PROPERTY MANAGEMENT CORPORATION

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

PROPERTY MANAGEMENT CORPORATION

TABLE OF CONTENTS - DECEMBER 31, 2018

CORPORATE INFORMATION

DIRECTORS	Mr. Gilbert Madeleine (Chairman) Ms Sitna Cesar Mr. Ronny Palmyre Ms Roma Edmond Mr. Denis Barbe Mr. Michel Bistoquet
	Resigned effective June 1, 2018 Mr. Michel Bistoquet
SECRETARY	: Mrs. Irene Moosa
REGISTERED OFFICE	: Ocean gate House P.O Box 1161 Mahé, Seychelles
PRINCIPAL PLACE OF BUSINESS	: Ocean gate House P.O Box 1161 Mahé, Seychelles
AUDITORS	: BDO Associates Chartered Accountants Seychelles
BANKERS	Bank of Baroda The Mauritius Commercial Bank (Seychelles) Limited Seychelles Commercial Bank Limited Barclays Bank (Seychelles) Ltd

The Directors have pleasure in submitting their report together with the audited financial statements of Property Management Corporation for the year ended December 31, 2018.

PRINCIPAL ACTIVITIES

The Corporation was created under the Property Management Corporation (PMC) Act 2004, and is engaged in the sale, lease or rental of flats and houses and there has been no change in these activities during the financial year under review. The operations and activities of PMC were previously integrated within those of HFC (Housing Finance Corporation) but the two entities were separated effective September 1, 2013.

CURRENT YEAR EVENTS

(a) Adoption of newly issued International Financial Reporting Standards (IFRS) 9

The Corporation has adopted the new International Financial Reporting Standard (IFRS) 9- Financial Instruments effective January 1, 2018. This IFRS replaces the previous IAS 39-Financial Instruments: Recognition and measurement. The changes introduced the following measurement categories: amortised cost, fair value through profit or loss and fair value through other comprehensive income depending on the business model for managing the financial assets and the contractual cash flow charateristics.

IFRS 9 introduces a new expected credit loss (ECL)model which involves a three stage approach whereby financial assets move through the three stages as their credit quality changes. The changes dictates how an entity measures impairment losses and applies the effective interest rate method.

In accordance with the transition exemption of IFRS 9, differences in carrying amounts of financial instruments resulting from adoption of IFRS 9 in respect of 2017 have been recognised in retained earnings as at January 1, 2018. Accordingly, the comparatives for 2017 do not reflect the requirements of IFRS 9 but rather those of IAS 39.

(b) Grants

The Corporation received a grant of SR 5.7m from the Ministry of Finance, Trade and Blue Economy during the year 2018, to cater for major repairs and maintanance (2017: SR 12.4m). A total amount of SR 4.7m was utilised, and the remaining balance was deferred into 2019 financial year (2017: SR 5.1m).

(c) Loan

PMC entered into a loan agreement with Seychelles Pension Fund (Lender), whereby the Lender disbursed a loan amount of SR 150m in several tranches. The loan term of the is for a period of 8 years at 8% interest per annum. The Government of Seychelles(GOS), as part of the terms and conditions of the loan, agreed to guarantee the repayment and other conditions of the loan. The Ministry of Finance, Trade and Economic Planning (MFTEP) has also agreed to make a yearly provision in the Budget to ensure that GOS services the loan. The GOS disbursed SR 24.8m during the year under review towards this repayment.

(d) Investment properties and Leases

Additions to Investment properties amounting to SR 18.4m were made during the year under review (2017: SR 12.6m) and disposals amounted to SR 760k (2017: SR 1m) and leases worth SR 56.4m were granted during the same period (2017: SR 63.6m).

(e) Property and equipment

Additions to equipment of **SR 955.8k** during the year comprised furniture & equipment (2017: SR 315k). Disposals consisted of furniture and equipment and motor vehicles amounting to **SR 308k** (2017: SR 401k).

RESULTS FOR THE YEAR

	SR
Profit for the year	6,164,581
Revenue deficit brought forward-restated	(13,410,775)
Revenue deficit carried forward	**(7,246,194)**

DIRECTORS AND DIRECTORS' INTEREST

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

Mr. Gilbert Madeleine (Chairman)
Ms Sitna Cesar
Mr. Ronny Palmyre
Ms Roma Edmond
Mr. Denis Barbe
Mr. Michel Bistoquet

Resigned effective June 1, 2018
Mr. Michel Bistoquet

None of the Directors held an interest in the shares of the Corporation during the year under review.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS) and in compliance with the Property Management Corporation Act 2004 and PEMC Act, 2013. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances. The Directors have the general responsibility of safeguarding the assets, both owned by the Corporation and those that are held in trust and used by the Corporation.

The Directors consider that they have met their aforesaid responsibilities.

AUDITOR GENERAL

The Auditor General of Seychelles has been mandated to audit the financial statements of the Corporation pursuant to Section 21 of Part IV - Financial Provisions of the Property Management Corporation Act, 2004.

BOARD APPROVAL

Mr. Gilbert Madeleine
Chairman

Ms Sitna Cesar
Director

Mr. Ronny Palmyre
Director

Ms Roma Edmond
Director

Mr. Denis Barbe
Director

Dated: 12 APR 2019
Victoria, Seychelles

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Please address all correspondence to the Auditor General

OPINION OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF THE PROPERTY MANAGEMENT CORPORATION FOR THE YEAR ENDED 31 DECEMBER 2018

Opinion

The accompanying financial statements set out on pages 5 to 38, which comprise of the statement of financial position as at 31 December 2018, 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 auditors, appointed under Section 19 of the Auditor General Act, 2010 read with part IV Section 21 of the Property Management Corporation Act, 2004. 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 38 give a true and fair view of the financial position of the Corporation as at 31st December 2018 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Property Management Corporation Act, 2004.

Basis for Opinion

The audit was conducted in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the '*Auditor General's responsibilities for the audit of financial statements*' section of my report. I am independent of the Corporation in accordance with the INTOSAI Code of Ethics ISSAI 30, together with other ethical requirements that are relevant to the audit of financial statements in Seychelles. I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

Key audit matters are those matters that, in the Auditors' professional judgement, were of most significance in the audit of the financial statements of the current period. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming auditor's opinion thereon, and I do not provide a separate opinion on these matters.

Key Audit Matter	How the matter was addressed
Notes 7(c), 9(c) and 24 discloses the implementation of IFRS 9 which resulted in a negative net adjustment of SR9.1m to the retained earnings of the Corporation at 1 January 2018. Significant Management determined judgements including:- - reclassification of financial assets in accordance with business model, - determining criteria for significant increase in credit risk, - techniques used to determine historical loss rates used in lifetime ECL computation as per the simplified approach, and - factoring forward looking assumptions. Technical modelling necessitated considerable data input and assumptions, consequently increasing exposure to higher credit risks.	The auditors: - obtained understanding of the key processes and tested the operating effectiveness of key controls over the processes impacting the data for computation; - obtained understanding of the provisioning methodology, assessed the reasonableness of the underlying assumptions and sufficiency of data used; - reviewed classification and measurement of financial assets and financial liabilities in comparison to the requirements; - conducted 'solely payments of principal and interest' (SPPI) Test; - checked appropriateness of determination of the significant increase in credit risk, opening balance adjustments and the use of the simplified approach to impairment; - checked, understood and tested key data sources and assumptions for data used in computing Expected Credit Losses (ECL) and held discussions with Management or corroborated assumptions publicly available for forward looking assumptions;

As a result of the above audit procedures carried out by the Auditors, no material differences were noted.

Responsibility of the Board of Directors and those charged with Governance

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

In preparing the financial statements, the Board of Directors is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

Responsibilities of the Auditor General

The audit objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and issue an auditor's report in accordance the Property Management Corporation Act, 2004. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- identifies and assesses 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;
- 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Gamini Herath
Auditor General

12 April 2019
Victoria, Seychelles

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INDEPENDENT AUDITORS' REPORT TO THE AUDITOR GENERAL

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

Report on the audit of the Financial Statements

Opinion

We have audited the financial statements of **Property Management Corporation** set out on pages 5 to 38 which comprise the Statement of Financial Position as at December 31, 2018, the Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and the Statement of Cash Flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements on pages 5 to 38 give a true and fair view of the financial position of the Corporation as at December 31, 2018 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Property Management Corporation Act, 2004 and Public Enterprise Monitoring Commission Act, 2013.

Basis for Opinion

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

PROPERTY MANAGEMENT CORPORATION

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter

The Corporation adopted the accounting standard IFRS 9 'Financial instruments' during the financial year. The standard introduces new requirements around two main aspects of how financial instruments are treated - measurement and classification and impairment.
IFRS 9 introduces a new classification and measurement approach for financial assets that reflects the business model in which the financial assets are managed and the underlying cashflow characteristics.
This standard also introduces new impairment rules which prescribe a new, forward looking, expected credit loss ('ECL') impairment model which takes into account reasonable and supportable forward looking information,which will generally result in the earlier recognition of impairment provisions.
There are a number of significant management determined judgements including: • the reclassification of financial assets in accordance with the Corporation's business model; • determining the criteria for a significant increase in credit risk; • techniques used to determine the historical loss rates used in lifetime ECL computation as per the simplified approach; and factoring forward looking assumptions.
Implementation of IFRS 9 required some technical modelling which necessitated considerable input of data and assumptions. Consequently the risk that the data and assumptions carry higher credit risks.
The implementation had the effect of a net adjustment of SR 9.1m to the retained earnings of the Corporation at January 1, 2018.

How the key audit matter was addressed in the audit

• We gained understanding of the Corporation's key processes comprising granting, booking, monitoring and provisioning and tested the operating effectiveness of key controls over these processes;
• We obtained an understanding of the Corporation's provisioning methodology, assessed the reasonableness of the underlying assumptions and the sufficiency of the data used by the Management.

PROPERTY MANAGEMENT CORPORATION

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

Key Audit Matters (Cont'd)

How the key audit matter was addressed in the audit (Cont'd)

• With respect to classification and measurement of financial assets and financial liabilities, *our audit procedures comprised the following*; We reviewed the Corporation's IFRS 9 based classification and measurement of financial assets and financial liabilities policies and compared them with the requirements of IFRS 9; • We obtained an understanding and checked the Corporation's business model assessment and the test on the contractual cash flows, which give rises to cash flows that are 'solely payments of principal and interest [SPPI test]; and • We checked the appropriateness of the opening balance adjustments.
With respect to impairment methodology, our audit procedures comprised the following; • We checked the appropriateness of the Corporation's determination of significant increase in credit risk and the resultant basis for classification of exposures into various stages;
• For a sample of exposures, we checked the appropriateness of the Corporation's simplified approach to impairment i.e, based in a lifetime expected loss;
• We checked and understood the key data sources and assumptions for data used in the Expected Credit Loss (ECL) models (the Models) used by the Corporation's to determine impairment provisions and to determine the historical loss rate percentages.
• For forward looking assumptions used by the Corporation's Management in its calculations, we held discussions with Management and corroborated the assumptions where publicly available information was used;
• We checked the calculation of the historical loss rate percentage on the provision matrix and verified the calculation of the lifetime ECL;
• We checked the completeness of leases and other financial assets included in the ECL calculations as of 31 December 2018; We understood the theoretical soundness and tested the mathematical integrity of the Models;
• For data from external sources, we understood the process of choosing such data, its relevance for the Corporation's and the controls and governance over such data;
• Where relevant, we used Information System specialists to gain comfort on data integrity;
• We checked consistency of various inputs and assumptions used by the Corporation's Management to determine impairment provisions; and
As a result of the above audit procedures, no material differences were noted.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

PROPERTY MANAGEMENT CORPORATION

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS (CONT'D)

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

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

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

Report on Other Legal Regulatory Requirements

Property Management Corporation Act, 2004

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

We have obtained all information and explanations we have required.

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

Public Enterprise Monitoring Commission Act, 2013

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

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

BDO Associates

BDO ASSOCIATES
Chartered Accountants

Dated: 12 APR 2019
Victoria, Seychelles

STATEMENT OF FINANCIAL POSITION - DECEMBER 31, 2018

	Notes	December 31 2018 SR	December 31 2017 SR
ASSETS			
Non-current assets			
Property and equipment	5	165,310,915	1,463,429
Investment properties	6	203,298,605	198,050,983
Finance lease receivables	7	438,201,065	429,812,668
		806,810,585	629,327,080
Current assets			
Finance lease receivables	7	35,383,942	21,597,162
Inventory	8	-	471,190
Trade and other receivables	9	27,130,159	43,824,729
Cash and bank balances	19	33,181,445	21,767,857
		95,695,546	87,660,938
TOTAL ASSETS		902,506,131	716,988,018
EQUITY AND LIABILITIES			
Equity			
Capital reserve	10	91,029,500	62,286,356
Revenue deficit		(7,246,194)	(4,346,761)
		83,783,306	57,939,595
LIABILITIES			
Non-current liabilities			
Deferred revenue	11	629,023,301	605,129,036
Borrowings	12	113,941,898	-
Retirement benefit obligations	13	891,366	501,016
		743,856,565	605,630,052
Current liabilities			
Deferred revenue	11	47,860,311	44,783,177
Borrowings	12	24,815,540	-
Trade and other payables	14	2,190,409	8,635,194
		74,866,260	53,418,371
Total liabilities		818,722,825	659,048,423
Total equity and liabilities		902,506,131	716,988,018

These financial statements have been approved for issue by the Board of Directors on: 12 APR 2019

Mr. Gilbert Madeleine
Chairman

Ms Sitna Cesar
Director

Mr. Ronny Palmyre
Director

Ms Roma Edmond
Director

Mr. Denis Barbe
Director

The notes on pages 9 to 38 form an integral part of these financial statements
Auditor General's Report on pages 3 to 3(d) & Auditors' Report on pages 4 to 4(d)

STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME - YEAR ENDED DECEMBER 31, 2018

	Notes	2018	2017
		SR	SR
Revenue	15	62,723,132	58,530,317
Operating expenses	16(a)	(67,027,269)	(62,069,699)
Administrative expenses	16(a)	(16,492,633)	(14,750,391)
Other income	17	25,137,878	23,289,156
Impairment credit / (losses) on trade receivables at amortised costs	9(d)	1,823,473	(912,294)
Total profit and Other Comprehensive income for the year		6,164,581	4,087,089

The notes on pages 9 to 38 form an integral part of these financial statements
Auditor General's Report on pages 3 to 3(d) & Auditors' Report on pages 4 to 4(d)

STATEMENT OF CHANGES IN EQUITY - YEAR ENDED DECEMBER 31, 2018

	Notes	Capital reserve	Revenue deficit	Total
		SR	SR	SR
Balance at January 1, 2018				
- As previously reported	10	62,286,356	(4,346,761)	57,939,595
- Effect of adopting IFRS 9	7('c) & 9(d) & 24	-	(9,064,014)	(9,064,014)
As restated		**62,286,356**	**(13,410,775)**	**48,875,581**
Total comprehensive expense for the year		-	**6,164,581**	**6,164,581**
Movements during the year	10	**28,743,144**	-	**28,743,144**
Balance at December 31, 2018		**91,029,500**	**(7,246,194)**	**83,783,306**
Balance at January 1, 2017		62,286,356	(8,433,850)	53,852,506
Total comprehensive income for the		-	4,087,089	4,087,089
Balance at December 31, 2017		62,286,356	(4,346,761)	57,939,595

STATEMENT OF CASH FLOWS - YEAR ENDED DECEMBER 31, 2018

	Notes	2018	2017
		SR	SR
Cash generated from operations			
(Loss) / Profit for the year		6,164,581	4,087,089
Adjustments for non-cash items:			
Depreciation of property and equipment	5	940,225	933,802
Depreciation of investment properties	6	13,152,855	12,546,013
Finance income	7/15	(18,489,341)	(14,657,609)
Movement in allowance for credit impairment	9(d)	(1,823,473)	912,294
Movement in retirement benefit obligations	13	721,948	419,956
Movements in capital reserve	10	(2,123,372)	-
Write off of property and equipment	16	35,491	93,891
Profit on disposal of investment properties	17	(2,743,500)	(1,702,500)
		(4,164,586)	2,632,936
Changes in working capital			
-Decrease in inventory	8	471,190	1,609,119
-Decrease / (increase) in trade and other receivables	9	9,002,629	(2,982,965)
-Increase /(decrease) in trade and other payables	14	(1,366,741)	2,551,061
Cash generated from operations		3,942,492	3,810,151
Retirement obligations paid	13	(331,598)	(705,633)
Net cash inflow/(outflow) from operating activities		3,610,894	3,104,518
Cash flows from investing activities			
Additions to property and equipment	5	(164,823,202)	(315,380)
Additions to Investment properties	6	(18,400,477)	(12,601,951)
Proceeds from disposal of Investment properties		2,743,500	1,972,500
Finance income received	14	18,489,341	14,657,609
Net cash used in investing activities		(161,990,838)	3,712,778
Cash flows from financing activities			
Finance leases granted	7	(56,431,233)	(63,628,835)
Net receipts from finance leases	7	34,707,456	32,237,164
Movement in deferred revenue	11	26,971,399	31,447,609
Grants received from Ministry of Finance-Loan repayments	10	24,815,538	-
Grants received from Ministry of Finance-Major repairs	10	5,680,000	12,419,000
Grants utilised during the year		(4,707,066)	(7,340,956)
Loan received	12	150,000,000	-
Loan repayments net of finance costs	12	(11,242,562)	-
Net cash generated from/(used) in financing activities		169,793,532	5,133,982
Net movement in cash and cash equivalents		11,413,588	11,951,278
Movements in cash and cash equivalents			
At January 1		21,767,857	9,816,579
Increase		11,413,588	11,951,278
At December 31,	19	33,181,445	21,767,857

The notes on pages 9 to 38 form an integral part of these financial statements
Auditor General's Report on pages 3 to 3(d) & Auditors' Report on pages 4 to 4(d)

1. GENERAL INFORMATION

Property Management Corporation (PMC) is a corporate body incorporated under the Property Management Corporation Act 2004, with perpetual succession and a common seal and is domiciled in Seychelles.

The principal activities of the Corporation are as stated in the Directors' Report on page 2.

These financial statements will be submitted for consideration and approval by the Board of Directors of the Corporation.

2. SIGNIFICANT ACCOUNTING POLICIES

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

The financial statements of the Corporation have been prepared on a historic cost basis, except as disclosed in the accounting policies which follow.

2.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and comply with the Property Management Corporation Act, 2004.

2.2 Adoption of new and revised standards

New and amended IFRS Standards that are effective for the current year

Impact of initial application of IFRS 9-Financial Instruments

The Corporation has elected to adopt IFRS 9 - Financial Instruments issued in July 2014 which has been applied with initial application date of January 1, 2018. In accordance with the transition exemption under IFRS 9, differences in carrying amounts of financial assets and liabilities resulting from adoption of IFRS 9 have been recognised in retained earnings as at January 1, 2018. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 but rather those of IAS 39.

The adoption of IFRS 9 resulted in the following changes to the Corporation's accounting policies:

(i) *Classification and measurement of financial assets and financial liabilities*

The date of initial application of IFRS 9 is January 1, 2018, accordingly, the Corporation applied the requirements of IFRS 9 to instruments that continue to be recognised as at January 1, 2018 and not to those which has been derecognised.

All recognised financial assets that are within the scope of IFRS 9 are required to be measured subsequently at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

The Corporation classifies its financial assets as subsequently measured at either amortised cost or fair value depending on the Corporation 's business models for managing the financial assets and the contractual cash flow characteristics of the financial assets.

2.2 Adoption of new and revised standards (Cont'd)

(i) *Classification and measurement of financial assets and financial liabilities (Cont'd)*

A financial asset is measured at amortised cost only if both of the following conditions are met:

- It is held within a business model whose objective is to hold assets in order to collect contractual and the contractual terms that gives rise to contractual cash flows on specified dates that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

Classification and measurement of financial assets depends on the results of the SPPI and the business model test The Corporation determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Corporation monitors financial assets measured at amortised cost prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Corporation's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets. No such changes were required during the year under review.

The Corporation's main financial assets are: Cash and cash equivalents, Finance lease receivables and trade and other receivables.

(a) Cash and cash equivalent

Cash and cash equivalents meet the business model of Hold to Collect and the SPPI test is met.

(b) Finance Lease receivables

At the commencement of a finance lease, the leased asset is recognised as a non-current asset at the lower of:

- The fair value of the asset, and
- The present value of minimum lease payments.

The fair value of the asset is the amount the entity would pay in cash to purchase the asset outright. The present value of minimum lease payments are the minimum payments the lessee has agreed to pay, under the lease agreement. This is calculated using discounting and the discount rate to use is the interest rate implicit in the lease, if it can be calculated, otherwise it is the lessee's incremental borrowing rate for the asset. Initial direct costs of the lease, including any negotiation fees or legal fees are added to the initial cost of the asset recognised.

(c) Trade and Other Receivables

The Corporation's main business purpose with respect to trade receivables is to collect the cash flows associated therewith. These cash flows are usually only the repayment of the principal amount (amount of goods or services sold on credit) as well as interest levied on outstanding amounts (if payment is made after the normal credit period). Therefore most trade receivables will fall within the 'at amortised cost' category of IFRS 9.

(i) *Classification and measurement of financial assets and financial liabilities (Cont'd)*

The Directors of the Corporation reviewed the existing financial assets at January 1, 2018 based on facts and circumstances that existed at that date and concluded that upon initial application of IFRS 9, there was no change in the classification and measurement of the financial assets of the Corporation. Consequentially, Cash and cash equivalents, Finance leases and trade and other receivables are not expected to differ substantially between the two standards, i.e, IAS 39 and IFRS 9.

(ii) ***Impairment of financial assets***

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Corporation to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. Therefore, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

In particular, IFRS 9 requires the Corporation to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit impaired financial asset. However, if the credit risk on a financial instrument has not increased significantly since initial recognition, the Corporation is required to measure the loss allowance for that financial instrument at an amount equal to 12 months ECL. IFRS 9 also requires a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for lease and trade receivables in certain circumstances.

Finance lease receivables are covered by existence of collaterals with fair values which well exceeds their credit exposures. Therefore the Directors have estimated that impairment loss should be nil.

Cash and cash equivalents are also subject to the impairment requirements of IFRS 9 but no loss has been noted in the past as well as based on available information, there is unlikely to have any loss due to default, therefore impairment loss for Cash and cash equivalent has been estimated by the Directors to be nil.

(a) *Simplified Approach to Impairment*

The standard requires the application of the simplified approach to trade receivable and contract assets that do not contain a significant financing component. There is an accounting policy choice when it comes to finance lease receivables, operating lease receivables, and trade receivables and contract assets that do contain a significant financing component. The Corporation has opted to adopt the simplified method for its trade receivables.

The Simplified Approach allows entities to recognise a Lifetime Expected Losses (ECL) on all these assets without the need to identify significant increases in credit risk.

IFRS 9 allows an operational simplification whereby entities can use a provisions matrix to determine their ECL under the impairment model. A provision matrix method uses past and forward information to estimate the probability of trade receivables. Entities are also allowed to use the stepped approach which is based on the historical loss rate method. This is the method applied by the Corporation.

2.1 Basis of preparation (Cont'd)

(i) *Step 1- Determine the appropriate groupings of receivables*

To be able to apply the provision matrix, the population of individual receivables were aggregated into sub-groups of receivables that share similar credit risk characteristics and which significantly drives each different sub-group's credit risk. Trade and Other Receivables of the Corporation were regrouped as follows: Commercial Properties, Expartriates and Social Housing.

(ii) *Step 2- Determine the period over which historical loss rates are appropriate*

Once the sub-group identified, historical data was collected for each sub-group for years 2016 to 2018. The Corporation determined the amount of outstanding at the end of each time bucket until the point at which the bad dedt is written off. The ageing profile buckets which the Corporation adopted was as follows: less than 30 days, 31-60 days, 61-90 days and above 90 days.

(iii) *Step 3- Determine the historical loss rates*

In this step, the Corporation calculated the historical default rate percentage and the loss rate for each bucket is the quotient of defaulted receivables at each bucket over the outstanding receivables for that period.

(iv) *Step 4- Consider forward looking macro-economic factors*

The historical loss rates calculated in Step 3 reflects the economic conditions in place during the period to which the historical data relate. IFRS is an ECL model and therefore the Corporation considered to forward looking information to determine whether the historical loss rates incurred under economic conditions that are representative of those expected to exist during the exposure period for the portfolio at the reporting date. The Corporation considered information such as changes in the industry outlook and for the Corporation GDP and unemployment rates were used. The provision matix was adjusted accordingly.

(v) *Step 5- Calculation of ECL*

In this step, the ECL for each sub-group detemined under step 1 was calculated by multiplying the current gross receivable balance under each bucket by the adjusted loss rate under step 4. The tables of ECL for trade receivables are illustrated under note 9(d).

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 judgment in applying the Corporation's accounting policies. The areas where significant judgments and estimates have been made in preparing the financial statements and their effect are disclosed in note 4.

The financial statements of the Corporation are prepared under the historical cost convention, except that:

- Relevant financial assets are stated at their fair value and/or amortised costs and;
- Relevant financial liabilities are stated at their amortised cost.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of preparation (Cont'd)

Standards, Amendments to published Standards and Interpretations effective in the reporting period:

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The adoption of IFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in the financial statements. The Corporation has elected to apply the exemption in IFRS 9 paragraph 7.2.15 not to restate prior periods in the year of initial application of the standard.

Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)
The amendments clarify the measurement basis for cash-settled share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. *The amendment has no impact on the Corporation's financial statements.*

IFRS 15 Revenue from Contracts with Customers is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The Corporation has adopted IFRS 15 Revenue from Contracts with Customers from January 1, 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. *The amendment has no impact on the Corporation's financial assets.*

Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments to IFRS 4)
The amendment provides two different solutions for insurance companies: a temporary exemption from IFRS 9 for entities that meet specific requirements (applied at the reporting entity level), and the 'overlay approach'. Both approaches are optional. *The amendment has no impact on the Corporation's financial statements.*

Annual Improvements to IFRSs 2014-2016 Cycle

IFRS 1 - deleted short-term exemptions covering transition provisions of IFRS 7, IAS 19 and IFRS 10 which are no longer relevant.

IAS 28 - clarifies that the election by venture capital organisations, mutual funds, unit trusts and similar entities to measure investments in associates or joint ventures at fair value through profit or loss should be made separately for each associate or joint venture at initial recognition.

The amendment has no impact on the Corporation's financial statements.

IFRIC 22 Foreign Currency Transactions and Advance Consideration. The interpretation clarifies how to determine the date of transaction for the exchange rate to be used on initial recognition of a related asset, expense or income where an entity pays or receives consideration in advance for foreign currency-denominated contracts. *The amendment has no impact on the Corporation's financial statements.*

Transfers of Investment Property (Amendments to IAS 40). The amendments clarify that transfers to, or from, investment property can only be made if there has been a change in use that is supported by evidence. A change in use occurs when the property meets, or ceases to meet, the definition of investment property. A change in intention alone is not sufficient to support a transfer. *The amendment has no impact on the Corporation's financial statements.*

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of preparation (Cont'd)

Standards, Amendments to published Standards and Interpretations issued but not yet effective

Certain standards, amendments to published standards and interpretations have been issued that are mandatory for accounting periods beginning on or after 1 January 2019 or later periods, but which the Corporation has not early adopted.

At the reporting date of the 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 16 Leases;

IFRS 17 Insurance contracts;

IFRIC 23 Uncertainty over Income Tax treatments;

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

Long- term interests in Associates and Joint ventures (Amendments to IAS 28);

Annual improvements to IFRSs 2015-2017 Cycle;

Plan amendment, curtailment or settlement (Amendments to IAS 19);

Definition of a business (Amendments to IFRS 3); and

Definition of Material (Amendments to IAS 1 and IAS 8).

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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and any impairment in value. Historical cost consists of purchase cost, together with any incidental expenses of acquisition and installation.

Subsequent costs are included in the assets' carrying amount or recognised as a separate asset as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Corporation and the cost of the item can be measured reliably.

Properties in the course of construction are carried at cost less any recognised impairment loss. Cost includes professional fees and for qualifying assets, borrowing costs capitalised. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is calculated on the straight line method to write off the cost of the assets to their residual values over their estimated useful lives as follows:

Furniture and equipment	3-5 years
Motor vehicle	3 years

Land is not depreciated.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposals of equipment are determined by comparing the proceeds with their carrying amount and are included in Statement of Profit or Loss.

(c) Investment properties

Properties held to earn rentals or for capital appreciation or both and not occupied by the Corporation are initially measured at cost or deemed costs including transaction costs. Costs associated with maintaining investment properties are recognised as an expense in the Statement of Profit or Loss. Subsequent to initial measurement, Investment properties are carried at historical cost less accumulated depreciation and impairment.

Investment properties are depreciated on straight line over 25 years.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposals of Investment Properties are determined by comparing the proceeds with their carrying amount and are included in the Statement of Profit or Loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Inventory

Inventory comprises of land and buildings under development. Inventory is initially recognised at cost or deemed cost, and subsequently at the lower of cost and net realisable value. Cost comprises all deemed costs, costs of construction, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

(e) Financial instruments

(i) Financial assets

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

Financial assets and financial liabilities of the Corporation are initially measured at fair value and subsequently at amortised cost.

Amortised cost and effective interest method
The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income over the relevant period.

Impairment of financial assets
The Corporation recognises a loss allowance for expected credit losses on investments in financial instruments that are measured at amortised cost, finance lease receivables, trade and other receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The Corporation always recognises lifetime ECL for its finance Leases and trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Corporation's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. The Corporation recognises an impairment loss in the statement of profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Financial instruments (Cont'd)

(i) Financial assets (Cont'd)

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Corporation compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Corporation considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward looking information that is available without undue cost or effort. Forward looking information considered includes the future prospects of the industries in which the Corporation's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Corporation's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- An actual or expected significant deterioration in the financial instrument's external or internal credit rating;
- Existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- An actual or expected significant deterioration in the operating results of the debtor;
- Significant increases in credit risk on other financial instruments of the same debtor;
- An actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Corporation presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Corporation has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Corporation assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- The financial instrument has a low risk of default,
- The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and
- Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Financial instruments (Cont'd)

(i) Financial assets (Cont'd)

Definition of default

The Corporation considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- When there is a breach of financial covenants by the debtor; or
- Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Corporation, in full (without taking into account any collateral held by the Corporation).

Irrespective of the above analysis, the Corporation considers that default has occurred when a financial asset is more than 90 days past due unless the Corporation has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Write off policy

The Corporation writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into Corporationruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Corporation's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in the statement of profit or loss.

Finance lease receivables

Leases are classified as finance lease where the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee.

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

Lease income is recognised in the Statement of Profit or Loss over the term of the lease using the net investment method, which reflects a constant periodic return.

Trade and other receivables

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Financial instruments (Cont'd)

(i) Financial assets (Cont'd)

Cash and cash equivalents

Cash and cash equivalents include cash in hand and cash at Corporations. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Derecognition of a Financial asset

The Corporation derecognises a financial asset where the contractual rights to cash flows from the asset expire or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

(ii) Financial Liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Trade and other payables

Trade and other payables are stated at fair value and subsequently measured at amortised cost using the effective interest method. The carrying amount of trade and other payables approximate their amortised cost.

(iii) Offsetting financial instruments

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

(f) Capital reserve

The stated capital originates from the contra credit entries to net assets transferred from HFC transferred to the Corporation at nil consideration in 2013. Subsequent movements represent further additions to properties transferred from the Government of Seychelles also at nil consideration. It also includes revaluations by Directors of assets previously transferred. Releases from capital reserve to the Statement of Profit or Loss are of the amortisation charged to Statement of Profit and Loss.

Upon adoption of IFRS, only capital grants and donations are now recognised as Capital Reserve.

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Retirement benefit obligation

The Corporation provides for a payment of compensation to permanent employees on completion of 5 or more years. The amount provisioned every year is based on the number of years the employee has worked after the last payment date. This type of employee benefits has the characteristics of a defined benefit plan. The liability recognised in the statement of financial position in respect of the defined benefit plan is the present value of the defined obligation at the reporting date less fair value of plan assets together with adjustments for unrecognised actuarial gains and losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability.

The Corporation does not carry out an actuarial valuation since Management has based itself on the method as prescribed by the Seychelles Employment Act and they have estimated that the amount of liability provided will not be materially different had it been computed by an external Actuary.

(h) Impairment of non financial assets

Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

(i) Revenue recognition

Revenue comprises of rental income and income from self financing lease.

Interest income from self financing lease
Interest revenue is recognized on a time proportionate basis after taking into account the capital amount outstanding and effective rate over the period to maturity.

Rental income
Rental income is accounted on accrual basis.

Other income

Deferred income
Deferred income is recognised as revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral party of the lease.

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Revenue recognition (Cont'd)

Government grants

Government grants are initially recognised as deferred income at fair value if there is reasonable assurance that they will be received and the Corporation will comply with the conditions associated with the grant; they are then recognised in profit or loss as other income on a systematic basis over the usage of the grant.

Other income from sale flats and other related income is recognised on accrual basis.

(j) 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.

(k) Tax

Based on Section 23 of the Property Management Corporation Act, 2004 the Corporation is not liable to any tax in respect of its income and profits.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Corporation's activities expose it to the following financial risks: credit risk, fair value or cash flow interest rate risk and liquidity risk. The Corporation's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise the potential adverse effect on it's financial performance.

A description of the significant risk factors is given on the following page together with the risk management policies applicable.

(a) Credit risk

In order to minimise credit risk, the Corporation has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. Credit approvals and other monitoring procedures are also in place to ensure that follow-up action is taken to recover overdue debts. Furthermore, the Corporation reviews the recoverable amount of each trade debt and debt investment on an individual basis at the end of the reporting period to ensure that adequate loss allowance is made for irrecoverable amounts. In this regard, the Directors of the Corporation consider that the Corporation's credit risk is significantly reduced. Trade receivables consist of a large number of customers.

3. FINANCIAL RISK MANAGEMENT

(a) Credit risk (Cont'd)

Risk concentration

Concentration of risk is managed by sub-groups and for the Corporation, these are Commercial Properties, Expatriates and Social Housing.

Concentration of credit risks exists when a number of counterparties are engagged in similar activities or operate in the same geographical areas, industry sections and have similar economic characteristics so that their ability to meet contractual obligations is similarly affected by changes in economic, political and other conditions.

The following table shows the level of concentration of trade receivables of the Corporation at December 31,

	Trade Receivables at amortised cost		Provision for credit impairment		Carrying Amount	
	2018	2017	2018	2017	2018	2017
	SR'000	SR'000	SR	SR	SR	SR
Sub Group						
Commercial Properties	863	779	486	-	377	779
Expatriates	3,020	2,960	1,207	-	1,813	2,960
Social Housing	11,611	16,605	9,114	3,115	2,497	13,490
Others (a)	20,940	25,314	-	-	20,940	25,314
TOTAL	36,434	45,658	10,807	3,115	25,627	42,543

(a) Others comprise mainly balances recoverable from Housing Finance Company limited which are deductible from clients Savings A/c as well as balances recoverable from clients for whom the Corporation made payments to contractors in anticipation of them obtaining a loan from their banks. The Directors are of the opinion that risk of default is minimal and therefore no ECL has been provided.

Others include also loans and receivable (see note 9(e)).

3. FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Credit risk (Cont'd)

For trade receivables, the Corporation has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Corporation determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix. Note 9(c) include further details on the loss allowance for these assets respectively.

(b) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and availability of funding through an adequate amount of inflows from borrowers. Management monitors rolling forecasts of the Corporation's liquidity reserve on the basis of expected cash flow.

(c) Currency risk

Currency risk is defined as the risk that movements in foreign exchange rates adversely affect the value of the Corporation's foreign currency positions. The latter is not exposed to currency risk as all its transactions are denominated in Seychelles Rupees.

(d) Interest rate risk

Interest rate risk is defined as the risk that movements in interest rates adversely affect the value of the Corporation. Interest rates are considered low since the Corporation's borrowings are at fixed rates guaranteed by the Government of Seychelles.

3.2 Fair value estimation

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Corporation for similar financial instruments.

3.3 Capital risk management

The Corporation's objectives when managing capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

3.3 Capital risk management (Cont'd)

The Corporation has no Share Capital.
The Corporation sets the amount of capital in proportion to risk. It manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Corporation may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The Corporation monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt adjusted capital. Net debt is calculated as total debt less cash and cash equivalents. Adjusted capital comprises all components of equity (i.e. share capital, quasi equity, other reserves and revenue deficit

During 2018, the Corporation's strategy, which was unchanged from 2017, was to maintain the debt-to-adjusted capital ratio at a reasonable level. However it is the Corporation's present policy to obtain finance from its shareholders which is interest free.

	2018	2017
	SR	SR
Total debt	138,757,438	-
Less: Cash and cash equivalents	(33,181,445)	-
Net debt	105,575,993	-
Shareholders' equity	83,783,306	57,939,595
Debt-to-adjusted capital ratio	1.26	N/A

4 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 below.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

(a) *Business model assessment*

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Corporation determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Corporation monitors financial assets measured at amortised cost prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Corporation's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets. No such changes were required during the periods presented.

(b) *Significant increase in credit risk*

IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased, the Corporation considers qualitative and quantitative reasonable and supportable forward-looking information.

(c) *Calculation of Loss allowance*

When measuring ECL the Corporation uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

(d) *Valuation of investment properties*

The Corporation is carrying forward in its books investment properties which was counted and valued. These values have been recognised as being deemed costs of the investment properties.

(e) Useful lives and residual values

Property and equipment and Investment property are depreciated over their useful life taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In reassessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values. Consideration is also given to the extent of current profits and losses on the disposal of similar assets.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

(f) Retirement benefit obligations

The cost of defined benefit pension plans has been determined using the method as per the Seychelles Employment Act and the Directors have estimated that the amount of liability provided will not be materially different had it been computed by an external Actuary.

(g) Capital reserve

The stated capital originates from the contra credit entries to net assets transferred from Housing Finance Corporation Limited transferred to the Corporation at nil consideration in 2013. Subsequent movements represent further additions to properties transferred from the Government of Seychelles also at nil consideration. It also included revaluations by Directors of assets previously transferred. Releases from capital reserve to the Statement of Profit or Loss are represented by amortisation charges to Statement of Profit and Loss.

Upon adoption of IFRS, only capital grants and donations are now recognised as Capital Reserve.

(h) Deferred revenue

The stated Deferred Revenue originates from the adoption of IFRS whereby the outstanding balance on finance lease receivable before impairment and investment property at year end was transferred from Capital Reserve to Deferred Revenue.

The split between current and non current of this balance is based on the expected future repayments of Finance Lease Receivable assumed on current period's repayment trend. For Investment Property, this is on straight line basis.

5. PROPERTY AND EQUIPMENT

	Land	Furniture & Equipment	Vehicles	Capital work in progress	Total
COST	SR	SR	SR	SR	SR
At January 1, 2017	60,000	3,152,702	2,346,981	-	5,559,683
Additions	-	315,380	-	-	315,380
Disposals	-	(20,730)	(380,000)	-	(400,730)
At December 31, 2017	**60,000**	**3,447,352**	**1,966,981**	**-**	**5,474,333**
Additions	**-**	**525,840**	**430,000**	**163,867,362**	**164,823,202**
Disposals	**-**	**(108,568)**	**(199,094)**	**-**	**(307,662)**
At December 31, 2018	**60,000**	**3,864,624**	**2,197,887**	**163,867,362**	**169,989,873**
DEPRECIATION					
At January 1, 2017	-	1,975,467	1,138,474	-	3,113,941
Charge for the year	-	538,787	395,015	-	933,802
Disposal adjustment	-	(5,175)	(31,664)	-	(36,839)
At December 31, 2017	**-**	**2,509,079**	**1,501,825**	**-**	**4,010,904**
Charge for the year	**-**	**561,819**	**378,406**	**-**	**940,225**
Disposal adjustment	**-**	**(73,077)**	**(199,094)**	**-**	**(272,171)**
At December 31, 2018	**-**	**2,997,821**	**1,681,137**	**-**	**4,678,958**
NET BOOK VALUES					
At December 31, 2018	**60,000**	**866,803**	**516,750**	**163,867,362**	**165,310,915**
At December 31, 2017	60,000	938,273	465,156	-	1,463,429

6. INVESTMENT PROPERTIES

	2018	2017
COSTS / DEEMED COSTS	SR	SR
At January 1,	**333,858,358**	322,269,867
Additions (Note 11)	**18,400,477**	12,601,951
Disposals	**(760,095)**	(1,013,460)
At December 31,	**351,498,740**	333,858,358
DEPRECIATION		
At January 1,	**135,807,375**	124,274,822
Charge for the year (Note 11)	**13,152,855**	12,546,013
Disposal adjustment	**(760,095)**	(1,013,460)
At December 31,	**148,200,135**	135,807,375
NET BOOK VALUE		
At December 31,	**203,298,605**	198,050,983

Investment property comprises a number of commercial properties that are leased out to third parties.

7. FINANCE LEASE RECEIVABLES

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

	2018	2017
	SR	SR
Total gross investment in finance lease	652,734,742	618,197,320
Leases granted during the year (Note 11)	56,431,233	63,628,835
Repayments received: Principal amount (Note 11)	(34,707,456)	(32,237,164)
Finance income (Note 15)	(18,489,341)	(14,657,609)
Discounts granted on house purchased		-
Total gross investment in finance lease at December 31,	655,969,178	634,931,382
- Not later than one year	49,010,790	30,981,468
- Later than one year but not later than five years	196,043,160	123,925,872
- Later than five years	410,915,228	480,024,042
Unearned finance income	(182,384,171)	(183,070,152)
Net investment in finance lease	473,585,007	451,861,230
Represented by:		
Present value of minimum lease instalments	473,585,007	451,861,230
- Not later than one year	35,383,942	22,048,562
- Later than one year but not later than five years	141,535,768	88,194,249
- Later than five years	296,665,297	341,618,418
Provision for credit impairment as restated (Note 7(c))	-	(451,400)
At December 31,	473,585,007	451,409,830
Analysed as:		
Non-current	438,201,065	429,812,668
Current	35,383,942	21,597,162
	473,585,007	451,409,830

7. FINANCE LEASE RECEIVABLES (CONT'D)

(a) IAS 17- "Leases" prescribes that at the inception of a lease, a finance lease is recorded as a receivable at an amount equal to the net investment of the lease. The net investment in the lease is the present value of the minimum lease payments and any unguaranteed residual value accruing to the lessor.

Finance income is recognised so as to produce a constant periodic rate of return on the lessor's net investment in the lease.

(b) The carrying amounts of finance lease receivables approximate their amortise costs.

(c) Credit Loss Allowances

The directors of the Corporation estimate the loss allowance on finance lease receivables at the end of the reporting period at an amount equal to lifetime Expected Credit Loss (ECL). Taking into account the environment in which the lessees operate, together with the value of collateral held over these finance lease receivables, the Directors of the Corporation considered that finance lease receivables are not impaired and therefore ECL has been estimated as nil.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for finance lease receivables.

The provision of SR 451,400 in 2017 was therefore reversed and impact on Retained Earnings is as shown on note 24.

8. INVENTORY

	2018	2017
	SR	SR
Houses under construction	-	471,190

9. TRADE AND OTHER RECEIVABLES

	2018	2017
	SR	SR
Trade receivables	35,955,698	39,461,527
Loans and other receivables	478,418	6,197,142
Less: provision for impairment (Note 9(c')(ii))	(10,807,213)	(3,115,272)
Trade receivables - net	25,626,903	42,543,397
Deposit receivable	15,679	15,679
Total financial assets	25,642,582	42,559,076
Prepayments	1,487,577	1,265,653
	27,130,159	43,824,729

(a) The carrying values of trade and other receivables classified as loans and receivables approximates their amortised cost.

(b) Other classes of financial assets included within trade and other receivables do not contain impaired assets.

(c) Credit Loss Allowances

The average credit period on trade receivables is 30 days. No interest is charged on outstanding trade receivables.

The Corporation always measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

The Corporation has recognised a loss allowance of 100% against all receivables over 90 days past due because historical experience has indicated that these receivables are generally not recoverable.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

The Corporation writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the finance lease receivables are over two years past due, whichever occurs earlier.

9. TRADE AND OTHER RECEIVABLES (CONT'D)

(c) Credit Loss Allowances (Cont'd)

The following table details the risk profile of Trade receivables based on the Corporation's provision matrix. The customers of the Corporation have been classified into 3 subgroups based on similar credit risk, characteristics, namely Commercial Properties, Expatriates and Social Housing as detailed below:

(i) At January 1, 2018

(i) Commercial Properties

	Trade Receivables-days past due					
	Not past due	< 30 days	31-60 days	61-90 days	>90 days	Total
Expected credit loss rate (%)	23%	23%	23%	23%	23%	23%
Estimated gross carrying amount at default (SR)	191,250	85,975	82,225	82,225	337,425	779,100
Lifetime ECL	44,238	19,887	19,019	19,019	78,050	180,214

(ii) Expatriate

	Trade Receivables-days past due					
	Not past due	< 30 days	31-60 days	61-90 days	>90 days	Total
Expected Credit loss rate (%)	39.99%	39.99%	39.99%	39.99%	39.99%	39.99%
Estimated gross carrying amount at default (SR)	1,566,430	82,642	70,100	54,100	1,187,300	2,960,572
Lifetime ECL	626,474	33,052	28,036	21,637	474,846	1,184,043

(iii) Social Housing

	Trade Receivables-days past due					
	Not past due	< 30 days	31-60 days	61-90 days	>90 days	Total
Expected Credit loss rate (%)	67.85%	67.85%	67.85%	67.85%	67.85%	67.85%
Estimated gross carrying amount at default (SR)	1,036,542	423,676	395,659	374,778	14,373,893	16,604,548
Lifetime ECL (note 9(d))	703,309	287,471	268,461	254,292	9,752,896	11,266,429
Total lifetime ECL (note 9(d))	1,374,021	340,410	315,516	294,948	10,305,792	12,630,686

(ii) At December 31, 2018 and 2017

Commercial Properties

	Trade Receivables-days past due						December 31, 2017
	Not past due	< 30 days	31-60 days	61-90 days	>90 days	Total	Total
Expected credit loss rate (%)	56%	56%	56%	56%	56%	56%	-
Estimated gross carrying amount at default (SR)	191,250	91,725	89,350	82,225	408,750	863,300	779,100
Lifetime ECL	107,626	51,618	50,282	46,272	230,024	485,822	-

Expatriate

	Trade Receivables-days past due						December 31, 2017
	Not past due	< 30 days	31-60 days	61-90 days	>90 days	Total	Total
Expected Credit loss rate (%)	39.95%	39.95%	39.95%	39.95%	39.95%	39.95%	-
Estimated gross carrying amount at default (SR)	1,400,980	65,292	60,500	57,500	1,436,200	3,020,472	2,960,572
Lifetime ECL	559,746	26,087	24,172	22,973	573,818	1,206,796	-

Social Housing

	Trade Receivables-days past due						December 31, 2017
	Not past due	< 30 days	31-60 days	61-90 days	>90 days	Total	Total
Expected Credit loss rate (%)	78.50%	78.50%	78.50%	78.50%	78.50%	78.50%	18.76%
Estimated gross carrying amount at default (SR)	934,653	394,256	368,905	350,064	9,563,595	11,611,473	16,604,549
Lifetime ECL	733,670	309,477	289,576	274,788	7,507,084	9,114,595	3,115,272
Total Lifetime ECL (note 9(d))	1,401,042	387,182	364,030	344,033	8,310,926	10,807,213	

9. TRADE AND OTHER RECEIVABLES (CONT'D)

(d) Movement in allowance for credit loss

The following table shows the movement in lifetime ECL that has been recognised for Trade receivables in accordance with the simplified approach set out in IFRS 9.

	Commercial Properties	Expatriate	Social Housing	Total	
	SR	SR		SR	
Balance at January 1, 2018 under IAS 39					
As previously reported	-	-	3,115,272	3,115,272	
Effect upon application of IFRS 9 (note 9(c))	180,214	1,184,043	8,151,157	9,515,414	
As restated	**180,214**	**1,184,043**	**11,266,429**	**12,630,686**	note 9(c)(i)
Charge/(Credit) during the period (page 6)	**305,608**	**22,753**	**(2,151,834)**	**(1,823,473)**	
Balance at December 31, 2018 (note 9(c))	**485,822**	**1,206,796**	**9,114,595**	**10,807,213**	note 9(c)(ii)

Sensitivity analysis

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

(e) Loans and receivables comprise short term staff loans which are offset against their monthly salaries and risk of default has been estimated by the Directors as nil.

(f) The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Authority does not hold any collaterals as securities.

(g) The other classes within trade and other receivables do not contain impaired assets and the Corporation does not hold any collateral as security.

10. CAPITAL RESERVE

	2018	2017
	SR	SR
At January 1,	62,286,356	62,286,356
Deferred Government Grant (Reclassification from note 14) (Note 10(a))	5,078,044	-
Deferred Government Grant movement (Note 10(a))	972,934	-
Deferred Government Grant-Loan repayments (Note 10(b))	24,815,538	-
Other movements (Note 10(c))	(2,123,372)	
At December 31,	91,029,500	62,286,356

(a) The balance related to funds received from the Ministry of Finance, Trade and Blue Economy during the year 2018, to cater for major repairs and maintanance. A total amount of SR 4.71m was utilised during the year, and the remaining balance was deferred to 2019 financial year.

(b) The balance relates to amounts received from the GOS for the repayment of loan contracted from SPF. The amount received will be amortised when the properties are fully completed and allocated to

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

11. DEFERRED REVENUE

	2018	2017
	SR	SR
At January 1,	649,912,213	618,464,604
Additions for Lease receivables (Note 7)	56,431,233	63,628,835
Investment property (Note 6)	18,400,477	12,601,951
Amortisation Lease receivables (Note 7)	(34,707,456)	(32,237,164)
Investment property (Note 6)	(13,152,855)	(12,546,013)
At December 31,	676,883,612	649,912,213
Analysed as:		
Non-current	629,023,301	605,129,036
Current	47,860,311	44,783,177
	676,883,612	649,912,213

12. BORROWINGS

	2018	2017
	SR	SR
Amount received from SPF during the year (Note (a))	150,000,000	-
Repayments during the year	(18,611,654)	-
Finance costs (Note (b))	7,369,092	
At December 31,	138,757,438	-
Analysed as follows:		
Non current	113,941,898	-
Current	24,815,540	-
	138,757,438	

(a) The loan amount of SR 150,000,000 received from Seychelles Pension Fund is secured by the Government of Seychelles, bears interest at 8% per annum compounded monthly and is repayable quarterly in equal amounts of SR 6,203,885 over 8 years.

(b) Finance costs have been capitalised since the amount borrowed was for construction of future Investment properties still in progress and disclosed under note 5.

13. RETIREMENT BENEFIT OBLIGATIONS	2018	2017
	SR	SR
At January 1,	501,016	786,693
Paid during the year	(331,598)	(705,633)
Charge for the year (Note 18)	721,948	419,956
At December 31,	891,366	501,016

(a) The Corporation provides for gratuity in line with the requirements for parastatal organisations which is calculated as follows:

- Staff below management level, compensation equals 5% - 10% of total salaries for two years.
- Staff above management level, compensation equals 10% - 15% of total salaries for two years.

14. TRADE AND OTHER PAYABLES	2018	2017
	SR	SR
Trade payables	1,465,155	1,754,282
Government Grant reclassified to Capital Grant (Note 10)	-	5,078,044
Other creditors and accrued expenses	725,254	1,802,868
	2,190,409	8,635,194

(a) Trade and other payables approximate their amortised costs.

15. REVENUE	2018	2017
	SR	SR
Rental income	40,836,365	40,871,824
Finance income on finance lease (Note 7)	18,489,341	14,657,609
Other finance income	979,126	987,935
Revenue from Self-financing construction scheme	2,418,300	2,012,949
	62,723,132	58,530,317

16. EXPENSES	2018	2017
	SR	SR
Employee benefit expense (Note 18)	10,218,543	8,390,226
Audit fees	299,000	161,000
Depreciation on property and equipment (Note 5)	940,225	933,802
Depreciation on investment properties (Note 6)	13,152,855	12,546,013
Repairs and maintenance expense	42,842,031	41,896,908
Insurance expense	1,589,003	1,277,268
Legal and professional fees	455,450	393,900
Rental expense	8,503,155	6,234,111
Self financing construction expenditure	2,801,816	1,129,094
Write off of property and equipment	35,491	93,891
Other expenses	2,682,333	3,763,877
Total operating and administrative expenses	83,519,902	76,820,090

(a) *Analysed as:*

	2018	2017
	SR	SR
Operating expenses	67,027,269	62,069,699
Administrative expenses	16,492,633	14,750,391
	83,519,902	76,820,090

17. OTHER INCOME

	2018	2017
	SR	SR
Insurance claims received	8,461	1,311,731
Other income	4,526,296	387,956
Funds from Ministry of Finance, Trade & Economic planning	4,706,766	7,340,956
Government grant-Investment properties	13,152,855	12,546,013
Profit on disposal of investment property	2,743,500	1,702,500
	25,137,878	23,289,156

18. EMPLOYEE BENEFIT EXPENSE

	2017	2017
	SR	SR
Salaries and wages	8,442,528	7,182,316
Directors remuneration (Note 18(a))	228,653	227,283
Pension contributions	182,181	135,205
Retirement benefit obligation provision (Note 13)	721,948	419,956
Other staff costs	643,233	425,466
	10,218,543	8,390,226

(a) Directors' remuneration

	2018	2017
	SR	SR
Directors' fees:		
Gilbert Madeleine	53,100	48,144
Sitna Cesar	42,480	38,515
Ronny Palmyre	35,400	32,096
Roma Edmond	35,400	32,096
Denis Barbe	35,400	32,096
Michel Bistoquet	13,373	32,096
Irene Moosa (Corporation Secretary)	13,500	12,240
	228,653	227,283

19. CASH AND CASH EQUIVALENTS

	2018	2017
	SR	SR
Cash at bank	33,175,445	21,757,857
Cash in hand	6,000	10,000
	33,181,445	21,767,857

20. CAPITAL COMMITMENTS

Capital commitments as at December 31, 2018 amounted to SR 820k (2017: 865k).

21. CONTINGENT LIABILITIES

There were no contingent liabilities as at December 31, 2018 (2017: Nil).

22. RELATED PARTY TRANSACTIONS AND BALANCES

	2018	2017
	SR	SR
Transactions		
Directors remuneration (18(a))	228,653	227,283
Balances		
Ministry of Finance, Trade and Blue Economy	6,050,978	5,078,044
Housing Finance Corporation	13,863,274	12,010,784
Seychelles Pension Fund (Note 12)	138,757,438	-
Ministry of Finance, Trade and Economic Planning (MFTEP)	24,815,538	-

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

(b) **Key management personnel**

	2018	2017
	SR	SR
Salaries and other benefits	396,000	439,200
Pension costs	9,900	10,980
	405,900	450,180

23. FIVE YEAR FINANCIAL SUMMARY

		Restated			
	Year 2018	Year 2017*	Year 2016*	Year 2015*	Year 2014*
	SR	SR	SR	SR	SR
(Loss) / profit for the year	6,164,581	4,087,089	(6,240,129)	(6,388,496)	778,317
(Revenue deficit) / retained earnings brought forward	-	(8,433,850)	(2,193,721)	4,194,775	3,416,458
Revenue deficit brought forward-restated (note 24)	(13,410,775)	-	-	-	-
(Revenue deficit)/retained earnings carried forward	(7,246,194)	(4,346,761)	(8,433,850)	(2,193,721)	4,194,775
EQUITY					
(Revenue deficit) / Retained earnings	(7,246,194)	(4,346,761)	(8,433,850)	(2,193,721)	4,194,775
Capital reserve	91,029,500	62,286,356	62,286,356	54,501,835	754,488,568
Total equity	83,783,306	57,939,595	53,852,506	52,308,114	758,683,343

Figures for years 2014 have not been restated to comply with the requirement of first time adoption of IFRS due to impractibility and costs out of proportion to the benefit of Stakeholders.

* The financial statements prior 2018 were not adjusted to reflect the adoption of the requirements of IFRS 9, since the Corporation availed itself of the transition exemption of IFRS 9 where all adjustments following implementation were recognised through Retained Earnings as at January 1, 2018 with no changes to comparatives.

24. EFFECT OF IMPLEMENTATION OF IFRS 9

The implementation of IFRS 9 is as shown below:

		At January 1, 2018
Impact on the Statement of financial position	SR	SR
Revenue deficit at January 1, 2018		(4,346,761)
Allowance for credit impairment from incurred loss method per IAS 39 to expected credit loss method per IFRS 9		
-Trade and other receivables (notes 9(c')(ii) & (d))	(9,515,414)	
-Finance lease receivables (note 7(c'))	451,400	
		(9,064,014)
As restated		(13,410,775)

The implementation of IFRS 9 had impact no impact on the statement of profit or loss and other comprehensive income in 2017.