**872,069,527**	**2,311,813,118**
Balance at January 1, 2017	1,439,743,591	516,126,912	1,955,870,503
Profit for the year	-	227,119,525	227,119,525
Balance at December 31, 2017	1,439,743,591	743,246,437	2,182,990,028

Statement of Cash Flows for the year ended December 31, 2018

	Notes	2018	2017
		SR	SR
OPERATING ACTIVITIES			
Profit for the year		**142,651,922**	227,119,525
Adjustments for:			
Depreciation and amortisation	5	**178,147,331**	141,687,879
Provision of credit impairment		**16,389,584**	6,704,092
Gain on disposal of property, plant and equipment		**(337,845)**	(665,314)
Amortisation to grant income	12	**(100,083,966)**	(82,480,163)
Movement in employee benefit liabilities	15	**14,228,901**	5,963,458
Movement in unbilled units	8	**(8,501,532)**	(7,652,825)
Cash generated from operations		**242,494,395**	290,676,652
Changes in working capital			
- Inventories	9	**(96,181,270)**	(6,725,852)
- Trade and other receivables	8	**(98,383,742)**	(37,286,325)
- Trade and other payables	14	**58,310,560**	6,929,435
Net cash inflow from operating activities		**106,239,943**	253,593,910
INVESTING ACTIVITIES			
Additions to property, plant and equipment	5	**(514,343,306)**	(136,387,906)
Additions to intangible assets	6	**-**	(525,453)
Decrease/(increase) in work in progress	7	**23,540,059**	(231,165,789)
Proceeds from disposal of property, plant and equipment	5	**337,845**	676,673
Net cash outflow from investing activities		**(490,465,402)**	(367,402,475)
FINANCING ACTIVITIES			
Increase in borrowings	13	**337,588,127**	34,076,629
Government and other grants received	12	**129,156,423**	117,263,510
Net cash inflow from financing activities		**466,744,550**	151,340,139
Net change in cash and cash equivalents		**82,519,091**	37,531,574
Movement in cash and cash equivalents:			
At January 1,		**421,935,872**	384,404,298
Increase during the year		**82,519,091**	37,531,574
At December 31,	10	**504,454,963**	421,935,872

The notes on pages 9 to 42 form an integral part of these financial statements
Auditor General's Opinion on pages 3 to 3 (b)

1. CORPORATION INFORMATION

The Public Utilities Corporation is a Parastatal organisation formed in the year 1986 under The Public Utilities Corporation Act, 1985 (as amended), subsequent to the merger of two previous parastatals, namely the Seychelles Water Authority and Seychelles Electricity Corporation Limited. The Corporation is domiciled in the Republic of Seychelles with its administrative office situated at the Electricity House, Roche Caiman, Mahe. These financial statements of the Corporation are approved by the Board of Directors and presented to the Minister of Environment, Energy and Climate Change.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

The financial statements of Public Utilities Corporation have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and comply with the Public Utilities Act, 1985 (as amended). Where necessary, comparative figures have been amended to conform with change in presentation in the current year. The financial statements are prepared under the historical cost convention.

The accounting policies adopted are consistent with those used in the previous financial year, except for the following new standards and amendments to IFRS that are mandatorily effective for accounting periods beginning on or after 1 January 2018, except as indicated otherwise:

New and amended standards

- IFRS 9 — Financial Instruments
- IFRS 15 — Revenue from Contracts with Customers
- Amendments to IAS 28 — Investments in Associates and Joint Ventures
- Amendments to IAS 40 — Transfers of Investment Property
- IFRIC 22 — Foreign Currency Transactions and Advance Consideration
- Amendments to IFRS 2 — Share-based Payment

Changes in accounting policies

The Corporation applied IFRS 15 and IFRS 9 for the first time from January 1, 2018. The nature and effect of these changes as a result of the adoption of these new standards are described below. Other than the changes described below, the accounting policies adopted are consistent with those of the previous financial year. Several other amendments and interpretations applied for the first time in 2018, but did not have an impact on the financial statements of the Corporation and, hence, have not been disclosed. The Corporation has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

IFRS 9 Financial Instruments

The Corporation has adopted IFRS 9 as issued by the IASB in July 2014 with a date of transition of January 1, 2018 which resulted in changes in accounting policies but did not have an impact on the financial statements of the Corporation and hence their are no adjustments to the amounts previously recognised in the financial statements. The Corporation did not early adopt IFRS 9 in previous periods.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *Continued*

2.1 **Basis of preparation** *Continued*

Changes in accounting policies *Continued*

IFRS 9 Financial Instruments *Continued*

As permitted by the transitional provisions of IFRS 9, the Corporation elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening retained earnings and other reserves of the current period. There was no impact on hedging as the Corporation does not apply hedge accounting.

Consequently, for notes disclosures, the consequential amendments to IFRS 7 disclosures have also only been applied to the current period. The comparative period notes disclosures repeat those disclosures made in the prior year.

The effects of adopting IFRS 9 are set out below.

(a) ***Classification and measurement***

Under IFRS 9, there is a change in the classification and measurement requirements relating to financial assets. Previously, there were four categories of financial assets: loans and receivables, fair value through profit or loss, held to maturity and available for sale. Under IFRS 9, financial assets are either classified as amortised cost, fair value through profit or loss or fair value through other comprehensive income.

For debt instruments, the classification is based on two criteria: the Corporation’s business model for managing the assets; and whether the instruments’ contractual cash flows represent ‘solely payments of principal and interest’ (SPPI) on the principal amount outstanding. A financial asset can only be measured at amortised cost if both of the following are satisfied:

- Business model: the objective of the business model is to hold the financial asset for the collection of the contractual cash flows.

- Contractual cash flows: the contractual cash flows under the instrument relate solely to payments of principal and interest.

The assessment of the Corporation’s business model was made as of the date of initial application. The assessment of whether contractual cash flows on debt instruments are SPPI was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of IFRS 9 did not have a significant impact on the Corporation. The Corporation continued measuring at fair value all financial assets previously held at fair value under IAS 39. The following are the changes in the classification of the Corporation’s financial assets:

- Trade receivables and other non-current financial assets previously classified as Loans and receivables are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are now classified and measured as Debt instruments at amortised cost.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *Continued*

2.1 **Basis of preparation** *Continued*

Changes in accounting policies *Continued*

The Corporation has not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement for the Corporation's financial liabilities.

(i) Set out below are disclosures relating to the impact of the adoption of IFRS 9 on the Corporation.

	Measurement Category	IAS 39 Carrying amount SR	IFRS 9 Carrying amount SR
Financial assets and liabilities			
Trade and other receivables	Amortised cost	325,075,297	311,246,465

There were no changes to the measurement of financial instruments upon transition to IFRS 9 on January 1, 2018.

(b) ***Impairment***

The adoption of IFRS 9 has changed the Corporation's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Corporation to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets in the scope of IFRS 15.

As all of the Corporation's trade receivables and other current receivables which the Corporation measures at amortised cost are short term (i.e., less than 12 months) and the Corporation's credit rating and risk management policies in place, the change to a forward-looking ECL approach did not have a material impact on the amounts recognised in the financial statements.

Upon the adoption of IFRS 9, the Corporation elected to apply the simplified approach as prescribed by the standard for measuring impairment losses for financial assets.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *Continued*

2.1 **Basis of preparation** *Continued*

Changes in accounting policies *Continued*

Reconciliation of statement of financial position balances from IAS 39 to IFRS 9

The Corporation performed a detailed analysis of its business models for managing financial assets and analysis of their cash flow characteristics. The following table reconciles the carrying amounts of financial assets, from their previous measurement category in accordance with IAS 39 to their new measurement categories upon transition to IFRS 9 on January 1, 2018:

	IAS 39 Carrying amount 31 Dec 2017	Reclassifi-cations	Remeasure-ments	IFRS 9 Carrying amount 1 Jan 2018
	SR	SR	SR	SR
AMORTISED COST:				
Trade and other receivables	325,075,297	-	(13,828,832)	311,246,465
Total	325,075,297	-	(13,828,832)	311,246,465
Retained earnings effect on January 1, 2018				(13,828,832)

(c) ***Hedge accounting***

The Corporation does not have any hedging activities as defined in the new general hedge accounting model in IFRS 9. Consequently, the changes introduced by IFRS 9 relating to hedge accounting currently have no impact on the Corporation's accounting model.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 replaces all existing revenue requirements in IFRS and applies to all revenue arising from contracts with customers, unless the contracts are in the scope of other standards, such as IAS 17 (or IFRS 16 Leases, once applied). Its requirements also provide a model for the recognition and measurement of gains and losses on disposal of certain non-financial assets, including property, plant and equipment and intangible assets.

The standard outlines the principles an entity must apply to measure and recognise revenue. The core principle is that an entity will recognise revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS is applied using a five step model.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. Application guidance is provided in IFRS 15 to assist entities in applying its requirements to certain common arrangements, including licenses of intellectual property, warranties, rights of return, principal-versus-agent considerations, options for additional goods or services and breakage.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *Continued*

2.1 **Basis of preparation** *Continued*

Changes in accounting policies *Continued*

IFRS 15 Revenue from Contracts with Customers *Continued*

The effects of adopting IFRS 15 are set out below.

The Corporation adopted IFRS 15: 'Revenue from contracts with customers' from 1 January 2018. The Corporation undertook a comprehensive analysis of the impact of the new revenue standard based on a review of the contractual terms of its principal revenue streams with the primary focus being to understand whether the timing and amount of revenue recognised could differ under IFRS 15. The primary impact of application is the revision of accounting policies to reflect the five-step approach to revenue recognition required by IFRS 15, resulting in insignificant adjustments to amounts previously recognised in the financial statements.

- Energy supply to business and residential customers

  The Corporation provides electricity, water and sewerage services to residential and business customers in the country. The vast majority of contractual energy supply arrangements have no fixed duration, require no minimum consumption by the customer and can be terminated by either party at any time. The Corporation has determined that no enforceable rights and obligations exist at inception of the contract and the Corporation is the legal supplier of energy to the customer. The performance obligation is the supply of energy over the contractual term; the units of supply represent a series of distinct goods that are substantially the same with the same pattern of transfer to the customer. The performance obligation is considered to be satisfied as the customer consumes based on the units of energy delivered. This is the point at which revenue is recognised.

  In respect of energy supply contracts, the Corporation considers that it has the right to consideration from the customer for an amount that corresponds directly with the value delivered to the customer through their consumption. It is the judgement of the Corporation that the customer consumes energy as the Corporation supplies and, as a result, the Corporation recognises revenue for the amount which the entity has a right to invoice. The Corporation's assessment of the amount that it has a right to invoice includes an assessment of energy supplied to customers between the date of the last meter reading and the year end (termed as unbilled revenue). Unbilled revenue is estimated through the billing systems, using historical consumption patterns, on a customer-by-customer basis, taking into account weather patterns, load forecasts and the differences between actual meter readings being returned and system estimates. Actual meter readings continue to be compared to system estimates between the balance sheet date and the finalisation of the accounts.

  The Corporation holds a number of energy supply contracts that specify a minimum consumption volume over a specified contractual term. The transaction price for these contracts is the minimum supply volume multiplied by the contractually agreed price per unit of energy. Revenue from the sale of additional volumes is considered to be variable and not included in the transaction price. Revenue from these contracts continue to be recognised, as invoiced.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *Continued*

2.1 **Basis of preparation** *Continued*

Changes in accounting policies *Continued*

Amendments to IAS 28 included in the 2014-2016 Annual Improvements Cycle

The 2014-2016 Annual Improvements Cycle includes amendments to a number of IFRSs, one of which is effective for annual periods beginning on or after January 1, 2018. The amendments to IAS 28 clarify that the option for a venture capital organisation and other similar entities to measure investments in associates and joint ventures at FVTPL is available separately for each associate or joint venture, and that election should be made at initial recognition. In respect of the option for an entity that is not an investment entity (IE) to retain the fair value measurement applied by its associates and joint ventures that are IEs when applying the equity method, the amendments make a similar clarification that this choice is available for each IE associate or IE joint venture. *This amendment is not expected to have any impact on the Corporation's financial statements.*

Amendments to IAS 40 Transfers of Investment Property

The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by observable evidence that a change in use has occurred. The amendments further clarify that the situations listed in IAS 40 are not exhaustive and that a change in use is possible for properties under construction (i.e. a change in use is not limited to completed properties). *This new standard is not expected to have any impact on the Corporation's financial statements.*

IFRIC 22 Foreign Currency Transactions and Advance Consideration

IFRIC 22 addresses how to determine the 'date of transaction' for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or non-monetary liability (for example, a non-refundable deposit or deferred revenue).

The Interpretation specifies that the date of transaction is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the Interpretation requires an entity to determine the date of transaction for each payment or receipt of advance consideration. *This amendment is not expected to have any impact on the Corporation's financial statements.*

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *Continued*

2.1 **Basis of preparation** *Continued*

Changes in accounting policies *Continued*

Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions

The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. *This amendment is not expected to have any impact on the Corporation's financial statements.*

Standards, amendments and interpretations in issue but not yet effective

The following new and revised IFRSs are not mandatorily effective for the period ended 31 December 2018. However, they are available for early application. Paragraph 30 of IAS 8 requires entities to consider and disclose the potential impact of new and revised IFRSs that have been issued but are not yet effective.

- IFRS 16 — Leases (January 1, 2019)
- Amendments to IFRS 17 — Insurance Contracts (January 1, 2021)
- Amendments to IFRS 9 — Financial Instruments- Prepayments Features with Negative Compensation.
- Amendments to IAS 28 — Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (January 1, 2018 and January 1, 2019)
- Annual improvements to IFRS Standards — Amendments to IFRS 3 Business Combinations, IFRS 11 Joint arrangements, IAS 12 Income Taxes & IAS 23 Borrowing Costs.
- Amendments to IAS 19 Employee Benefits — Plan Amendment, Curtailment or Settlement.
- IFRIC 23 — Uncertainty over Income Tax Treatments (January 1, 2019)

Management anticipates that all of the above Standards and Interpretations will be adopted by the Corporation to the extent applicable to them from their effective dates. The adoption of these Standards, amendments and interpretations is not expected to have any material impact on the financial statements of the Corporation in the period of their initial application.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the Members to exercise their judgment in the process of applying appropriate accounting policies. The areas involving a high degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements disclosed in note 4.

These financial statements are prepared on a going concern basis which assumes that the Corporation will continue its operations. and has neither the intention nor the necessity of liquidating or curtailing materially the scale of its operations.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *Continued*

2.1 **Basis of preparation** *Continued*

Standards, amendments and interpretations in issue but not yet effective *Continued*

IFRS 16 Leases

IFRS 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under IAS 17. The standard includes two recognition exemptions for lessees - leases of 'low-value' assets (e.g. personal computers) and short-term leases (i.e. leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be required to remeasure the lease liability upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments).

The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting is substantially unchanged from the current method of accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases. The amendment is not likely to have an impact on the Corporation's financial statements. The Corporation will adopt the standard upon the effective date.

Amendments to IFRS 9 Prepayment Features with Negative Compensation

The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the SPPI condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, prepayment features with negative compensation do not automatically fail SPPI.

The amendment applies to annual periods beginning on or after January 1, 2019 with earlier application permitted. There are specific transition provisions depending on when the amendments are first applied, relative to the initial application of IFRS 9.

The amendment is not likely to have an impact on the Corporation's financial statements. The Corporation will adopt the standard upon the effective date.

2.2 **Property, plant and equipment and depreciation**

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value. Initial cost of property, plant and equipment comprises its purchase price and any attributable costs of bringing the asset to working condition for its intended use. Such cost also include the cost of replacing components of the property, plant and equipment provided the replacement increases the effective useful lives of assets for which the spares are replaced. Borrowing costs for long-term construction projects are capitalised only if the recognition criteria is met and the borrowing costs can be directly attributable to the purchase or construction of the asset. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow and the cost can be reliably measured.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *Continued*

2.2 Property, plant and equipment and depreciation *Continued*

Properties in the course of construction for operation purposes are carried at cost less any recognised impairment loss. Cost includes professional fees for qualifying assets and borrowing costs capitalised only if the project is viable and the Corporation would pursue it further. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

When significant parts of property, plant and equipment are required to be replaced at intervals, the Corporation derecognises the replaced part, and recognises the new part with its own associated useful life and depreciation.

Costs incurred for major maintenance is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are charged to the Income Statement. The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of respective assets only if the recognition criteria for provision is met and the Corporation is able to estimate the cost. However since the cost of decommissioning cannot be reliably estimated, this policy is currently not in use.

Depreciation on property, plant and equipment is provided for on a straight line basis to write off the cost of each asset evenly to its residual value over their estimated useful lives as stated below:

	Years
Buildings	50
Dams and reservoirs	50
Storage tanks	20
Water and sewerage treatment works	30-50
Water and sewerage networks	30-50
Electricity generation plant	14-25
Electricity distribution networks	14-25
Other plant and machinery	8-14
Operating equipment	4
Office equipment	5
Furniture and fittings	8
Motor vehicles	5-7

Freehold land and construction work in progress are not depreciated.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Income Statement.

The assets residual values, useful lives and methods of depreciation are reviewed periodically and adjusted prospectively, if appropriate.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount or amortised over a revised period determined by the management.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *Continued*

2.3 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any.

The useful lives of intangible assets are assessed as either finite or indefinite.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in Income Statement when incurred.

Intangible assets are amortised on a straight-line basis in the Income Statement over their estimated useful lives, from the date that they are available for use. The estimated useful life of software for the current and comparative periods was 5 years. Intangible assets' residual value, useful life and amortisation methods are reviewed and adjusted if appropriate, at the end of each reporting period.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Income Statement when the asset is derecognised.

2.4 Foreign currencies

Functional and presentation currency

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

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate applicable at the date of the transaction.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates applicable at the date the fair value was determined.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *Continued*

2.5 Financial instruments

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

2.5.1 Financial instruments - initial recognition and subsequent measurement

(a) ***Recognition and measurement***

Purchases and sales of financial assets are recognised on the trade-date (or settlement date), the date on which the Corporation commits to purchase or sell the assets. The classification of financial instruments at initial recognition depends on the purpose for which the financial instruments were acquired and their characteristics. Financial instruments are initially measured at fair value plus any directly attributable incremental costs of acquisition or issue.

The policy applicable from 1 January 2018 (due to application of IFRS 9) is described in note 2.1. Below is the policy applicable under IAS 39.

(b) ***Held-to-maturity financial assets***

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Corporation has the positive intention and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate.

(c) **Loans and receivables**

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Corporation will not be able to collect all amounts due according to the original terms of receivables.

In line with the recent policy of the Government of Seychelles, the Corporation provides loans to its customers to encourage investment in storage tanks for potable water. The loans are interest free and the Corporation does not hold any collaterals for these loans.

All loans are recognised when cash is advanced to borrowers. An allowance for credit impairment is established when there is objective evidence that the Corporation will not be able to collect all amounts due according to the original contractual terms of the loans. The amount of the provision is the difference between the carrying amount and the recoverable amount.

When a loan is uncollectible, it is written off against the related provision for impairment, subsequent recoveries are credited to the provision for loss in the Statement of Profit or Loss.

(d) **Trade payables**

Trade payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received whether billed or not billed to the Corporation. The carrying amount of trade and other payables approximate their amortised cost.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *Continued*

(e) **Loans and borrowings**

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the Income Statement when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the Income Statement.

(f) **Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount is reported in the Statement of Financial Position when the Corporation has a legal enforceable right to set off the recognised amounts and the Corporation intends either to settle on a net basis, or to realise the asset and liability simultaneously.

2.5.2 **Derecognition of financial assets and financial liabilities**

(a) ***Financial assets***

Financial assets are derecognised when the rights to receive cash flows from the asset have expired or the Corporation has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Corporation has transferred substantially all the risks and rewards of the asset, or (b) the Corporation has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Corporation has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of it, the asset is recognised to the extent of the Corporation's continuing involvement in it. In that case, the Corporation also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Corporation has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Corporation could be required to repay.

(b) ***Financial liabilities***

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *Continued*

2.5.3 **Impairment of financial assets**

The policy applicable from 1 January 2018 (due to application of IFRS 9) is described in note 2.1. Below is the policy applicable under IAS 39.

The Corporation assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired, if and only if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors of the Corporation are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

(a) **Financial assets carried at amortised cost**

For financial assets carried at amortised cost, the Corporation first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Corporation determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Income Statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of other income in the Income Statement. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Corporation. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *Continued*

2.6 **Impairment of non-financial assets**

The Corporation assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Corporation estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the Income Statement in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Corporation estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Income Statement.

2.7 **Inventories**

Inventories of the Corporation comprise fuel for generators, lubricants, strategic spares for generators and general maintenance spares and consumables.

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the moving average method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour and other direct costs excluding borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.8 **Trade receivables**

Trade receivables are amounts due from customers for utility services provided in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.9 **Cash and cash equivalents**

In the Statement of Cash Flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the Statement of Financial Position, bank overdrafts, if any are shown within borrowings in current liabilities.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *Continued*

2.10 Deferred Grants

Grants from Government, International Organisations and third parties are recognised where there is reasonable assurance that the grant will be received and on compliance with all the attached conditions thereof. Grants are classified as current and non-current based on their expected utilisation pattern.

When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

Where the grant relates to an asset, it is recognised as deferred income in the Statement of Financial Position until it is complete for intended use and then recognised in the Income Statement as Grants Income.

2.11 Borrowings

Borrowings are recognised initially at fair value being their issue proceeds net of transaction costs incurred.

Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Income Statement over the period of the borrowings using the effective interest method.

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

2.12 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.13 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost.

2.14 Provisions

Provisions are recognised when the Corporation has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Corporation expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Income Statement net of any reimbursement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *Continued*

2.15 Employee Benefits

(a) Defined contribution plans

A defined contribution plan is a post employment benefit plan under which an entity pays fixed contributions into a separate entity and the Corporation have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in the Income Statement in the periods during which services are rendered by employees.

(b) Defined benefit plans

A defined benefit plan is a post employment benefit other than a defined contribution plan. The Corporation currently operates an unfunded scheme for employees' end of service benefits that follows relevant local regulations and is based on periods of cumulative service and levels of employees' final basic salaries. The liability for staff terminal benefits is determined as the liability that would arise if employment of all staff was to be terminated at reporting date.

(c) Short-term employee benefits

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus if the Corporation has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

2.16 Revenue Recognition

Revenue is recognised when the performance obligation is being satisfied. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

(a) Supply income

Revenue from supply of electricity, water and sewerage services to contract customer is recognised as services are performed. Revenue from unbilled services is recognised as accrued, based on past experience on the consumption pattern and effective rates thereof, on the reporting date as services are already provided.

(b) Infrastructure contributions

Contributions from customers for setting up infrastructures for the purpose of supply of electricity, water and sewerage services are recognised when the services are rendered in accordance with the terms of agreement. These contributions are used for setting up the required infrastructure in addition to the amounts, if any, that are incurred by the Corporation towards set up costs.

(c) Surcharge income

Interest charged on overdue trade receivables outstanding in respect of supply of electricity, water and sewerage as on the reporting date is recognised as income as per contracted rates from the date of billing till the reporting date.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *Continued*

2.16 **Revenue Recognition** *Continued*

(d) **Government grants**

Grants that are received for compensation of expenses or losses already incurred, or for the purpose of giving immediate financial support to the Corporation with no future related costs, are recognised in the Income Statement in the period in which reasonable assurance is established that the entity will comply with the conditions attached to the Grant and that the Grant will be received.

Grants that compensate the Corporation for expenses to be incurred are initially recognised in the statement of financial position as a deferred income. Subsequent to initial recognition, such grants are recognised in the Income Statement as Grants Income.

2.17 **Current and deferred taxation**

Income tax expense normally comprises current and deferred tax. Current tax is recognised in profit or loss. Current tax is the expected tax payable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

As per the current tax regime, income of the Corporation is not liable to tax. Hence no provision is considered for current tax as on the reporting date and consequently no provision is required for deferred tax.

2.18 **Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Management that makes strategic decisions.

For management purposes, the Corporation is organised into business units based on their services and has three reportable segments as follows:

(a) Electricity Segment, which generates, transmits and supplies electricity to the population of the country.

(b) Water Segment, maintains water storage facilities, treats/desalinates and supplies water to the population of the country.

(c) Sewerage segment, constructs sewerage facilities, maintains the facilities, collects treats and disposes and provides sewerage facilities to the population of the country.

No operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the financial statements. Transfer prices between operating segments are on an arm’s length basis in a manner similar to transactions with third parties.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The activities of the Corporation expose it to different financial risks; market risks (including currency and fair value interest risk), credit and liquidity risk. The Members have the overall responsibility for the establishment, oversee and monitoring of the Corporation's risk management framework and is assisted by the senior management. Senior management is responsible for designing, developing and monitoring the Corporation's risk management policies, which are approved by the Members. Senior management reports regularly to the Members and committees of the Government on its risk management activities.

The Corporation's risk management policies are established to identify and analyse the risks faced by the Corporation, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Corporations' activities and its role in the Republic of Seychelles. The Corporation, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The following are the Corporation's exposure to each of the above risks, the Corporation's objectives, policies and processes for measuring and managing risk, and the Corporation's management of capital. Further quantitative disclosures are included throughout these financial statements.

(a) ***Currency Risk***

The Corporation is exposed to currency risk arising from its acquisition of supplies and capital projects that are denominated in currencies other than the functional currency. The currencies in which these transactions are primarily denominated are Euro ("EUR"), United States Dollar ("USD"), Singapore Dollar ("SGD"), South African Rand ("ZAR") and Great Britain Pounds ("GBP"). The Corporation aims to aggregate a net position for each currency so that natural hedging can be achieved.

If the Seychelles Rupee had weakened/strengthened against the above currencies by 5% with all other variables remaining constant, the impact (increase/(decrease)) on the results for the year would have been as depicted in the table hereunder mainly as a result of foreign exchange gains/(losses).

	Euro	USD	GBP	SGD
	+/-	+/-	+/-	+/-
December 31, 2018:				
Trade and other receivables	**295,123**	**193,579**	**4,971**	**57**
Cash and Bank balances	**67,491**	**256,573**	**5,466**	**-**
Trade and other payables	**(16,570)**	**(9,772)**	**123**	**741**
Bank Borrowings	**(1,095,389)**	**(990,250)**	**-**	**-**
Net Exposure	**(749,345)**	**(549,870)**	**10,560**	**798**
December 31, 2017:				
Trade and other receivables	57,439	320,877	19,786	13,142
Cash and Bank balances	209,493	54,255	8,928	-
Trade and other payables	(41,114)	(8,972)	(2,228)	-
Bank Borrowings	(674,262)	(270,770)	-	-
Net Exposure	(448,444)	95,390	26,486	13,142

3. **FINANCIAL RISK MANAGEMENT** *Continued*

3.1 **Financial risk factors** *Continued*

(a) ***Currency Risk*** *Continued*

The currency portfolio of financial assets and liabilities is summarised as follows:

	Financial assets		**Financial liabilities**	
	2018	2017	**2018**	2017
	SR	SR	**SR**	SR
EURO	**121,548,177**	89,475,786	**372,728,464**	239,793,778
USD	**126,312,704**	105,261,952	**280,606,207**	78,495,632
SGD	**19,209**	4,405,362	**248,228**	-
ZAR	**429,860**	85,381	**403,294**	381,659
GBP	**3,940,993**	10,842,452	**(46,565)**	841,392
SR	**655,436,006**	538,430,068	**171,608,754**	110,137,234
	907,686,949	748,501,001	**825,548,382**	429,649,695

(b) ***Cash flow and fair value interest rate risk***

The Corporations' cash flow exposure to interest rate risk arises primarily from long-term borrowings at floating rates for funded developmental projects.

Market risks are thoroughly discussed in regular management meetings. Tariff adjustments are carried out based on impact on fuel prices. Market risks and strategies to combat these risks are also discussed by members at the meetings.

At December 31, 2018, if interest rates on floating rate borrowings had been 1% higher/lower with all other variables held constant, results for the year would have been as shown below, mainly as a result of higher/lower interest rate expense on loans.

	2018	2017
	SR	SR
Bank borrowings	**± 6,335,890**	± 3,019,906

(c) ***Credit Risk***

The Corporation's credit risk arises when a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Corporation's receivables from customers, deposits, cash at banks and other receivables.

The Corporation's exposure to credit risk is influenced mainly by characteristics of each customer. However, management also considers the demographics of the Corporation's customer base, including the default risk of the industry in which customers operate, as these factors may have an influence on credit risk. Although geographically there is no significant concentration of risk, at the reporting date, majority of the Corporation's trade receivables from customers were domiciled domestically.

3. FINANCIAL RISK MANAGEMENT *Continued*

3.1 Financial risk factors *Continued*

(c) ***Credit Risk*** *Continued*

The Corporation establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

(d) ***Liquidity Risk***

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

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

	Less than 1 year	Between 1 and 5 years	After 5 years	Total
	SR	SR	SR	SR
At December 31, 2018:				
Borrowings	8,505,258	200,286,163	436,246,967	645,038,388
Trade and other payables	143,334,962	37,175,032	-	180,509,993
	151,840,219	237,461,195	436,246,967	825,548,382
At December 31, 2017:				
Borrowings	72,660,470	174,863,031	59,926,760	307,450,261
Trade and other payables	86,884,543	35,314,891	-	122,199,434
	159,545,013	210,177,922	59,926,760	429,649,695

3.2 Fair value estimation

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

3. FINANCIAL RISK MANAGEMENT *Continued*

3.3 Capital risk management

The Corporation's policy is to maintain a strong capital base designed to provide sufficient liquidity to the business, maintain market confidence and sustain future growth of the business. The Corporation's main objectives when managing capital are:

- to maintain flexibility to pursue strategic infrastructure development opportunities and ensure adequate liquidity to withstand weakening economic conditions; and

- to maintain an appropriate balance between debt financing vis-a-vis capital as measured by gearing ratio.

The Corporation monitors capital on the basis of the debt-to-equity ratios. The ratio is calculated as net debt to total equity. Net debt is calculated as total debt less cash and cash equivalents. Total equity comprises all components of equity (i.e. assigned capital and retained earnings).

During the financial year ended December 31, 2018, the Corporation's strategy, which was unchanged from the financial year ended December 31, 2017, was to maintain the debt-to-total equity ratio at a reasonable level in order to secure access to finance at a reasonable cost. The debt-to-total equity ratio at December 31, 2018 and December 31, 2017 were as follows:

	2018	2017
	SR	SR
Total debt	**645,038,388**	307,450,261
Less: Cash and cash equivalents	**(504,454,963)**	(421,935,872)
	140,583,425	(114,485,611)
Total equity	**2,311,813,118**	2,182,990,028
Debt-to-total equity ratio	**6.08%**	-5.24%

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Corporation’s financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Estimates and judgements are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In the process of applying the Corporation’s accounting policies, management has made the following estimates and judgments, which have the most significant effect on the amounts recognised in the financial statements:

4.1 *Functional currency*

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

4.2 *Impairment losses on receivables*

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

4.3 *Impairment of plant and machinery*

The Corporation's main plant and equipment are generators that produce electricity, distribution network that supply electricity and water treatment plants that supply treated water to the country. A decline in the value of those plant and equipment could have a significant effect on the amounts recognised in the financial statements. Management assesses the impairment of those plant and equipment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors that are considered important which could trigger an impairment review include the following:

(i) Significant change in the useful life which would be expected from the passage of time or normal use.

(ii) Significant changes in the technology and regulatory environments.

(iii) Evidence that the performance of the plant and equipment could have negative impact on the operating results.

4.4 *Government Grants*

The Corporation receives contributions from the Government of Seychelles towards investments in capital projects for improvements of infrastructure and ameliorating services being offered. Significant judgment is required to determine whether these contributions are in the nature of government grants, in which case they are recognized in the Income Statement systematically in accordance with the related liability or expense, or in the form of equity, in which case they are recognized in the statement of financial position as capital contributions.

4. **SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS** *Continued*

4.5 ***Estimated useful lives of property, plant and equipment***

Estimated useful lives and residual values of property, plant and equipment are assigned based on the intended use of respective assets and their economic lives. Subsequently if there are changes in circumstances such as technological advances or prospective utilisation of the assets concerned that could result in the actual useful lives or residual values differing from initial estimates, the estimated useful lives and residual values are re-adjusted in line with the current circumstances. The Management has reviewed the residual values and useful lives of major items of property, plant and equipment and determined necessary adjustments.

4.6 ***Employee benefit obligation***

Employee benefit obligation (other than defined monthly contributions to pension fund with no further obligations) comprise gratuity; compensation for length of service determined based on length of service; unutilised leave pay; and end of contract bonus on fixed term contracts. The present value of these obligations depend on a number of factors and assumptions that are required to be estimated for the purpose of determining the liability. The assumptions used in determining the net cost should include the discount rate and any changes in these assumptions will impact the carrying amount of the total obligation.

The present value of the obligation is normally determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

Employment benefit liability has been determined using the method suggested by the Seychelles Employment Act and the Management has estimated that the amount of liability provided will not be materially different had it been computed by an external Actuary.

4.7 ***Capitalisation of Projects***

The Corporation capitalises development costs for projects in accordance with its accounting policies. Initial capitalisation of costs is based on management’s judgment that technological and economical feasibility is confirmed, usually when a project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits. Capitalisation is based on technical evaluation carried out internally by the Corporation's project team.

4.8 ***Limitation of sensitivity analysis***

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

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

5. PROPERTY, PLANT AND EQUIPMENT

	Land & Buildings	Dams & Reservoirs	Water & Sewerage Treatment Works	Water & Sewerage Networks	Electricity Generation works	Electricity Distribution Networks	Other Plant & Machinery	Operating Equipment	Office Equipment	Furniture & Fittings	Motor Vehicles	Total
	SR	SR	SR	SR	SR	SR	SR	SR	SR	SR	SR	SR
COST												
At January 1, 2018	265,301,589	142,000,563	411,307,171	450,570,228	1,004,559,270	258,791,704	447,376,270	10,795,978	30,713,879	3,375,902	58,006,284	3,082,798,838
Additions	16,201,807	26,293,427	65,566,087	160,606,414	65,079,872	139,886,664	21,807,134	324,281	3,986,519	74,145	14,516,956	514,343,306
Disposals	-	-	-	-	-	-	-	-	-	-	(3,454,553)	(3,454,553)
At December 31, 2018	**281,503,396**	**168,293,990**	**476,873,258**	**611,176,642**	**1,069,639,142**	**398,678,368**	**469,183,404**	**11,120,259**	**34,700,398**	**3,450,047**	**69,068,687**	**3,593,687,591**
ACCUMULATED DEPRECIATION												
At January 1, 2018	94,785,050	33,465,347	255,695,050	198,459,580	390,916,428	173,197,998	213,038,907	10,638,607	23,911,310	3,214,271	31,788,730	1,429,111,278
Charge for the year	6,039,589	4,214,601	25,752,123	17,969,167	56,030,986	10,196,771	40,285,835	57,966	2,586,222	30,147	8,723,510	171,886,917
Disposals	-	-	-	-	-	-	-	-	-	-	(3,454,553)	(3,454,553)
At December 31, 2018	**100,824,639**	**37,679,948**	**281,447,173**	**216,428,747**	**446,947,414**	**183,394,769**	**253,324,742**	**10,696,573**	**26,497,532**	**3,244,418**	**37,057,687**	**1,597,543,642**
NET BOOK VALUE												
At December 31, 2018	**180,678,757**	**130,614,042**	**195,426,085**	**394,747,895**	**622,691,728**	**215,283,599**	**215,858,662**	**423,686**	**8,202,866**	**205,629**	**32,011,000**	**1,996,143,949**
COST												
At January 1, 2017	254,253,539	141,841,676	324,555,190	434,680,806	1,004,559,270	254,991,880	445,574,033	10,640,641	27,873,953	3,302,256	50,216,838	2,952,490,082
Additions	11,048,050	158,887	86,751,981	15,889,422	-	3,799,824	1,802,237	155,337	2,839,926	73,646	13,868,596	136,387,906
Disposals	-	-	-	-	-	-	-	-	-	-	(6,079,150)	(6,079,150)
At December 31, 2017	**265,301,589**	**142,000,563**	**411,307,171**	**450,570,228**	**1,004,559,270**	**258,791,704**	**447,376,270**	**10,795,978**	**30,713,879**	**3,375,902**	**58,006,284**	**3,082,798,838**
ACCUMULATED DEPRECIATION												
At January 1, 2017	89,111,048	30,167,565	246,439,174	183,634,860	345,228,427	165,581,904	173,116,537	10,572,357	21,903,617	3,188,750	30,925,867	1,299,870,106
Charge for the year	5,674,002	3,297,782	9,255,876	14,824,720	45,688,001	7,616,094	39,922,370	66,250	2,007,693	25,521	6,930,654	135,308,963
Disposals	-	-	-	-	-	-	-	-	-	-	(6,067,791)	(6,067,791)
At December 31, 2017	**94,785,050**	**33,465,347**	**255,695,050**	**198,459,580**	**390,916,428**	**173,197,998**	**213,038,907**	**10,638,607**	**23,911,310**	**3,214,271**	**31,788,730**	**1,429,111,278**
NET BOOK VALUE												
At December 31, 2017	**170,516,539**	**108,535,216**	**155,612,121**	**252,110,648**	**613,642,842**	**85,593,706**	**234,337,363**	**157,371**	**6,802,569**	**161,631**	**26,217,554**	**1,653,687,560**

5. **PROPERTY, PLANT AND EQUIPMENT** *Continued*

(a) Certain land parcels acquired by the Corporation are not registered in the name of the Corporation due to the following reasons:

(i) Land parcels acquired from the Government of Seychelles are being allocated to the Corporation and not physically transferred to the Corporation. This is in line with the policy of the Government to allocate land parcels to the Corporation based on its requirements. The Government of Seychelles is the ultimate beneficiary and owner of the Corporation.

(ii) Land & Buildings and Dam & Reservoirs include 9 land parcels acquired at cost of SR 16,909,445 (2 land parcels at cost of SR 1,171,301 included in Land & Buildings and 7 land parcels at cost of SR 15,378,144 included in Dams & Reservoirs) from third parties have not been registered in the name of the Corporation. The registration process is currently ongoing.

(b) In the year 2014, certain buildings carried by the Corporation at net book value of SR. 3,195,109 that were not in use and not in good condition were impaired. Whereas impairment was deferred with respect to buildings under the same criteria of impairment having net book value of SR. 235,574 as the Corporation is of the opinion that they can be repaired and continued to be used to their estimated balance useful lives.

(c) The Corporation was carrying certain generators that were completely written off prior to the year 2014, though they have been still in use. During the year 2014 the management, with assistance of concerned technical teams evaluated the extended useful lives of all the generators and have identified that except one generator all the others are fully functional and are having sufficient useful life to carry them for at least next 5 years. Completely writing them off in the prior years is an error in estimation and the management has rectified the error during the year 2014. Consequently depreciation charged off aggregating to SR. 3,709,981 up to the January 1, 2014 was written back by restating the prior year's financials in the year 2014. Useful lives of those assets were re-assessed during the current financial year. No significant changes were found to their estimated useful lives re-assessed in the year 2014.

6. **INTANGIBLE ASSETS**

Computer software

	2018	2017
	SR	SR
COST		
At January 1,	**32,555,071**	32,029,618
Addition during the year	**-**	525,453
At December 31,	**32,555,071**	32,555,071
AMORTISATION		
At January 1,	**12,572,134**	6,193,218
Amortisation for the year	**6,260,414**	6,378,916
At December 31,	**18,832,548**	12,572,134
Net book value December 31,	**13,722,523**	19,982,937

7. CAPITAL WORK IN PROGRESS

	2018	2017
	SR	SR
At January, 1	**747,743,968**	516,578,179
Expenditure during the period	**507,523,409**	353,092,725
	1,255,267,377	869,670,904
Transfer to PPE during the year :		
Buildings	**(15,428,714)**	(11,048,050)
Water & Sewerage treatment works	**(49,707,836)**	(1,061,199)
Water and sewerage networks	**(198,712,650)**	(101,580,204)
Electricity distribution networks	**(139,886,664)**	(3,799,824)
Others	**(127,327,604)**	(4,437,659)
	(531,063,468)	(121,926,936)
At December 31,	**724,203,909**	747,743,968

(i) Included in capital work in progress above are specific projects funded jointly by European Investment Bank ('EIB') and Agence Francaise De Developpement ('AFD'); and certain projects funded by African Development Bank ('AfDB'), Arab Bank for Economic Development of Africa ('BADEA') and The Saudi Fund for Development ('SAFD') which are detailed below. Drawdowns from the approved loan facilities from EIB, AFD and AfDB are held by the Government of Seychelles in separate accounts with the Central Bank of Seychelles to ensure specific disbursements as per the terms of the loan agreements. Movements in the Central Bank of Seychelles account are also analysed below.

	2018	2017
	SR	SR
Details of Capital Projects:		
Consultancy costs	**3,370,636**	3,452,390
Non revenue water program	**1,541,739**	18,461,219
Consultancy costs for design and construction	**21,345,552**	10,889,710
Improvements to Mahe and La Digue Water system	**72,797,339**	6,606,498
Raising of the La Gogue Dam	**32,615,413**	16,052,226
33kv cable from Turtle Bay to Anse Boileau	**163,810,893**	59,925,885
	295,481,572	115,387,928
Source of funding for the above projects:		
European Investment Bank ('EIB')	**55,198,841**	22,113,349
Agence Francaise De Developpement ('AFD")	**43,856,425**	12,240,663
African Development Bank ('AfDB')	**32,615,413**	21,108,031
Arab Bank for Economic Development in Africa ('BADEA')	**52,804,428**	21,407,773
The Saudi Fund For Development ('SAFD')	**111,006,465**	38,518,112
	295,481,572	115,387,928
Movements in balances held with Central Bank of Seychelles:		
At January 1,	**50,673,119**	73,405,704
Drawdown during the year	**191,124,852**	7,768,608
Utilised during the year	**(100,451,586)**	(28,099,076)
Exchange rate fluctuation	**(1,783,670)**	(2,402,117)
At December 31,	**139,562,715**	50,673,119
Balances held with Central Bank of Seychelles denominated in Euro:		
European Investment Bank ('EIB')	**3,842,795**	2,165,560
Agence Francaise De Developpement ('AFD")	**4,847,503**	808,465
	8,690,298	2,974,025
Balances held with Central Bank of Seychelles denominated in USD:		
African Development Bank ('AfDB')	**-**	109,483
Arab Bank for Economic Development in Africa ('BADEA')	**19,726**	-
	19,726	109,483

7. **CAPITAL WORK IN PROGRESS** *Continued*

(ii) Capital work in progress are carried at cost. Capitalisation of completed projects is carried out on an annual basis or as and when they are completed based on the technical evaluation carried out by the projects division of the Corporation.

8. **TRADE AND OTHER RECEIVABLES**

	2018	2017
	SR	SR
Gross Trade Receivables (notes (a) to (e))	**166,986,378**	152,333,731
Storage tank loan receivables	**1,303,443**	1,376,565
Less : Provision for credit impairment (note (f))	**(47,523,306)**	(22,892,646)
Net Trade Receivables	**120,766,515**	130,817,650
Loans and Advances to staff (note (g))	**3,652,774**	3,625,946
Unbilled Units (note (h))	**59,217,446**	50,715,915
Operating expenditure	**7,779,026**	4,200,727
Prepayments	**176,426,450**	118,299,121
Other receivables	**17,522,987**	9,628,001
VAT Receivable (note (i))	**17,866,788**	9,277,769
	403,231,986	326,565,129
Analysed as:		
Due beyond one year	**1,441,762**	1,489,832
Due within one year	**401,790,224**	325,075,297
	403,231,986	326,565,129

(a) The carrying amount of 'trade and other receivables' approximate their fair value.

(b) Certain amounts of trade receivable bears surcharge at 2% per month for late payments.

(c) At December 31, 2018, trade receivables include **SR. 26,472,911** (2017 : SR. 32,804,401) from Government and parastatal organisations which is fully recoverable.

(d) At December 31, 2018, trade receivables include **SR. 46,357,239** (2017 : SR. 40,428,315) were past due but not impaired. These relate to number of independent customers for whom there is no recent history of default. The aged analysis of these trade receivables is as follows:

	2018	2017
	SR	SR
Less than 30 days	**95,343,104**	81,160,812
31 to 60 days	**25,286,035**	30,744,605
61 to 90 days	**6,301,367**	5,281,478
Over 90 days	**40,055,872**	35,146,836
	166,986,378	152,333,731

(e) The carrying amount of trade receivables are denominated in Seychelles Rupees.

(f) Movement in the provision for credit impairment of trade and other receivables is as follows:

	2018	2017
	SR	SR
At January 1,	**22,892,646**	16,188,554
Effect on initial application of IFRS 9	**13,828,832**	-
Provision made during the year	**16,389,584**	6,704,092
Provision for prepayment reversed during the year	**(5,587,756)**	-
At December 31,	**47,523,306**	22,892,646

8. **TRADE AND OTHER RECEIVABLES** *Continued*

(g) Loans and advances to staff are interest bearing and are analysed as follows:

	2018	2017
	SR	SR
Due within one year	**2,211,012**	2,136,114
Due beyond one year	**1,441,762**	1,489,832
	3,652,774	3,625,946

(h) The billing cycle of the Corporation is area based which results in different billing dates for customers. The Corporation accrues revenue for proportionate unbilled units to complete 12 months billing cycle for each customer.

(i) This pertains to claims pending on capital projects.

(j) The Corporation does not hold any collateral as security in respect of trade and other receivables.

9. **INVENTORIES**

	2018	2017
	SR	SR
Materials and consumables:		
Electricity generation fuel and lubricants	**22,137,035**	24,055,427
Spare parts and non saleable items	**699,034,676**	600,935,014
	721,171,711	624,990,441

In order to provide uninterrupted electricity and water; and maintain sanitation, the Corporation is required to carry substantial amount of spares for its plant, machinery and equipment. Although certain spares have not been used for a long period of time, their carrying in inventories is essential due to high lead time required for procuring them and the urgency of their requirement in case of breakdown of plant and equipment. The management is of the opinion that since they are useable, no provision is required for their obsolescence.

Certain spares specific to the old generators whose extended useful lives have been reassessed and adjusted in the financial statements are carried for a long period of time are carried at their original cost. Those spares carried at cost approximating to SR. 5.04 million (2017 : SR. 5.6 million) can be used only until the extended useful life of the old generators. These spares are essential for maintenance of those old generators.

10. **CASH AND CASH EQUIVALENTS**

	2018	2017
	SR	SR
Balances with banks	**258,410,657**	270,065,641
Term deposits with banks	**98,876,429**	98,347,297
Deposit with treasury	**139,562,715**	49,159,446
Cash on hand	**157,500**	153,000
Undeposited funds	**7,447,662**	4,210,488
	504,454,963	421,935,872

Term deposits with banks comprise short term call deposit and other short term deposits made for varying periods of between 7 Days and 12 Months, depending on the immediate cash requirements of the Corporation and earn interest at varying short term interest rates.

10. **CASH AND CASH EQUIVALENTS** *Continued*

Deposits of USD 3,634,000 were blocked against letter of credit facility provided by Nouvobanq to the Corporation (2017: Nil).

Borrowings from Government of Seychelles through Agence Francaise De Developpement, European Investment Bank and African Development Bank are received in the treasury account for spending on the projects. Those deposits are denominated in Euro and are non-interest bearing. Movements in these accounts are provided in Note 7 (i).

11. **ASSIGNED CAPITAL**

	2018	2017
	SR	SR
Transferred from:		
- Seychelles Electricity Corporation Limited	**42,069,280**	42,069,280
- Seychelles Water Authority	**8,551,125**	8,551,125
Loans taken over as capital contribution	**841,512,062**	841,512,062
Transfer of Revaluation Reserve (note (a))	**158,537,000**	158,537,000
Transfer of Capital Contribution Reserve (Note (b))	**389,074,124**	389,074,124
	1,439,743,591	1,439,743,591

(a) At April 1, 1992, the Government of Seychelles transferred certain dams, reservoirs, water and Sewerage treatment works and pipeline networks to the Corporation for which no consideration was paid by the Corporation. The Corporation recorded these assets at value determined by the technical team of the Corporation based on the current cost at the time of recording them in the books of the Corporation with a contra credit to the Revaluation Reserve Account. This was rectified retrospectively in the year 2014 by crediting the Assigned Capital towards contribution other than cash from the owner of the Corporation.

(b) Prior to the year 2010, the Corporation received contributions from the Government of Seychelles for major capital works undertaken by the Corporation. Subsequently certain capital grants were included in this account which were reclassified to Deferred Grants in the year 2010 and the amount received for major capital works was carried in this account with no further subsequent movements. This was rectified retrospectively in the year 2014 by crediting the Assigned Capital towards contribution other than cash from the owner of the Corporation.

12. **DEFERRED GRANTS**

	2018	2017
	SR	SR
At the beginning of the year	**1,110,221,304**	1,075,437,957
Received from Government of Seychelles	**108,981,927**	116,092,018
Received from others	**20,174,496**	1,171,492
	1,239,377,727	1,192,701,467
Less: Amortisation for the year	**(100,083,967)**	(82,480,163)
	1,139,293,760	1,110,221,304
Analysed as:		
Non current	**1,044,440,958**	1,023,148,198
Current	**94,852,802**	87,073,106
	1,139,293,760	1,110,221,304

13. **BORROWINGS**

	2018	2017
	SR	SR
Loan for infrastructure development from:		
- European Investment Bank (note (a))	**211,829,001**	129,329,224
- Agence Francaise De Developpement (note (a))	**155,345,286**	48,386,471
- The African Development Bank (note (b))	**54,127,323**	21,511,910
- The Arab Bank for Economic Development in Africa (note (c))	**74,212,201**	21,407,774
- The Saudi Fund For Development ('SFD') (note (d))	**149,524,577**	38,518,112
Loan for plant and equipment from Nouvobanq (note (e))	**-**	48,296,770
	645,038,388	307,450,261
Analysed as:		
Due beyond one year	**636,533,131**	234,789,791
Due within one year	**8,505,257**	72,660,470
	645,038,388	307,450,261

(a) The Corporation entered into two indemnity agreements relating to certainty of payment obligations under the European Investment Bank (EIB) and Agence Francaise De Developpement (AFD) with the Republic of Seychelles relating to the upgrade of Seychelles Water and Sewerage infrastructure. The total approved borrowing is Euro 36,737,000 of which Euro 26,737,000 would be financed by EIB and the balance Euro 10,000,000 by AFD. These loans bear interest at 6 months Euribor + margin 1.48% per annum and are repayable after the year 2018. Current balance represents drawdown and accrued interest payable.

(b) The Corporation has entered into an indemnity agreement relating to certainty of payment obligation under The African Development Bank (AfDB) with the Republic of Seychelles for financing part of the USD component and the entire Seychelles Rupee component of the Mahe Sustainable Water Augmentation Project (La Gogue). The total approved borrowing is USD 20,600,000 with closing date of drawdown as December 31, 2019. The loan bears interest at 6 months Libor + margin 0.60% per annum and is repayable after the Grace period of 5 years. Repayment amount is yet to be determined. Current balance represents drawdown at the balance sheet date. This project is also expected to be funded with three grants approximating to Euro 1.5 million.

(c) The Corporation has entered into an indemnity agreement relating to certainty of payment obligation under The Arab Bank for Economic Development in Africa (BADEA) with the Republic of Seychelles for financing the Improvement of Electricity Network in South Mahe Project. The total approved borrowing is USD 11,000,000 with closing date of drawdown as December 31, 2019. The loan bears interest at 2.5% per annum and is repayable after the Grace period of 5 years in 34 semi annual instalments with interest. Current balance represents drawdown at the balance sheet date.

(d) The Corporation has entered into an indemnity agreement relating to certainty of payment obligation under The Saudi Fund For Development (SFD) with the Republic of Seychelles for financing the Electrification of South Mahe Island Project - Second Phase. The total approved borrowing is Saudi Riyal 75,000,000 with closing date of drawdown as March 31, 2020. The loan bears interest at 2% per annum and is repayable in semi annual instalments of Saudi Riyal 2,500,000 with interest effective November 15, 2020. Current balance represents drawdown at the balance sheet date.

(e) The Corporation borrowed Euro 14,487,000 from Seychelles International Mercantile Banking Corporation Limited (Nouvobanq) for acquisition of plant and equipment. The loan bears interest averaging at 5.21% and is repayable at Euro 334,348 per month. This loan was fully repaid during the financial year under review.

14. TRADE AND OTHER PAYABLES

	2018	2017
	SR	SR
Trade payables	**114,868,894**	80,138,605
Other payables	**28,466,068**	6,745,938
Customer deposits	**37,175,032**	35,314,891
	180,509,994	122,199,434
Analysed as:		
Due beyond one year	**37,175,032**	35,314,891
Due within one year	**143,334,962**	86,884,543
	180,509,994	122,199,434

(a) The carrying amount of 'trade and other payables' approximate their amortised cost.

(b) Trade and other payables are denominated in the following currencies:

	2018	2017
	SR	SR
Euro	**5,554,176**	13,781,313
USD	**2,742,107**	2,517,521
SGD	**248,228**	(4,019,880)
ZAR	**403,294**	381,658
GBP	**(46,565)**	841,392
SR	**171,608,754**	108,697,430
	180,509,994	122,199,434

(c) The Corporation did not offer any securities with respect to Trade and other payables.

(d) Up to the financial year ended December 31, 2017, trade payables included a prepayment of SGD 510,778 equivalent to SR. 5,345,952 which the Corporation was contesting for recovery since the year 2007. The amount recoverable was restated at each balance sheet date and the exchange difference arising was charged to the Income Statement each year. The Corporation reversed the provision during the financial year under review as it is now determined that the prepayment is not recoverable.

(e) Customer deposits comprise the following:

	2018	2017
	SR	SR
Electricity	**32,721,543**	31,046,564
Water	**4,453,489**	4,268,327
	37,175,032	35,314,891

15. EMPLOYEE BENEFIT LIABILITIES

	2018	2017
	SR	SR
Accrued leave	**8,086,497**	6,741,745
Gratuity	**10,198,937**	9,627,600
Length of service compensation	**67,988,347**	55,675,535
Total employee benefit liabilities	**86,273,781**	72,044,880
Due within one year	**(1,764,073)**	(3,839,792)
Due beyond one year	**84,509,708**	68,205,088

Analysis of amounts due within one year:

	2018	2017
Accrued leave	**119,710**	262,391
Gratuity	**132,833**	2,051,917
Length of service compensation	**1,511,530**	1,525,484
	1,764,073	3,839,792

(a) The Corporation recognised and provided for employee benefit obligations arising on account of gratuity based on the regulations applicable to parastatal organisations; leave salary and length of service severance compensation based on the provisions of Seychelles Employment Act. With respect to fixed term employees, the Corporation used average grades of past years to compute the estimated end of contract bonus. The Corporation proposes to meet these liabilities as and when they fall due, out of its working capital.

(b) The Members have estimated that the provisions for employee benefits are reasonable and would not materially differ had the obligation been computed based on an actuarial valuation as mandated by IAS 19.

16. REVENUES FROM OPERATIONS

	2018	2017
	SR	SR
Supply of electricity	**1,366,623,988**	1,253,316,735
Supply of water	**230,046,477**	223,340,954
Disposal fees	**26,984,000**	26,080,853
Services	**31,216,735**	25,916,205
	1,654,871,200	1,528,654,747

Revenue from related parties:

Income from sales to Government and Government related entities:

	2018	2017
	SR	SR
Supply of electricity	**127,974,334**	122,754,151
Supply of water	**31,325,322**	25,913,011
Disposal fees	**6,039,542**	4,273,610
	165,339,198	152,940,772

17. OTHER INCOME

	2018 SR	2017 SR
Grant Income	**100,083,966**	82,480,163
Interest receivable on overdue trade debtors	**10,664,788**	11,267,342
Interest on term Deposits	**529,132**	538,408
Interest on loan to employees	**142,331**	137,942
Inter-corporation cost recoveries	**4,120,543**	3,805,084
(Loss)/Gain on exchange	**(3,347,412)**	2,777,215
Gain on disposal of equipment	**337,845**	665,314
	112,531,193	101,671,468

18. CONSUMABLES AND SPARES

	2018 SR	2017 SR
Generation fuel and lubricants	**839,316,737**	650,229,573
Materials and equipment charges	**25,618,007**	60,774,449
Other Consumables	**3,281,629**	5,485,514
Fuel and oil	**8,039,643**	6,122,564
	876,256,016	722,612,100

Purchase from related parties:

Purchase of fuel from a Government Company:

	2018 SR	2017 SR
Heavy fuel oil	**656,178,392**	511,223,768
Light fuel oil	**152,813,946**	126,560,493
	808,992,338	637,784,261

19. STAFF COST

	2018 SR	2017 SR
Salaries	**196,892,526**	182,128,965
Members' emoluments (note (a))	**2,100,620**	1,505,693
Pension contribution	**3,511,930**	2,595,009
Long service gratuities and compensation (notes (b to d))	**21,917,716**	15,052,924
Other employee related costs	**22,164,995**	18,470,182
	246,587,787	219,752,773

(a) ***Members' emoluments:***

		2018	2017
Mr. Eddy Belle	Chairman	**83,220**	95,965
Mr. Philippe Morin	Chief Executive Officer	**1,740,000**	1,105,728
Other fees	Non-executive members	**277,400**	304,000
		2,100,620	1,505,693

19. **STAFF COST** *Continued*

(b) The Corporation provides for end of contract bonus with respect to fixed term employees. The total provision as the year end for the financial year under review is SR. 2,824,134 (2017: SR. 1,525,484) with respect to all existing fixed term contracted employees. End of contract bonus is payable based on their individual performance which is assessed at the end of the contract. For the purpose of provision, the Management estimated the liability based on the prior years' average.

(c) An actuarial valuation is not performed on post employment and other benefits as the net impact of the discount rate and future salary and benefits level on the present value of the benefits obligation is not expected by management to be significant.

(d) Employment benefit liability has been determined using the method suggested by the Seychelles Employment Act and the Management has estimated that the amount of liability provided will not be materially different had it been computed by an external Actuary.

20. **OPERATING AND OTHER EXPENSES**

	2018	2017
	SR	SR
Electricity	**72,639,456**	78,428,105
Repairs and maintenance	**136,943,333**	142,949,656
Tree clearance	**7,608,450**	9,730,659
Drought expenses	**12,222**	412,435
Utility charges	**8,616,545**	7,620,564
Rent	**2,723,494**	2,107,758
Hire	**15,747,715**	24,138,785
Licenses and insurance	**2,052,709**	1,991,704
Administration expenses	**56,018,215**	40,425,038
Audit fee	**415,000**	355,000
Other professional services	**-**	60,000
Provision for credit impairment	**16,047,764**	6,704,092
	318,824,903	314,923,796

21. **CAPITAL COMMITMENTS**

	2018	2017
	SR	SR
Major capital commitments for capital projects	**1,802,405,346**	1,826,319,116

22. **CONTINGENT LIABILITIES**

	2018	2017
	SR	SR
Litigations by third parties	**3,250,000**	3,367,508

The Members are of the opinion that none of the contingencies would end up with material liability to the Corporation which may impact the presentation of the financial statements at the reporting date.