

**PUBLIC UTILITIES CORPORATION**  
**Member's report & Audited Financial Statements**  
**for the year ended 31 December 2020**



**PUBLIC UTILITIES CORPORATION**

**MEMBERS' REPORT & AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020**

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## MEMBERS' REPORT

The Members are pleased to present their report together with the audited financial statements of the Corporation for the year ended 31 December 2020.

## CORPORATION

The Public Utilities Corporation (the 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; and treatment and disposal of waste water. These activities have remained unchanged as compared to the prior financial years.

## RESULTS

	SR
Loss for the year	(253,879,046)
Retained earnings brought forward	983,051,884
<b>Retained earnings carried forward</b>	<b><u>729,172,838</u></b>

## PROPERTY, PLANT AND EQUIPMENT

Additions to property, plant and equipment of **SR 42 million** during the year comprised mainly of strategic parts, motor vehicles, other equipment and furniture and fittings (2019: SR 32 million).

Additions to work in progress amounted to **SR 393 million** (2019: SR 826 million).

Assets totalling **SR 101 million** (2019: SR 83 million) were transferred from work in progress to property, plant and equipment.

Property, plant and equipment are stated at cost less accumulated depreciation. The Members are of the opinion that the carrying amounts of property, plant and equipment at the reporting date approximate their fair value.

## IMPACT OF COVID 19

The outbreak of COVID-19 in early 2020 brought considerable uncertainty and economic disruptions around the globe. The Corporation was subject to significant financial hardship during 2020 due to drop in revenue as a result of reduced level of tourism and related industries, and increase in costs due to escalation of exchange rates. As the long term loans of the Corporation are denominated in foreign currency, total liability increased drastically and this had a severe impact on the Corporation's gearing ratio. Due to the depreciation of the Seychelles Rupee, fuel prices also increased thereby leading to a loss of SR 254m in 2020 as compared to a profit of SR 111m in 2019. In anticipation of further financial impact several projects were put on hold and even postponed until the situation normalises.

## MEMBERS' REPORT (CONTINUED)

## IMPACT OF COVID 19 (CONTINUED)

Effective November 2020, a management committee was set up with main objective, to review and approve all expenses expected to be incurred by the Corporation. This committee has been functioning well and is scrutinising all expenses which the Corporation has the authority to approve on its own. In addition, throughout the organisation, cost cutting measures were implemented, most importantly with respect to overtime costs which were brought down by 46.5% (SR 13.7m) in the last three quarters of 2020 compared to the last three quarters of 2019. Management is also looking at its inventory holding level and making effective use of inventories in stock to avoid any unnecessary procurement.

Despite the severe negative impact of Covid 19, it is not anticipated that the going concern status of the Corporation will be affected. This is because the Corporation is a Government owned entity and provides three essential utility services in spite of the fact that there could be interruptions but nevertheless these services will not stop. Moreover it is anticipated that the commercial revenue will pick up following the opening of the country's borders and incoming of tourists who contribute to increase foreign exchange income. We have recently seen a sudden appreciation of the Seychelles Rupee which has resulted in a fall in fuel prices and revaluation gains arising from PUC's liabilities. If the Corporation continues in its trend to monitor its costs and if the world continues its vaccination programmes so that more countries can lift travel restrictions and open borders, then the situation will get better hence industries in Seychelles, which are very much dependent on foreign currency fluctuations, will be better able to carry on their activities and therefore the Corporation can soon expect a turnaround.

With the above in mind, the Members of the Corporation together with Management are confident that they will continue to have the financial and otherwise support of their main Shareholder and are therefore of the opinion that the going concern basis of preparation of these financial statements remains appropriate in the foreseeable future.

## MEMBERS AND MEMBERS' INTEREST

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

Chairman	Mr. Eddy Belle (Resigned effective April 12, 2021)
Chief Executive Officer	Mr. Philippe Morin
Non-executive members:	Ms. Irene Croise (Appointed effective October 15, 2020)
	Mr. Yannick Vel (Replaced effective October 14, 2020)
	Mrs. Nanette Laure
	Mr. Stephen Rousseau
	Dr. Selwyn Gendron
	Mr. Philippe Chong-Seng

Members hereby confirm that none of them 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.

## MEMBERS' REPORT (CONTINUED)

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**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 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 misstatements 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 BDO Associates to perform the statutory audit for the year under review and to report their findings to the Auditor General.

Signed in accordance with the authorisation of the Board



**Mr. Philippe Morin**  
Chief Executive Officer



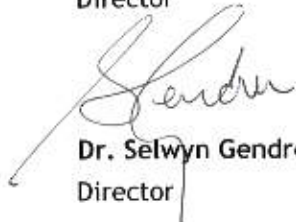
**Ms. Irene Croise**  
Director



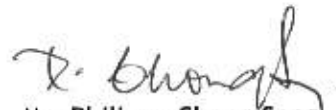
**Mrs. Nanette Laure**  
Director



**Mr. Stephen Rousseau**  
Director



**Dr. Selwyn Gendron**  
Director



**Mr. Philippe Chong-Seng**  
Director

Dated: 19 AUG 2021  
Victoria, Seychelles





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Victoria, Republic of Seychelles

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Please address all correspondence to the Auditor General

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### **OPINION OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF THE PUBLIC UTILITIES CORPORATION FOR 2020**

#### **Opinion**

The accompanying financial statements set out on pages 5 to 43, which comprise of the statement of financial position as at 31<sup>st</sup> December 2020, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies, have been audited on my behalf by BDO Associates, appointed under section 19 of the Auditor General Act, 2010. As per the agreement with the auditors, they have reported to me the results of their audit and on the basis of their report, I am satisfied that all information and explanations which, to the best of my knowledge and belief, where necessary for the purpose of the audit have been obtained.

Accordingly, in my opinion,

- (a) proper accounting records have been kept by the Corporation as far as it appears from examination of those records; and
- (b) the financial statements on pages 5 to 43 give a true and fair view of the financial position of the Corporation as at 31<sup>st</sup>, December 2020 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the provisions of the Public Utilities Corporation Act, 1985, as amended and the Public Enterprise Monitoring Commission Act, 2013.

#### **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 the financial statements in Seychelles. I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my opinion.

#### **Emphasis of Matter**

Despite the ongoing COVID-19 pandemic and its effects on the economy in general, the Corporation's Board and Management are confident and of the opinion that the going concern basis of preparation of these financial statements remains appropriate in the foreseeable future.

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

### **Responsibilities of the Management and those charged with Governance**

The Management is responsible for the preparation of the financial statements in accordance with International Financial Reporting Standards and in compliance with the requirements of the Public Utilities Corporation Act, 1985, and Public Enterprise Monitoring Commission Act 2013, and for such internal control as the members 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 members are responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Government either intend to liquidate the Corporation or to cease operations, or have no realistic alternative but to do so.

### **Auditor General's responsibilities for the audit of financial statements**

The audit objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and issue an auditor's report in accordance the Public Utilities Corporation Act, 1985. 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 Corporation's internal control;
- evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors;
- concludes on the appropriateness of the Board of Directors' use of going concern basis of accounting and, based on the audit evidence obtained, concludes whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern.

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

- evaluates the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtains sufficient appropriate audit evidence regarding the financial information of the entity or business activities within the Corporation to express an opinion on the financial statements. The auditor is responsible for the direction, supervision and performance of the audit. I remain responsible for the audit opinion; and
- communicates with directors among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

#### **Report on Other Legal and Regulatory Requirement**

In satisfying both the Public Utilities Corporation Act, 1985 and the Public Enterprise Monitoring Commission Act, 2013, the Auditor informed that he has no relationship with, or interests in, the Corporation other than in its capacity as auditor and dealing in the ordinary course of business and that he has obtained all information and explanations required and maintains that proper accounting records have been kept by the Corporation as far as it appears from his examination of those records.



**Gamini Herath**  
**Auditor General**

23 August 2021  
Victoria, Seychelles



STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2020

Figures in SR

Description	Notes	2020	2019
<b>Revenue</b>			
Revenue from operations	5	1,523,019,225	1,684,876,453
Other income	6	102,581,455	107,130,858
		<u>1,625,600,680</u>	<u>1,792,007,311</u>
<b>Expenditure</b>			
Consumables and spares	7	779,641,456	910,786,839
Staff costs	8	283,842,329	281,582,496
Other operating overheads	9	185,445,509	276,627,639
Exchange differences	10	429,641,701	23,099,762
Depreciation of property, plant and equipment	12	180,623,459	179,803,668
Amortisation of intangible assets	14	8,278,054	8,109,424
Amortisation of right-of-use assets	15	5,434,711	3,770,578
<b>(Loss)/Profit from operations before financing activities</b>		<u>(247,306,539)</u>	<u>108,226,905</u>
Finance income	11(a)	11,451,344	11,001,989
Finance expense	11(b)	<u>(18,023,851)</u>	<u>(8,148,471)</u>
<b>(Loss)/Profit and other comprehensive (expense)/income for the year</b>		<u><u>(253,879,046)</u></u>	<u><u>111,080,423</u></u>

The notes on pages 9 to 43 form an integral part of these financial statements  
Auditor General's Opinion on pages 4 to 4(b)

## STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

Figures in SR

Assets	Notes	2020	2019
<b>Non-current assets</b>			
Property, plant and equipment	12	1,908,863,286	1,955,183,925
Capital work in progress	13	1,748,974,380	1,456,644,688
Intangible assets	14	8,673,836	16,951,890
Right-of-use assets	15(b)	4,424,267	7,154,808
Trade and other receivables	16	1,194,140	1,607,740
		<u>3,672,129,909</u>	<u>3,437,543,051</u>
<b>Current assets</b>			
Inventories	17	753,978,185	675,175,673
Trade and other receivables	16	233,316,957	378,518,757
Cash and bank balances	18	887,885,541	542,055,035
		<u>1,875,180,683</u>	<u>1,595,749,465</u>
<b>Total assets</b>		<u>5,547,310,592</u>	<u>5,033,292,516</u>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Assigned capital	19	1,439,743,591	1,439,743,591
Retained earnings		729,172,838	983,051,884
<b>Total equity</b>		<u>2,168,916,429</u>	<u>2,422,795,475</u>
<b>Non-current liabilities</b>			
Borrowings	20	1,748,705,637	1,107,306,772
Lease liabilities	15(d)	1,237,154	2,709,174
Trade and other payables	21	40,420,756	38,986,940
Employee benefit obligations	22	113,130,070	100,548,675
Deferred grants	23	971,121,409	993,061,328
		<u>2,874,615,026</u>	<u>2,242,612,889</u>
<b>Current liabilities</b>			
Borrowings	20	124,451,727	50,526,789
Lease liabilities	15(d)	3,597,914	4,748,241
Trade and other payables	21	260,090,516	205,221,475
Employee benefit obligations	22	7,702,383	5,291,522
Deferred grants	23	107,936,597	102,096,125
		<u>503,779,137</u>	<u>367,884,152</u>
<b>Total liabilities</b>		<u>3,378,394,163</u>	<u>2,610,497,041</u>
<b>Total equity and liabilities</b>		<u>5,547,310,592</u>	<u>5,033,292,516</u>

Signed in accordance with the authorisation of the Board on 19 AUG 2021 2021.



Mr. Philippe Morin  
Chief Executive Officer



Ms. Irene Croise  
Director

The notes on pages 9 to 43 form an integral part of these financial statements  
Auditor General's Opinion on pages 4 to 4(b)

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020 (CONTINUED)

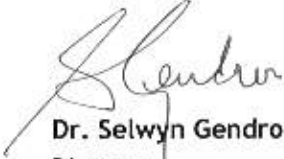
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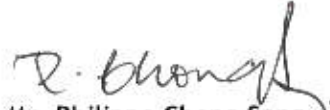
Mrs. Nanette Laure  
Director



Mr. Stephen Rousseau  
Director



Dr. Selwyn Gendron  
Director



Mr. Philippe Chong-Seng  
Director

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

Figures in SR

Description	Assigned capital	Retained earnings	Total
At 1 January 2020	1,439,743,591	983,051,884	2,422,795,475
Total Comprehensive Expense for the year	-	(253,879,046)	(253,879,046)
At 31 December 2020	<u>1,439,743,591</u>	<u>729,172,838</u>	<u>2,168,916,429</u>
At 1 January 2019 - as previously reported	1,439,743,591	872,069,527	2,311,813,118
Effect of adopting IFRS 9	-	(98,066)	(98,066)
At 1 January 2019 - as restated	<u>1,439,743,591</u>	<u>871,971,461</u>	<u>2,311,715,052</u>
Total Comprehensive Income for the year	-	111,080,423	111,080,423
At 31 December 2019	<u>1,439,743,591</u>	<u>983,051,884</u>	<u>2,422,795,475</u>

The notes on pages 9 to 43 form an integral part of these financial statements  
Auditor General's Opinion on pages 4 to 4(b)



## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2020

Figures in SR

Description	Notes	2020	2019
<b>OPERATING ACTIVITIES</b>			
(Loss)/Profit for the year		(253,879,046)	111,080,423
Adjustments for:			
Net gain on termination of leases	6	(75,002)	-
Amortisation of deferred grants	6 & 23	(102,506,453)	(107,130,858)
Finance income received	11	(11,451,344)	(11,001,989)
Finance expense	11	18,023,851	8,148,471
Strategic parts expensed	12	9,012,000	7,691,654
Depreciation of property, plant and equipment	12	180,623,459	179,803,668
Amortisation of intangible assets	14	8,278,054	8,109,424
Amortisation of right-of-use assets	15(b)	5,434,711	3,770,578
Provision of credit impairment	16(f)	(1,799,996)	(5,862,747)
Foreign currency differences on borrowings	20	726,159,833	24,294,675
Employee benefit obligations charge	22(b)	24,933,421	26,951,510
Exchange losses on cash and cash equivalents		(258,222,678)	(270,553)
Cash generated from operations		<u>344,530,810</u>	<u>245,584,256</u>
<b>Movement in working capital:</b>			
Decrease in trade and other receivables	16	147,415,396	28,968,237
Increase in inventories	17	(78,802,512)	(1,301,650)
Movement in bank balances retained for letters of credit	18	(601,052)	(9,401,806)
Increase in trade and other payables	21	56,302,857	63,698,421
		<u>468,845,499</u>	<u>327,547,458</u>
Interest receivable on overdue trade receivables	11	11,088,851	10,470,896
Employee benefit paid	22(b)	(9,941,165)	(7,385,094)
<b>Net cash inflow from operating activities</b>		<u>469,993,185</u>	<u>330,633,260</u>
<b>INVESTING ACTIVITIES</b>			
Additions to property, plant and equipment	12	(42,187,203)	(31,644,415)
Additions to capital work in progress	13	(393,457,309)	(826,295,247)
Movement in term deposits	18	(3,562,285)	(66,239)
Interest on term deposits	11	257,682	416,433
Interest on loan to employees	11	104,811	114,660
<b>Net cash outflow from investing activities</b>		<u>(438,844,304)</u>	<u>(857,474,808)</u>

The notes on pages 9 to 43 form an integral part of these financial statements  
Auditor General's Opinion on pages 4 to 4(b)

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

Figures in SR

Description	Notes	2020	2019
<b>FINANCING ACTIVITIES</b>			
Proceeds from borrowings	20	28,482,926	502,306,256
Repayment of borrowings	20	(39,318,956)	(13,805,759)
Government and other grants received	23	86,407,006	62,994,551
Principal paid on lease liabilities	15(c)	(5,251,515)	(3,566,037)
Interest paid	11	(18,023,851)	(8,148,471)
<b>Net cash inflow from financing activities</b>		<u>52,295,610</u>	<u>539,780,540</u>
Net change in cash and cash equivalents		<u>83,444,491</u>	<u>27,861,474</u>
Movement in cash and cash equivalents:			
At 1 January		525,790,641	497,658,614
Increase during the year		83,444,491	27,861,474
Exchange gain on cash and cash equivalents		258,222,678	270,553
<b>At 31 December</b>	18	<u>867,457,810</u>	<u>525,790,641</u>

The notes on pages 9 to 43 form an integral part of these financial statements  
Auditor General's Opinion on pages 4 to 4(b)

## 1. GENERAL 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.

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 have remained unchanged as compared to the prior financial years.

These financial statements of the Corporation are approved by the Members and presented to the Minister of Agriculture, Climate Change and Environment.

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

### a) Basis of preparation

The financial statements of Public Utilities Corporation have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS and are in compliance with the Public Utilities Corporation Act, 1985 (as amended).

These financial statements have been prepared under the historical cost convention as modified by the application of fair value measurements required or allowed by relevant accounting standards.

### b) New and amended standards and interpretations

#### *Amendments to published Standards effective in the reporting period*

Definition of a Business (Amendments to IFRS 3) clarifies the definition of a business to help determine whether a transaction should be accounted for as a business combination or an asset acquisition and permits, in certain circumstances, a simplified assessment that an acquired set of activities and assets is not a business. *The amendments have no impact on the Corporation's financial statements.*

Definition of Material (Amendments to IAS 1 and IAS 8) clarifies the definition of material and aligns the definitions used across IFRSs and other IASB publications. *The amendments have no impact on the Corporation's financial statements.*

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****b) New and amended standards and interpretations (Continued)**

Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7) provides relief from certain hedge accounting requirements in order to avoid unnecessary discontinuation of existing hedge relationships during the period before the replacement of an existing interest rate benchmark with an alternative interest rate. *The amendments have no impact on the Corporation's financial statements.*

Amendments to References to the Conceptual Framework in IFRS Standards relate to minor amendments to various standards to reflect the revised Conceptual Framework for Financial Reporting. *The amendments have no impact on the Corporation's financial statements.*

Covid-19-Related Rent Concessions (Amendment to IFRS 16) provides an option to apply a simplified accounting treatment to some lease modifications in the accounts of the lessee. *The amendment has no impact on the Corporation's financial statements.*

Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4) extends the temporary exemption to accounting periods beginning before 1 January 2023. *The amendments have no impact on the Corporation's financial statements.*

**c) Standards, Amendments to published Standards and Interpretation issued but not yet effective**

Certain standards, amendments to published standards and interpretations have been issued that are mandatory for accounting periods beginning on or after 1 January 2021 or later periods, but which the Corporation has not early adopted.

At the reporting date of these financial statements, the following were in issue but not yet effective:

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28);

IFRS 17 Insurance Contracts;

Classification of Liabilities as Current or Non-current (Amendments to IAS 1);

Annual Improvements 2018-2020;

Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);

Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37);

Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7);

Reference to the Conceptual Framework (Amendments to IFRS 3);

Amendments to IFRS 17 ; and

Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16).

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



**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****d) Use of estimates and judgements**

The preparation of financial statements in compliance with adopted IFRS requires the use of certain critical accounting estimates. It also requires Corporation's Management to exercise judgement in applying the Corporation's accounting policies. The areas where significant judgements and estimates have been made in preparing the financial statements and their effect are disclosed in note 3.

**2.1 Foreign Currencies***Functional and presentation currency*

Items included in the financial statements are measured using Seychelles Rupee (SR), the currency of the primary economic environment in which the entity operates ("functional currency"). The Financial Statements of the Corporation are presented in Seychelles Rupee, which is its 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 Statement of Profit or Loss.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate 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 at the date when the fair value was determined.

**2.2 Revenue****(i) Revenue from contracts with customers**

The Corporation's main revenue activity is the supply of electricity, water and sewerage services, which is recognised when electricity and water is consumed by the user, and when the services are delivered to the customer. Revenue is recognised when a customer obtains control of the goods or services supplied. The amount of revenue recognised is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. 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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

## 2.2 Revenue (Continued)

## (i) Revenue from contracts with customers (Continued)

<i>Revenue activity</i>	<i>Nature and timing of satisfaction of performance obligation, including significant payment terms</i>	<i>Revenue recognition</i>
Electricity sales	Performance obligation is settled when electricity is supplied to the customer. Most customers pay for electricity after consumption and have 30 days to pay. Some customers prepay for electricity.	Revenue is recognised over time as electricity is consumed by the customer (i.e. when control is transferred) and is billed for on a monthly basis. Revenue is measured based on the consideration specified in the contract with the customer and excludes amounts collected on behalf of third parties.
Water and Sewerage Services	Performance obligation is settled when water is supplied to the customer and sewerage services is delivered to the customer. Most customers pay for water and sewerage services after consumption and have 30 days to pay.	Revenue is recognised over time as water is consumed by the customer (i.e. when control is transferred) and is billed for on a monthly basis. Revenue is measured based on the consideration specified in the contract with the customer and excludes amounts collected on behalf of third parties.
Other	Ad hoc requests for electricity-related services that are distinct from the sale of electricity or the connection of customers to the grid.	Revenue is recognised at a point in time when the service is completed.

## (ii) Grant income

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.

## (iii) Interest income

Interest income is calculated by applying the Effective Interest Rate (EIR) to the gross carrying amount of non-credit impaired financial assets (i.e. at amortised cost of the financial asset before adjusting for any expected credit loss allowance), or to the amortised cost of financial liabilities.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.3 Property, plant and equipment

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.

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 property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are charged to the Statement of Profit or Loss. 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:

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.3 Property, plant and equipment (Continued)**

	Years
Buildings, Dams and reservoirs	50
Storage tanks	20
Water and sewerage treatment works and networks	30-50
Electricity generation plant and 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 Statement of Profit or Loss.

The Corporation's property plant and equipment include engineering parts, which are considered strategic and are of capital nature which have a life span of over one year and have met the property plant and equipment's capitalisation criteria.

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

Property, plant and equipment are subject to impairment in line with the Corporation's policy as described in *note 2.6* impairment of non-financial assets.

**2.4 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 infinite.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures are recognised in the Statement of Profit or Loss when incurred.

Intangible assets are amortised on a straight-line basis in the Statement of Profit or Loss 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 is 5 years. Intangible assets' residual value, useful life and amortisation methods are reviewed and adjusted if appropriate, at the end of each reporting period.



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.4 Intangible assets (Continued)

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 Statement of Profit or Loss when the asset is derecognised.

The intangible assets are subject to impairment in line with the Corporation's policy as described in *note 2.6* impairment of non-financial assets.

### 2.5 Leases

The Corporation assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Corporation applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Corporation recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

#### i) Right-of-use assets

The Corporation recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term.

The right of use assets are subject to impairment in line with the Corporation's policy as described in *note 2.6* impairment of non-financial assets.

#### ii) Lease liabilities

At the commencement date of the lease, the Corporation recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (less any lease incentives receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Corporation and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

**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 Property, plant and equipment, Right of use asset, Intangible assets and Other non-financial assets may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Corporation estimates the assets recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's (CGU) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups 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.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

Provision for credit impairment is recognised in the Statement of Profit or Loss under Other operating expenses (*note 9*).

**2.7 Financial assets****a) Initial recognition**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets are recognised when the Corporation becomes a party to the contractual provisions of the respective instrument.

**b) Classification and Measurement**

With the exception of trade receivables that do not contain a significant financing component or for which the Corporation has applied the practical expedient, the Corporation initially measures a financial asset at its fair value plus transaction costs. Trade receivables that do not contain a significant financing component or for which the Corporation has applied the practical expedient are measured at the transaction price.

The classification of financial assets depends on the financial asset's contractual cash flow characteristics and the Corporation's business model for managing them.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.7 Financial assets (Continued)****b) *Classification and Measurement continued***

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Corporation's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in Statement of Profit or Loss when the asset is derecognised, modified or impaired. The Corporation's financial assets at amortised cost includes trade and other receivables and cash and bank balances.

**c) *Impairment of financial assets***

The Corporation assesses, on a forward looking basis, the expected credit losses ("ECL") associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Corporation applies the simplified approach to IFRS 9 to measure the loss allowance which uses lifetime expected losses. The Corporation determines the expected credit losses by using a provision matrix, estimated on historical credit loss experience and based on past due dates of the receivables adjusted appropriate to reflect current conditions and estimates of future economic conditions. *Note 16(g)* include further details on loss allowances on receivables.

No impairment was recognised for cash and bank balances and other receivables since the Members are of the opinion that the risk of default is negligible.

**d) *Derecognition***

Financial assets are derecognised when the right to receive cash flows from the asset has expired or has been transferred and the Corporation has transferred substantially all risks and rewards of ownership.

**2.8 Inventories**

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.8 Inventories (Cont'd)**

The Corporation inventories include engineering parts , which are considered strategic and are of capital nature which have a life span of over one year, however have not met the property plant and equipment's capitalisation criteria.

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Weighted average cost is used to determine the cost of ordinarily interchangeable items.

**2.9 Cash and cash equivalents**

For the purpose of presentation in the Statement of Cash Flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and bank overdrafts if any.

**2.10 Assigned capital**

Financial instruments issued by the Corporation are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset.

**2.11 Deferred grant**

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 Statement of Profit or Loss as Grants Income.

**2.12 Borrowings and finance costs**

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 Statement of Profit or Loss over the period of the borrowings using the effective interest method. Borrowings are classified as current or non - current liabilities depending on the repayment period.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.12 Borrowings and finance costs (Continued)**

Borrowing costs are capitalised, net of interest received on cash drawn down yet to be expended when they are directly attributable to the acquisition, contribution or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

**2.13 Employee benefit obligation****Short-term employee benefits**

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as bonuses and non-monetary), are recognised in the period in which the service is rendered and are not discounted.

**Defined contribution schemes**

A defined contribution plan is a pension plan under which the Corporation pays a fixed contribution into a separate entity. The Corporation has no legal or constructive obligations to pay further contributions if the separate entity funds do not hold sufficient assets to pay all employees the benefits relating to employees service in the current and prior periods.

The Corporation and Seychellois employees contribute to the Seychelles Pension Fund (SPF). This is a pension scheme which was promulgated under the Seychelles Pension Fund Act, 2005.

**Defined benefit schemes**

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.

**2.14 Trade and other payables**

These amounts represent liabilities for goods and services provided to the Corporation prior to the end of the reporting period which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the EIR method.

**2.15 Provisions**

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

### 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgments 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.

The Corporation makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed as follows:

#### 3.1 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.

#### 3.2 Calculation of expected credit loss allowance (ECL)

The Corporation recognises lifetime expected credit losses (ECL) for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Corporation's historical credit loss experience. For all other financial instruments, the Corporation recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. The ECL 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.

ECL for cash and bank balances, and other receivables has been deemed to be negligible.

#### 3.3 Impairment of non- financial assets

The Corporation's main non-financial assets 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 non-financial assets 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.

**3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)****3.4 Government Grants**

The Corporation receives contributions from the Government of Seychelles and other external entities towards investments in capital projects for improvements of infrastructure and ameliorating services being offered. Significant judgement is required to determine whether these contributions are in the nature of government grants, in which case they are recognized in the Statement of Profit or Loss 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.

**3.5 Depreciation and estimated useful lives of non-financial assets**

Estimated useful lives and residual values of non-financial assets 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 readjusted 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 where applicable.

**3.6 Employee benefit obligations**

Employee benefit obligations (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.

**3.7 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 judgement 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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**3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)****3.8 Calculation of unbilled units**

Revenue from unbilled services at the reporting date is recognised as accrued, based on the past experience of the consumption pattern and effective rates thereof as services are already provided.

**3.9 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.

**3.10 Going concern**

The Members consider that it is appropriate to continue to adopt the going concern basis in preparing these financial statements. In reaching this assessment, the Members have considered the implications of the COVID-19 pandemic macroeconomic and geopolitical headwinds upon the Corporation's performance and projected funding and capital position. (Refer to Members' Report pages 1 - 2).

**4. FINANCIAL INSTRUMENTS - RISK MANAGEMENT**

The Corporation is exposed through its operations to the following financial risks:

- Currency risk;
- Cash flow and fair value interest rate risk;
- Credit risk; and
- Liquidity risk.

In common with all other businesses, the Corporation is exposed to risks that arise from its use of financial instruments. This note describes the Corporation's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Corporation's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

The principal financial instruments used by the Corporation, from which financial instrument risk arises, are as follows:

- Trade and other receivables;
- Cash and cash equivalents;
- Borrowings; and
- Trade and other payables.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

## 4. FINANCIAL INSTRUMENTS - RISK MANAGEMENT (CONTINUED)

## 4.1 General objectives, policies and processes

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 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.

a) *Currency Risk*

The Corporation is exposed to currency risk arising from acquisition of supplies and capital projects that are denominated in currencies other than its 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 below currencies by 5 basis points with all other variables at the end of the year 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	OTHERS
	+/-	+/-	+/-	+/-
<b>December 31, 2020:</b>				
Cash and bank balances	29,347,354	1,748,867	-	-
Trade and other payables	(1,265,289)	(2,423,722)	-	(2,225)
Borrowings	(46,169,866)	(44,046,187)	-	-
<b>Net Exposure</b>	<b>(18,087,801)</b>	<b>(44,721,042)</b>	<b>-</b>	<b>(2,225)</b>
<b>December 31, 2019:</b>				
Cash and bank balances	158,619	16,049	1,308	-
Trade and other payables	(6,757)	(8,480)	(708)	(146)
Borrowings	(286,019)	(255,397)	-	-
<b>Net Exposure</b>	<b>(134,158)</b>	<b>(247,829)</b>	<b>600</b>	<b>(146)</b>



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

## 4. FINANCIAL INSTRUMENTS - RISK MANAGEMENT (CONTINUED)

4.1 General objectives, policies and processes (*continued*)

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

	Financial assets		Financial liabilities	
	2020	2019	2020	2019
	SR	SR	SR	SR
EURO	586,947,081	317,237,231	948,703,095	585,553,534
USD	34,977,340	32,097,463	929,398,172	527,755,520
SGD	-	-	44,500	197,778
ZAR	-	-	974,894	93,476
GBP	7,173,841	2,616,955	840,483	1,416,545
SR	418,822,208	412,502,952	295,802,062	294,482,538
	<u>1,047,920,470</u>	<u>764,454,601</u>	<u>2,175,763,205</u>	<u>1,409,499,391</u>

Financial assets exclude prepayments amounting to SR 74.5m (2019: SR 157.7m) (note 16).

Financial liabilities exclude provisions amounting to SR 2.7m (2019: nil) (note 21).

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

The Corporations' cashflow 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 period ends, if interest rates are moved by 1% higher/lower with all other variables at the end of the year held constant, results for the year would have been as shown below, mainly as a result of higher/lower interest rate expense on loans.

	2020	2019
	SR	SR
Borrowings	<u>± 180,239</u>	<u>± 81,485</u>

c) *Credit risk*

The Corporation's credit risk arises when a customer or counter party 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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

## 4. FINANCIAL INSTRUMENTS - RISK MANAGEMENT (CONTINUED)

c) *Credit risk (Continued)*

The Corporation applied the simplified approach of IFRS 9 to measure loss allowance of lifetime ECL. The Corporation determines the expected credit losses using a provision matrix as already explained earlier. In order to minimise credit risk, the Corporation has adopted a policy of only dealing with credit worthy counterparties. Credit approvals and other monitoring procedures are in place to ensure follow up is done to recover overdue debts.

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 SR	Between 1 to 5 years SR	After 5 years SR	Total SR
<b>At 31 December 2020:</b>				
Borrowings	124,451,727	711,548,726	1,037,156,911	1,873,157,364
Trade and other payables	260,090,516	40,420,756	-	300,511,272
Lease liabilities	3,597,914	1,237,154	-	4,835,068
	<u>388,140,157</u>	<u>753,206,636</u>	<u>1,037,156,911</u>	<u>2,178,503,704</u>
<b>At 31 December 2019:</b>				
Borrowings	50,526,789	454,191,380	653,115,392	1,157,833,561
Trade and other payables	205,221,475	38,986,940	-	244,208,415
Lease liabilities	4,748,241	2,709,174	-	7,457,415
	<u>260,496,505</u>	<u>495,887,494</u>	<u>653,115,392</u>	<u>1,409,499,391</u>

## 4.2 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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

## 4. FINANCIAL INSTRUMENTS - RISK MANAGEMENT (CONTINUED)

## 4.3 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 31 December 2020, the Corporation's strategy, which was unchanged from the financial year ended 31 December 2019, 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 31 December 2020 and 31 December 2019 were as follows:

	2020	2019
	SR	SR
Total debt	1,873,157,364	1,157,833,561
Less: Cash and cash balances	(887,885,541)	(542,055,035)
	<u>985,271,823</u>	<u>615,778,526</u>
Total equity	<u>2,168,916,429</u>	<u>2,422,795,475</u>
Debt-to-total equity ratio	<u>45.43%</u>	<u>25.42%</u>

Debt-to-total equity ratio increased due to the devaluation of Seychelles Rupee which led to the rise in debt by SR 715,323,803 (note 20) but mitigated by a gain in cash and cash balances of SR 258,222,678 (page 8).

## 5. REVENUE FROM CONTRACTS WITH CUSTOMERS

	2020	2019
	SR	SR
Supply of electricity	1,251,860,944	1,389,419,079
Supply of water	228,018,661	232,328,527
Waste disposal fees	31,374,977	32,826,857
Services	11,764,643	30,301,990
	<u>1,523,019,225</u>	<u>1,684,876,453</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

## 5. REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

(a) *Revenue from related parties:*

Income from service supplied to Government and Government related entities:

	2020	2019
	SR	SR
Supply of electricity	136,600,683	141,644,034
Supply of water	29,941,999	33,360,630
Disposal fees	8,103,809	8,592,384
Services	41,780	40,070
	<u>174,688,271</u>	<u>183,637,118</u>

- (b) The Corporation's own consumption of Electricity and Water was SR 92,280,295 (2019: SR SR 82,906,592) and SR 3,923,555 (2019: SR SR 4,069,391) respectively. These amounts have been eliminated from revenue operations.

## 6. OTHER INCOME

	2020	2019
	SR	SR
Amortisation of deferred grants (note 23)	102,506,453	107,130,858
Gain on early termination of leases (notes 15(b) & 15(c))	75,002	-
	<u>102,581,455</u>	<u>107,130,858</u>

## 7. CONSUMABLES AND SPARES

	2020	2019
	SR	SR
Generation fuel and lubricants	714,694,230	835,259,668
Materials and equipment charges	34,635,811	63,276,325
Other consumables	5,236,370	4,438,095
Fuel and oil	7,166,633	7,812,751
VAT write off (note 16(i))	17,908,412	-
	<u>779,641,456</u>	<u>910,786,839</u>

(a) *Purchase from related parties:*

	2020	2019
	SR	SR
Purchase of fuel from a Government Company:		
Heavy fuel oil	581,149,500	656,123,565
Light fuel oil	114,044,136	157,038,316
	<u>695,193,636</u>	<u>813,161,881</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

## 8. STAFF COST

	2020	2019
	SR	SR
Salaries (note 8(a))	234,227,355	224,206,299
Members' emoluments (note 8(b))	2,255,400	2,490,082
Pension contribution	5,589,501	4,927,075
Post-employment benefit (note 22(b))	24,933,421	26,951,510
Other employee related costs	16,836,652	23,007,530
	<u>283,842,329</u>	<u>281,582,496</u>

- a) The increase was mainly due to devaluation of Seychelles Rupee against United States Dollar. This led to the rise in expatriate salary costs as their contracts are denominated in United States Dollars.

	2020	2019
	SR	SR
b) Members' emoluments:		
Mr. Eddy Belle	95,400	108,000
Mr. Philippe Morin	1,827,000	1,962,082
Other fees	333,000	420,000
	<u>2,255,400</u>	<u>2,490,082</u>

- c) The Corporation provides for end of contract bonus with respect to fixed term employees. The total provision as at the year end for the financial year amounted to SR 5,312,624 (2019: SR 5,130,926) with respect to all existing fixed term contracted employees. End of contract bonus is payable based on individual performance which is assessed at the end of the contract. For the purpose of provision, the Members estimated the liability based on the prior years' averages.
- d) Employment benefit obligations have 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.

## 9. OTHER OPERATING OVERHEADS

	2020	2019
	SR	SR
Repairs and maintenance	116,975,751	207,819,666
Tree clearance	11,419,264	10,850,597
Drought expenses	229	321,678
Rent	471,589	1,570,180
Hire	19,943,489	21,096,190
Licenses and insurance	1,849,222	2,315,644
Administration expenses	36,154,711	38,085,181
Audit fee	431,250	431,250
Provision for credit impairment (note 16(f))	(1,799,996)	(5,862,747)
	<u>185,445,509</u>	<u>276,627,639</u>



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

**10. EXCHANGE DIFFERENCES**

	<u>2020</u>	<u>2019</u>
	SR	SR
Borrowings (note 20)	726,159,833	24,294,675
Cash and cash balances	(258,222,678)	(270,553)
Others	(38,295,454)	(924,360)
	<u>429,641,701</u>	<u>23,099,762</u>

**11. FINANCE INCOME AND EXPENSE**

	<u>2020</u>	<u>2019</u>
	SR	SR
<b>(a) Finance income</b>		
Interest receivable on overdue trade receivables	11,088,851	10,470,896
Interest on term deposits	257,682	416,433
Interest on loan to employees	104,811	114,660
<b>Total finance income</b>	<u>11,451,344</u>	<u>11,001,989</u>
<b>(b) Finance expense</b>		
Interest expense on borrowings	17,683,516	7,718,107
Interest expense on lease liabilities (note 15(c))	340,335	430,364
<b>Total finance expense</b>	<u>18,023,851</u>	<u>8,148,471</u>
<b>Net finance (expense)/income recognised in the Statement of Profit or Loss</b>	<u>(6,572,507)</u>	<u>2,853,518</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

## 12. PROPERTY, PLANT AND EQUIPMENT

COST	Land & buildings	Dams & reservoirs	Water & sewerage equipment	Electricity equipment	Other plant & machinery	Other equipment	Furniture & fittings	Motor vehicles	Strategic parts	Total
	SR	SR	SR	SR	SR	SR	SR	SR	SR	SR
At 1 January 2019	281,503,396	168,293,990	1,088,049,900	1,468,317,510	469,183,404	45,820,657	3,450,047	69,068,686	32,375,206	3,626,062,796
Additions	-	-	-	6,056,642	-	2,875,885	-	97,752	22,614,136	31,644,415
Transfer from WIP	4,395,127	3,328,939	70,610,055	-	-	4,181,557	-	-	-	82,515,678
Strategic parts expensed	-	-	-	-	-	-	-	-	(7,691,654)	(7,691,654)
At 1 January 2020	285,898,523	171,622,929	1,158,659,955	1,474,374,152	469,183,404	52,878,099	3,450,047	69,166,438	47,297,688	3,732,531,235
Additions	-	-	-	-	-	1,914,304	13,550	5,198,184	35,061,165	42,187,203
Transfer from WIP	18,190,752	1,751,400	8,205,725	-	72,927,990	51,750	-	-	-	101,127,617
Write off adjustment	-	-	-	-	-	(332,766)	(225,141)	-	-	(557,907)
Strategic parts expensed	-	-	-	-	-	-	-	-	(9,012,000)	(9,012,000)
At 31 December 2020	304,089,275	173,374,329	1,166,865,680	1,474,374,152	542,111,394	54,511,387	3,238,456	74,364,622	73,346,853	3,866,276,148
ACCUMULATED DEPRECIATION										
At 1 January 2019	100,824,639	37,679,948	497,875,920	630,342,183	253,324,742	37,194,105	3,244,418	37,057,687	-	1,597,543,642
Charge for the year	6,456,603	4,329,565	41,232,711	72,881,969	41,484,185	3,512,576	39,012	9,867,047	-	179,803,668
At 1 January 2020	107,281,242	42,009,513	539,108,631	703,224,152	294,808,927	40,706,681	3,283,430	46,924,734	-	1,777,347,310
Charge for the year	6,596,269	4,396,967	42,544,128	73,565,662	41,466,559	4,345,758	39,306	7,668,810	-	180,623,459
Write off adjustment	-	-	-	-	-	(332,766)	(225,141)	-	-	(557,907)
At 31 December 2020	113,877,511	46,406,480	581,652,759	776,789,814	336,275,486	44,719,673	3,097,595	54,593,544	-	1,957,412,862
NET BOOK VALUE										
At 31 December 2020	190,211,764	126,967,849	585,212,921	697,584,338	205,835,908	9,791,714	140,861	19,771,078	73,346,853	1,908,863,286
At 31 December 2019	178,617,281	129,613,416	619,551,324	771,150,000	174,374,477	12,171,418	166,617	22,241,704	47,297,688	1,955,183,925

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

## 12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

*Government owned land parcels*

- a) Certain land parcels acquired by the Corporation are not registered in the name of the Corporation. These were land parcels acquired from the Government of Seychelles, 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.

## 13. CAPITAL WORK IN PROGRESS

	2020	2019
	SR	SR
At 1 January	1,456,644,688	724,203,909
Expenditure during the period	393,457,309	826,295,247
Transfer to PPE during the year :	(101,127,617)	(82,515,678)
Buildings (note 12)	(18,190,752)	(4,395,127)
Dams and reservoirs (note 12)	(1,751,400)	(3,328,939)
Water and sewerage equipment (note 12)	(8,205,725)	(70,610,055)
Other equipment (note 12)	(51,750)	(4,181,557)
Other plant and machinery (note 12)	(72,927,990)	-
Transfer to intangible asset (note 14)	-	(11,338,790)
<b>At 31 December</b>	<b>1,748,974,380</b>	<b>1,456,644,688</b>

- 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'), The Saudi Fund for Development ('SAFD'), The Abu Dhabi Fund for Development ('ADFD') and Seychelles International Mercantile Banking Corporation Limited (Nouvobanq) which are detailed per note 13.2. Drawdowns from the approved loan facilities from EIB and AFD 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 per note 13.3.
- 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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

**13. CAPITAL WORK IN PROGRESS (CONTINUED)****13.1 Details of Capital Projects funded by loan facilities:**

	2020	2019
	SR	SR
Consultancy costs	943,147	3,755,054
Non revenue water program	3,184,797	2,219,345
Consultancy costs for design and construction	6,615,471	11,652,079
Improvements to Mahe-La Digue wastewater system (note13.2(a))	25,555,083	14,700,995
Raising of the La Gogue Dam	43,766,486	69,013,976
33kv cable from Turtle Bay to Anse Boileau	4,779,622	72,866,828
Providence Desalination Extension	23,707,237	75,000,000
5MW Solar Park	-	86,071,127
	<b>108,551,843</b>	<b>335,279,404</b>

**13.2 Source of funding for the above projects:**

European Investment Bank ('EIB') a)	-	-
Agence Francaise De Developpement ('AFD')	36,298,498	32,327,473
African Development Bank ('AFDB')	43,766,486	69,013,976
Arab Bank for Economic Development in Africa ('BADEA')	3,650,456	28,509,919
The Saudi Fund For Development ('SAFD')	1,129,166	44,356,909
Seychelles International Mercantile Banking Corporation Ltd	23,707,237	75,000,000
Adu Dhabi Fund for Development (ADFD)	-	86,071,127
	<b>108,551,843</b>	<b>335,279,404</b>

- a) The two contracts with Technofab Engineering Limited, India, for the improvement to Mahe/La Digue Wastewater System - Construction of La Digue Wastewater System (W01) & Rehabilitation of Providence WWTP and Sewerage Pumping Stations & Rising Mains in Greater Victoria (W02), were terminated.
- b) The advance payments of SR 64m made on the said contracts were recovered through the advance payment guarantees and the funds returned to the EIB designated account held by the Central Bank of Seychelles (note 13.3).

**13.3 Movements in balances held with Central Bank of Seychelles:**

	2020	2019
	SR	SR
At 1 January	304,435,002	139,562,715
Drawdown during the year	-	199,350,066
Return of funds (note 13.2(b))	64,388,476	-
Utilised during the year	(53,216,508)	(35,290,161)
Exchange rate fluctuation	236,379,797	812,382
<b>At 31 December</b>	<b>551,986,767</b>	<b>304,435,002</b>
<i>Balances held with Central Bank of Seychelles denominated in Euro:</i>		
European Investment Bank ('EIB')	19,054,055	16,684,855
Agence Francaise De Developpement ('AFD')	1,836,256	2,661,917
	<b>20,890,311</b>	<b>19,346,772</b>
<i>Balances held with Central Bank of Seychelles denominated in USD:</i>		
African Development Bank ('AFDB')	-	8,831
Arab Bank for Economic Development in Africa ('BADEA')	765	22,433
	<b>765</b>	<b>31,264</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

## 14. INTANGIBLE ASSETS

Computer software	2020	2019
	SR	SR
<b>COST</b>		
At 1 January	43,893,861	32,555,071
Transfer from work in progress (note 13)	-	11,338,790
<b>At 31 December</b>	<b>43,893,861</b>	<b>43,893,861</b>
<b>AMORTISATION</b>		
At 1 January	26,941,971	18,832,547
Amortisation for the year	8,278,054	8,109,424
<b>At 31 December</b>	<b>35,220,025</b>	<b>26,941,971</b>
<b>Net book value at 31 December</b>	<b>8,673,836</b>	<b>16,951,890</b>

## 15. LEASES

## a) Lease contracts

The Corporation has lease contracts for its staff accommodations and offices. The lease terms ranges between 1 to 4 years. The Corporation's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Corporation is restricted from assigning and subleasing the leased assets. There are no lease contracts that include extension and termination options and variable lease payments.

The Corporation also has certain leases with terms of 12 months or less. The Corporation applied the 'short-term lease' recognition exemptions under IFRS 16 for these leases.

## b) Right-of-use assets

Set out below are the carrying amounts of right-of-use assets recognised and the movements noted during the period under review.

	2020		
	Accommodations	Offices	Total
	SR	SR	SR
As at 1 January	5,174,908	1,979,900	7,154,808
Additions	818,089	3,006,481	3,824,570
Depreciation charge for the year (note 15(e))	(3,020,265)	(2,414,446)	(5,434,711)
Derecognition of terminated leases (note 6)	(1,120,400)	-	(1,120,400)
<b>As at 31 December</b>	<b>2,972,732</b>	<b>2,571,935</b>	<b>4,424,267</b>



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

## 15. LEASES (CONTINUED)

## b) Right-of-use assets (continued)

	2019		
	Accommodations	Offices	Total
	SR	SR	SR
As at 1 January - effect of adoption of IFRS 16	2,329,694	1,533,012	3,862,706
Additions	5,281,476	1,781,204	7,062,680
Depreciation charge for the year (note 15(e))	(2,436,262)	(1,334,316)	(3,770,578)
As at 31 December	<u>5,174,908</u>	<u>1,979,900</u>	<u>7,154,808</u>

## c) Lease liabilities

The carrying amounts of lease liabilities and the movements noted during the period were as follows:

	2020	2019
	SR	SR
As at 1 January - effect of adoption of IFRS 16 (note 2(b)i))	7,457,415	3,960,772
Additions	3,824,570	7,062,680
Finance cost (notes 11 & 15(e))	340,335	430,363
Lease payments	(5,591,850)	(3,996,400)
Derogation of terminated leases (note 6)	(1,195,402)	-
As at 31 December	<u>4,835,068</u>	<u>7,457,415</u>

The Corporation had total cash outflows for short-term and long-term leases of SR 8.2m (2019: SR 8.2m).

## d) The maturity analysis of lease liabilities is as shown below:

	Up to 3 Months	Between 3 and 12 Months	Between 1 and 2 years	Total
	SR	SR	SR	SR
Lease liabilities				
At 31 December 2020	<u>1,144,664</u>	<u>2,453,250</u>	<u>1,237,154</u>	<u>4,835,068</u>
At 31 December 2019	<u>1,512,681</u>	<u>3,235,560</u>	<u>2,709,174</u>	<u>7,457,415</u>

## e) The following are the amounts recognised in the Statement of Profit or Loss:

	2020	2019
	SR	SR
Depreciation expense of right-of-use assets (note 15(b))	5,434,711	3,770,578
Interest expense on lease liabilities (note 15(c))	340,335	430,363
Expense relating to short-term leases included in:		
- Other employee related costs	2,122,985	2,999,269
- Rental cost	471,589	1,209,830
Total amount recognised in the Statement of Profit or Loss	<u>8,369,620</u>	<u>8,410,040</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

**16. TRADE AND OTHER RECEIVABLES**

	2020	2019
	SR	SR
Trade receivables (notes 16(a) to 16(c))	148,718,472	179,475,860
Storage tank loan receivables	2,266,849	3,236,751
Unbilled units (note 16(d))	44,863,043	57,853,926
Gross trade receivables	<u>195,848,364</u>	<u>240,566,537</u>
Less: Specific provision (notes 16(e) and 16(f))	(35,525,219)	(36,638,233)
Less: Expected credit loss (notes 16(f) & 16(g))	(4,335,344)	(5,022,326)
Net trade receivables	<u>155,987,801</u>	<u>198,905,978</u>
Loans and advances to staff (note 16(h))	4,047,128	5,585,176
Prepayments	74,476,168	157,726,931
VAT receivables (note 16(i))	-	17,908,412
	<u>234,511,097</u>	<u>380,126,497</u>
<b>Analysed as:</b>		
Due beyond one year	1,194,140	1,607,740
Due within one year	<u>233,316,957</u>	<u>378,518,757</u>
	<u>234,511,097</u>	<u>380,126,497</u>

- a) The carrying amounts of trade and other receivables measured at amortised cost approximate their fair value. These are denominated in Seychelles Rupees.
- b) Certain amounts of trade receivable bear surcharge at 2% per month for late payments.
- c) At 31 December 2020, trade receivables included SR 14,516,620 (2019: SR 23,045,096) from Government and parastatal organisations which the Members have estimated as recoverable.
- d) The billing cycle of the Corporation is area based and therefore results in different billing dates for customers. The Corporation accrues revenue for proportionate unbilled units to complete 12 months billing cycle for each customer.
- e) Specific provision are 100% provisions made for trade receivables that are over 365 days past due but yet to be written off. This amount includes trade receivable amounting to SR 15.3m (2019: SR 15.6m) which are 5 years past due. Whilst, the Civil Code of Seychelles, defines that any actions taken beyond five years of the date when it became due, as prohibited, the period of computation to arrive at the prescribed period of five years differ from case to case. Thus, the legal team of the Corporation is undertaking an ongoing exercise case by case to identify those where the possibility to recover monies owed remains. The Members are contemplating serious actions to recover these past due amounts including litigation to recover sums due from the respective defaulters where possible. The Members have reasonable expectation that in some cases the Corporation will be successful in recovering the old outstanding amounts.
- f) Movement in the provision for credit impairment of trade and other receivables is as follows:

	2020	2019
	SR	SR
At 1 January	41,660,559	47,523,306
Reversal made during the year (note 9)	(1,799,996)	(5,862,747)
At 31 December	<u>39,860,563</u>	<u>41,660,559</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

## 16. TRADE AND OTHER RECEIVABLES (CONTINUED)

g) The lifetime expected loss provisions for trade receivables and contract assets are as follows:

	Less than 30 days	31 to 60 days	61 to 90 days	Total
December 31, 2020				
Gross carrying amount	132,789,818	13,402,079	4,362,795	195,848,364
Less: Specific provision (16(e))	-	-	-	(35,525,219)
Gross carrying amount excluding specific provision	132,789,818	13,402,079	4,362,795	160,323,145
Expected loss rate	0.3%	1%	3%	38%
Expected credit loss provision	(366,851)	(104,720)	(129,537)	(4,335,344)
December 31, 2019				
Gross carrying amount	160,445,739	24,819,937	7,892,673	240,566,537
Less: Specific provision (16(e))	-	-	-	(36,638,233)
Gross carrying amount excluding specific provision	160,445,739	24,819,937	7,892,673	203,928,304
Expected loss rate	0.4%	1%	3%	36%
Expected credit loss provision	(673,009)	(193,935)	(234,344)	(5,022,326)

h) Although loans and advances to staff are interest bearing, the Members have estimated that no ECL is required since repayments are deducted monthly from salaries and wages and there has been no history of default. They are analysed as follows:

	2020	2019
	SR	SR
Due within one year	279,650	662,617
Due beyond one year	3,767,478	4,922,559
	4,047,128	5,585,176

i) This pertained to VAT claims pending on capital projects which were written off during the year since Members are of the opinion that this amount will not be recovered from the Ministry of Finance.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

**17. INVENTORIES**

	2020	2019
	SR	SR
<b>Material and consumables:</b>		
Electricity generation fuel and lubricants	37,726,756	25,900,968
Spare parts and non saleable items	716,251,429	649,274,705
	<u>753,978,185</u>	<u>675,175,673</u>

**18. CASH AND CASH EQUIVALENTS**

	2020	2019
	SR	SR
Balances with banks	322,769,387	224,981,141
Deposit with treasury (notes 13.3 & 18(a))	551,986,767	304,435,002
Term deposits with banks (note 18(b))	5,319,103	1,756,818
Undeposited funds (note 18(c))	7,700,118	10,770,574
Cash on hand	110,166	111,500
<b>Cash and bank balances per Statement of Financial Position</b>	<u>887,885,541</u>	<u>542,055,035</u>
Bank balance retained for letters of credit (note 18(d))	(15,108,628)	(14,507,576)
Term deposits with banks (note 18(b))	(5,319,103)	(1,756,818)
<b>Cash and cash equivalents per Statement of Cash Flows</b>	<u>867,457,810</u>	<u>525,790,641</u>

- a) Borrowings from Government of Seychelles through Agence Francaise De Developpement, European Investment Bank and African Development Bank are received in the treasury account held with the Central Bank of Seychelles for spending on the projects of the Corporation. Those deposits are denominated in Euro and are non-interest bearing. Movements in these accounts are provided in *note 13.3*.
- b) Term deposits with banks comprise short term call deposits and other short term deposits with varying periods between 3 months and 12 months, depending on the immediate cash requirements of the Corporation and earn interest at varying short term interest rates.
- c) Undeposited funds comprised amounts unbanked at end of period date.
- d) Amounts retained against letters of credit facility provided by Seychelles International Mercantile Banking Corporation Limited (Nouvobanq) to the Corporation were **USD 197,815** and **EUR 404,263** (2019: **USD 1,136,200** and **EUR 104,000**).

**19. ASSIGNED CAPITAL**

	2020	2019
	SR	SR
<i>Transferred from:</i>		
- 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 19(a))	158,537,000	158,537,000
Transfer of Capital Contribution Reserve (Note 19(b))	389,074,124	389,074,124
	<u>1,439,743,591</u>	<u>1,439,743,591</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

**19. ASSIGNED CAPITAL (CONTINUED)**

- a) On 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.

**20. BORROWINGS**

	2020	2019
	SR	SR
Borrowings for infrastructure development are as follows:		
European Investment Bank (note 20(a))	676,654,244	412,621,625
Agence Francaise De Developpement (note 20(a))	246,743,075	159,417,000
The African Development Bank (note 20(b))	253,896,162	125,815,961
The Arab Bank for Economic Development in Africa (note 20(c))	163,153,958	103,426,614
The Saudi Fund For Development (SFD) (note 20(d))	300,093,179	195,188,728
Seychelles International Mercantile Banking Corporation (note 20(e))	68,836,310	75,000,000
Abu Dhabi Fund for Development (ADFD) (note 20(f))	163,780,436	86,363,633
	<u>1,873,157,364</u>	<u>1,157,833,561</u>
Analysed as:		
Due beyond one year	1,748,705,637	1,107,306,772
Due within one year	124,451,727	50,526,789
	<u>1,873,157,364</u>	<u>1,157,833,561</u>

The movement in borrowings is as follows:

	2020	2019
	SR	SR
At 1 January	1,157,833,561	645,038,388
Received during the year	28,482,926	502,306,256
Repayment during the year	(39,318,956)	(13,805,759)
Foreign currency differences	726,159,833	24,294,675
At 31 December	<u>1,873,157,364</u>	<u>1,157,833,561</u>



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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**20. BORROWINGS (CONTINUED)**

- 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 was Euro 36,737,000 of which Euro 26,737,000 was 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 (2019: Euribor + margin 1.48% per annum) and were repayable effective 2018.
- b) The Corporation 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 was USD 20,600,000 with closing date of drawdown as 31 December 2021. The loan bears interest at 6 months Libor + margin 0.60% per annum (2019: Libor + margin 0.60% per annum) and is repayable after a grace period of 5 years. Repayment is to be in 30 equal instalments following the 5 year grace period. Current balance represents drawdown less principal repayment at the reporting date. This Project is also expected to be funded along with three grants approximating to Euro 1.5 million.
- c) The Corporation 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 was USD 11,000,000 with closing date of drawdown as 31 December 2021. The loan bears interest at 2.5% per annum (2019: 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 reporting date.
- d) The Corporation 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 was USD 20,000,000 with closing date of drawdown as at December 31, 2021. The loan bears interest at 2% per annum (2019: 2% per annum) and is repayable in 30 semi-annual instalments of USD 666,667 with interest effective November 15, 2020 after a 5 year grace period. Current balance represents drawdown at the reporting date.
- e) The Corporation entered into a loan agreement with the Seychelles International Mercantile Banking Corporation Limited (Nouvobanq) to borrow SR 159,351,000 to finance the Desalination Plant Extension Project. This loan is fully pledged against generator set A51 (Serial Number PAAE269991) and generator set A61 (Serial Number PAAE269992) and bears interest at 8.00% per annum (2019: 8.00% per annum) and is repayable from the 13th month of the loan, which was in September 2020, in monthly installments of SR 2,483,679. The current balance is SR 68m.
- f) The Corporation entered into loan agreement with the Abu Dhabi Fund for Development, guaranteed by the Government of the Republic of Seychelles for financing the Ile de Romainville Solar Power Field Project. The total approved borrowing was AED 31,220,500.00 (USD 8.5m) with the closing date of drawdown as 31 December 2020. The loan bears interest at 2.00% per annum (2019: 2.00% per annum) and is repayable in 15 years following a grace period of 5 years in 30 semi-annual instalments with interest. Current balance represents drawdown at the reporting date.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

## 21. TRADE AND OTHER PAYABLES

	2020	2019
	SR	SR
Trade payables	157,165,817	144,455,473
Other payables	102,924,699	60,766,002
Customer deposits (note 21(d))	40,420,756	38,986,940
	<u>300,511,272</u>	<u>244,208,415</u>
<b>Analysed as:</b>		
Due beyond one year	40,420,756	38,986,940
Due within one year	260,090,516	205,221,475
	<u>300,511,272</u>	<u>244,208,415</u>

a) The carrying amounts of trade and other payables' approximate their amortised costs.

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

	2020	2019
	SR	SR
EURO	25,305,776	13,514,908
USD	48,474,437	16,960,584
SGD	44,500	197,778
ZAR	974,894	93,476
GBP	840,483	1,416,545
SR	224,871,182	212,025,124
	<u>300,511,272</u>	<u>244,208,415</u>

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

d) Customer deposits comprise the following:

	2020	2019
	SR	SR
Electricity	35,666,669	34,322,490
Water	4,754,087	4,664,450
	<u>40,420,756</u>	<u>38,986,940</u>

## 22. EMPLOYEE BENEFIT OBLIGATIONS

	2020	2019
	SR	SR
Accrued leave	17,843,267	13,044,514
Gratuity	6,918,771	6,614,417
Length of service compensation	96,070,415	86,181,266
<b>Total employee benefit liabilities</b>	<u>120,832,453</u>	<u>105,840,197</u>
Due within one year	(7,702,383)	(5,291,522)
Due beyond one year	<u>113,130,070</u>	<u>100,548,675</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

**22. EMPLOYEE BENEFIT OBLIGATIONS (CONTINUED)**

	2020	2019
	SR	SR
a) <b>Analysis of amounts due within one year:</b>		
Accrued leave	1,998,126	645,251
Gratuity	452,500	130,000
Length of service compensation	5,251,757	4,516,271
	<u>7,702,383</u>	<u>5,291,522</u>
b) <b>Movement in length-of-service compensation is as follows:</b>		
	2020	2019
	SR	SR
At 1 January	105,840,197	86,273,781
Charge to Statement of Profit or Loss (note 8)	24,933,421	26,951,510
Paid during the year	(9,941,165)	(7,385,094)
<b>At 31 December</b>	<u>120,832,453</u>	<u>105,840,197</u>
c) 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.		
d) The Members have estimated that the provisions for employee benefits are reasonable and would not materially differ had the obligations been computed based on an actuarial valuation as mandated by IAS 19.		

**23. DEFERRED GRANTS**

	2020	2019
	SR	SR
At the beginning of the year	1,095,157,453	1,139,293,760
Received from Government of Seychelles	61,042,441	60,000,000
Received from others	25,364,565	2,994,551
	<u>1,181,564,459</u>	<u>1,202,288,311</u>
Less: Amortisation for the year (note 6)	(102,506,453)	(107,130,858)
	<u>1,079,058,006</u>	<u>1,095,157,453</u>
	2020	2019
	SR	SR
<b>Analysed as:</b>		
Non-current	971,121,409	993,061,328
Current	107,936,597	102,096,125
	<u>1,079,058,006</u>	<u>1,095,157,453</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

**24. CAPITAL COMMITMENTS**

## a) Capital Commitments

	<u>2020</u>	<u>2019</u>
	SR	SR
Approved and contracted for	486,012,715	954,710,307
Approved but not yet contracted for	338,529,473	187,265,764
	<u>824,542,188</u>	<u>1,141,976,072</u>

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

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

The future aggregate minimum lease payments under operating leases are as follows:

	<u>2020</u>	<u>2019</u>
	SR	SR
Not later than one year	<u>241,000</u>	<u>1,793,000</u>

**25. CONTINGENT LIABILITIES**

	<u>2020</u>	<u>2019</u>
	SR	SR
Litigations by third parties	<u>2,299,446</u>	<u>4,753,305</u>

The Members are of the opinion that none of the contingencies would end up with material liabilities to the Corporation.

**26. RELATED PARTY TRANSACTIONS**

In the normal course of its operations, the Corporation enters into transactions with related parties. Related parties include Government and key Management personnel, consisting of Members of the Board of Directors. Unless stated, all transactions with related parties take place at arm's length.

*The following are material transactions entered into with the Government and other government owned entities:*

	<u>2020</u>	<u>2019</u>
	SR	SR
Revenue and services (note 5a))	<u>174,688,271</u>	<u>183,637,118</u>
Purchase of fuel (Note 7a))	<u>695,193,636</u>	<u>813,161,881</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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**26. RELATED PARTY TRANSACTIONS CONTINUED)****Key Management Personnel**

Key Management personnel comprises the Chief Executive Officer, Chairman and the Non-Executive Board members. The latter are considered to be part of the key Management personnel as they have the authority and responsibility for planning, directing and controlling the activities of the Corporation.

The aggregate remuneration provided for and paid to key Management personnel (note 8).

	<u>2020</u>	<u>2019</u>
	SR	SR
Members' emoluments (note 8(b))	<u>2,255,400</u>	<u>2,489,282</u>