PUBLIC UTILITIES CORPORATION
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PUBLIC UTILITIES CORPORATION
Members' Report & Audited Financial Statements
for the year ended 31 December 2019

P.O Box 174, Victoria
Head Office: Electricity House, Roche Caiman, Mahe, Seychelles

PUBLIC UTILITIES CORPORATION

MEMBERS' REPORT & AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

CONTENTS

The Members are pleased to present their report together with the audited financial statements of the Corporation for the year ended 31 December 2019.

CORPORATION

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

PRINCIPAL ACTIVITIES

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

CURRENT YEAR EVENT

The Corporation adopted IFRS 16 - Leases, effective 1 January 2019, which replaced IAS 17 Leases and IFRIC 4 Determining whether an Arrangement Contains a Lease.

The new standards resulted in the recognition of right-of-use assets and lease liabilities on leases previously classified as operating leases amounting to **SR 7.2 million** and **SR 7.5 million**. The adoption of IFRS 16 had **SR 98k** impact on the Corporation's retained earnings. Refer to *note 2(b)* for more details.

RESULTS

	SR
Profit for the year	111,080,423
Retained earnings brought forward - restated	871,971,461
Retained earnings carried forward	**983,051,884**

PROPERTY, PLANT AND EQUIPMENT

Additions to property, plant and equipment of **SR 9 million** during the year comprised mainly electricity equipment, other equipment and motor vehicles (2018: SR 18 million). **SR 15 million** were transferred to strategic parts from inventories (2018: SR 32 million) during the year under review.

Additions to work in progress amounted to **SR 826 million** (2018: SR 508 million).

Assets totalling **SR 83 million** (2018: SR 497 million) were transferred from work in progress to property, plant and equipment (*note 11*).

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

EVENT AFTER REPORTING DATE

The outbreak of COVID-19 in early 2020 has brought considerable uncertainty and economic disruptions around the globe. The adverse consequences for Seychelles are significant with extensive impact on all industries in general. This pandemic is affecting the Corporation's business and therefore the Members, together with the Management, have assessed the Corporation's ability to continue as a going concern and acknowledged the risk of lower revenue and higher cost in the short to medium term.

Based on the capital and liquidity position of the Corporation as well as all the ongoing measures being put in place at all levels by the Goverment, the Members are of the opinion that the going concern basis of preparation of these financial statements remain appropriate. Refer to *note 26* for more details.

MEMBERS AND MEMBERS' INTEREST

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

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

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

STATEMENT OF MEMBERS' RESPONSIBILITIES

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

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

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

AUDITORS

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

Signed in accordance with the authorisation of the Board

Mr. Eddy Belle
Chairman

Mr. Philippe Morin
Chief Executive Officer

Mr. Yannick Vel
Director

Mrs. Nanette Laure
Director

Mr. Stephen Rousseau
Director

Mr. Selwyn Gendron
Director

Mr. Philippe Chong-Seng
Director

Dated: 0 8 JUL 2020
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 PUBLIC UTILITIES CORPORATION FOR THE YEAR ENDED 31ST DECEMBER 2019

Opinion

The accompanying financial statements set out on pages 6 to 44, which comprise of the statement of financial position as at 31st December 2019, 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. 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 6 to 44 give a true and fair view of the financial position of the Corporation as at 31st December 2019 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the provisions of the Public Utilities Corporation Act, 1985 (as amended) and the Public Enterprise Monitoring Commission Act, 2013.

Basis for Opinion

The audit was conducted in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the '*Auditor General's responsibilities for the audit of financial statements*' section of my report. I am independent of the Corporation in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), 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.

Emphasis of Matter

Effects of COVID-19 pandemic

I draw attention to note 26 of the financial statements which describes a material uncertainty following the Coronavirus (COVID-19) pandemic which is severely affecting the world in general as well as Seychelles. Actions adopted by countries such as closing of borders, grounding of flights and discouraging people from traveling are impacting heavily on all industries including the essential services sector thereby raising a significant uncertainty in the Corporation's ability to continue as a going concern.

However, the members of the Corporation together with Management are confident that they will continue to have the financial and otherwise support of their shareholder and are therefore of the opinion that the going concern basis of preparation of these financial statements remains appropriate in the foreseeable future.

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

Key Audit Matters

During the audit, the Auditors assessed all areas of material risks for the Corporation and have highlighted below two areas where we believe that significant judgements were made in arriving at the figures disclosed in these financial statements and comprised compliance with the requirements of IFRS 16 and IFRS 9.

(i) Adoption of IFRS 16 – Leases
The auditors addressed the key audit matters by:

• assessing the appropriateness of the discount rates applied in determining the present value of lease liabilities with input from their technical department;
• verifying the accuracy of the underlying lease data by agreeing leases to the original contracts and/or other supporting information, and verified the integrity and accuracy of the IFRS 16 calculations for each lease sampled through recalculation of the expected IFRS 16 adjustments;
• assessing whether the disclosures within the financial statements are appropriate and sufficient.

(ii) Computation of Expected Credit Loss per IFRS 9- Financial Instruments

The auditors addressed the key audit matters by:

• obtaining an understanding of the Corporation's provisioning methodology, assessing the reasonableness of the underlying assumptions and the sufficiency of the data used by the Management.
• obtaining an understanding of the Corporation's business model assessment, assessing and testing the contractual cash flows, to confirm if they give rise to cash flows that are 'solely payments of principal and interest [SPPI];
• verifying and understanding the key data sources and assumptions for data used in the Expected Credit Loss (ECL) models (the Models) used by the Corporation to determine impairment provisions and to determine the historical loss rate percentages;
• checking the calculation of the historical loss rate percentages on the provision matrix and verifying the calculation of the lifetime ECL;
• confirming that the financial instruments held by the Corporation are short term in nature therefore no forward looking assumptions have been incorporated in the ECL calculation; and
• checking the consistency of the various inputs and assumptions used by the Corporation's Management to determine impairment provisions.

As a result of the above audit procedures, no material differences were noted.

Responsibility of the Members and those charged with Governance

The Members are responsible for the preparation of the financial statements in accordance with International Financial Reporting Standards and in compliance with the requirements of the Public Utilities Corporation Act, 1985, and Public Enterprise Monitoring Commission Act, 2013 and for such internal control as the members determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor General's responsibilities for the audit of financial statements

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

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

- identifies and assesses that risk of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtains audit evidence that is sufficient and appropriate to provide a basis for the opinion. The risk of not detecting material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omission or misrepresentation, or the override of internal control;
- obtains an understanding of the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control;
- evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors;
- concludes on the appropriateness of the Board of Directors' use of going concern basis of accounting and, based on the audit evidence obtained, concludes whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If the auditor concludes that a material uncertainty exists, the auditor is required to draw attention in the auditor's report to the related disclosures in the financial statements or if such disclosures are inadequate, to modify the opinion. My conclusions are based on audit evidence obtained to the date of my auditor's report. However, future unforeseeable events or conditions may cause the Corporation to cease to continue as a going concern;
- evaluates the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtains sufficient appropriate audit evidence regarding the financial information of the entity or business activities within the Corporation to express an opinion on the financial statements. The auditor is responsible for the direction, supervision and performance of the audit. I remain responsible for the audit opinion;
- communicates with directors among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

Report on Other Regulatory Requirement

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

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

18 July 2020
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PUBLIC UTILITIES CORPORATION

INDEPENDENT AUDITOR'S REPORT TO THE AUDITOR GENERAL

Report on the audit of the Financial Statements

Opinion

We have audited the financial statements of **Public Utilities Corporation** set out on pages 6 to 44 which comprise the Statement of Financial Position as at December 31, 2019, 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 6 to 44 give a true and fair view of the financial position of the Corporation as at December 31, 2019 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 Public Utilities Corporation Act, 1985 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.

Emphasis of Matter

(i) Effects of COVID-19 pandemic

We draw attention to note 26 of the financial statements which describes a material uncertainty following the Coronavirus pandemic which is affecting severely the world in general as well as Seychelles. Actions adopted by countries such as closing borders, grounding flights and discouraging people from travelling abroad are impacting heavily on all industries including the essential services sector thereby raising a significant uncertainty the Corporation's ability to continue as a going concern.

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

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

Key audit matters

During our audit we assessed all the areas of material risks for the Corporation and we highlight below two areas where we believe that significant judgements were made in arriving at the figures disclosed in these financial statements and comprised compliance with the requirements of IFRS 16 and IFRS 9.

i) Adoption of IFRS 16 - Leases

√ Assessed the appropriateness of the discount rates applied in determining the present value of lease liabilities with input from our technical department;
√ Verified the accuracy of the underlying lease data by agreeing leases to original contracts and/ or other supporting information, and verified the integrity and accuracy of the IFRS 16 calculations for each lease sampled through recalculation of the expected IFRS 16 adjustments;
√ Assessed whether the disclosures within the financial statements are appropriate and sufficient.

ii) Computation of Expected Credit losses per IFRS 9 - Financial instruments

How the key audit matter was addressed in the audit

• 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;
• We obtained an understanding of the Corporation's business model assessment, and tested the contractual cash flows, to confirm if they give rise to cash flows that are 'solely payments of principal and interest [SPPI test];
• We verified and understood the key data sources and assumptions for data used in the Expected Credit Loss (ECL) models (the Models) used by the Corporation to determine impairment provisions and to determine the historical loss rate percentages;
• We checked the calculation of the historical loss rate percentages on the provision matrix and verified the calculation of the lifetime ECL;
• Due to short term nature of financial instruments held by the Corporation, no forward looking assumptions have been incorporated in the ECL calculation;
• We checked consistency of various inputs and assumptions used by the Corporation's Management to determine impairment provisions.

As a result of the above audit procedures, no material differences were noted.

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

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

The Members are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and in compliance with the Public Utilities Corporation Act, 1985 and Public Enterprise Monitoring Commission Act, 2013 and for such internal control as the Members determine as necessary to enable the preparation of the financial statements that are free from material misstatements, whether due to fraud or error.

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

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 misstatements, 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 judgement 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 Members.
- Conclude on the appropriateness of Members' 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.

PUBLIC UTILITIES CORPORATION

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

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

- 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 Regulatory Requirements

Public Utilities Corporation Act, 1985

We have no relationship with, or interests, in the Corporation other than in our capacity as auditors and 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.

Other Matters

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 **Public Utilities 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.

The financial statements of the Corporation for the year ended December 31, 2018 were audited by another auditor who expressed an unmodified opinion on May 30, 2019.

BDO Associates

BDO ASSOCIATES
Chartered Accountants

Dated: 0 8 JUL 2020
Victoria, Seychelles

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

Figures in SR

	Notes	2019	2018
Revenue			
Revenue from operations (2018: restated)	2.2, 5 & 9b)	1,684,876,453	1,573,615,199
Other income	6	107,130,858	100,421,809
		1,792,007,311	1,674,037,008
Expenditure			
Consumables and spares	7	910,786,839	876,256,018
Staff costs	8	281,582,496	246,587,798
Other operating overheads (2018: restated)	9 & 9b)	296,094,269	233,448,341
Depreciation of property, plant and equipment	11	179,803,668	171,886,917
Amortisation of intangible assets	13	8,109,424	6,260,413
Amortisation of right-of-use assets	14	3,770,578	-
Exchange differences		3,633,132	3,347,417
Profit from operations before financing activities		108,226,905	136,250,104
Finance income	10	11,001,989	11,336,252
Finance expense	10	(8,148,471)	(4,934,434)
Profit for the year and other comprehensive income		111,080,423	142,651,922

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

Figures in SR

Assets	Notes	2019	2018
Non-current assets			
Property, plant and equipment	11	1,955,183,925	2,028,519,154
Capital work in progress	12	1,456,644,688	724,203,909
Intangible assets	13	16,951,890	13,722,524
Right-of-use assets	14	7,154,808	-
Trade and other receivables	15	1,607,740	1,441,762
		3,437,543,051	2,767,887,349
Current assets			
Inventories	16	675,175,673	688,796,505
Trade and other receivables	15	378,518,757	401,790,224
Cash and bank balances	17	542,055,035	504,454,963
		1,595,749,465	1,595,041,692
Total assets		5,033,292,516	4,362,929,041
Equity and liabilities			
Equity			
Assigned capital	18	1,439,743,591	1,439,743,591
Retained earnings		983,051,884	872,069,527
Total equity		2,422,795,475	2,311,813,118
Non-current liabilities			
Borrowings	19	1,107,306,772	636,533,131
Lease liabilities	14d)	2,709,174	-
Trade and other payables	20	38,986,940	37,175,032
Employee benefit obligations	21	100,548,675	84,509,708
Deferred grants	22	993,061,328	1,044,440,958
		2,242,612,889	1,802,658,829
Current liabilities			
Borrowings	19	50,526,789	8,505,257
Lease liabilities	14d)	4,748,241	-
Trade and other payables	20	205,221,475	143,334,962
Employee benefit obligations	21	5,291,522	1,764,073
Deferred grants	22	102,096,125	94,852,802
		367,884,152	248,457,094
Total liabilities		2,610,497,041	2,051,115,923
Total equity and liabilities		5,033,292,516	4,362,929,041

Signed in accordance with the authorisation of the Board on 08 JUL 2020.

Mr. Eddy Belle
Chairman

Mr. Philippe Morin
Chief Executive Officer

The notes on pages 10 to 44 form an integral part of these financial statements
Auditor General's Opinion on pages 4 to 4(d)

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019 (CONTINUED)

Mr. Yannick Vel
Director

Mrs. Nanette Laure
Director

Mr. Stephen Rousseau
Director

Mr. Selwyn Gendron
Director

Mr. Philippe Chong-Seng
Director

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

Figures in SR

	Assigned capital	Retained earnings	Total
At 1 January 2019 - as previously reported	1,439,743,591	872,069,527	2,311,813,118
Effect of adopting IFRS 16 (note 2b(i))	-	(98,066)	(98,066)
At 1 January 2019 - as restated	**1,439,743,591**	**871,971,461**	**2,311,715,052**
Total Comprehensive Income for the year	-	111,080,423	111,080,423
At 31 December 2019	**1,439,743,591**	**983,051,884**	**2,422,795,475**
At 1 January 2018 - as previously reported	1,439,743,591	743,246,437	2,182,990,028
Effect of adopting IFRS 9	-	(13,828,832)	(13,828,832)
At 1 January 2018 - as restated	1,439,743,591	729,417,605	2,169,161,196
Total Comprehensive Income for the year	-	142,651,922	142,651,922
At 31 December 2018	1,439,743,591	872,069,527	2,311,813,118

The notes on pages 10 to 44 form an integral part of these financial statements
Auditor General's Opinion on pages 4 to 4(d)

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2019

Figures in SR

	Notes	2019	2018
OPERATING ACTIVITIES			
Profit for the year		111,080,423	142,651,922
Adjustments for:			
Gain on disposal of property, plant and equipment	6	-	(337,845)
Amortisation of deferred grants	6 & 22	(107,130,858)	(100,083,964)
Finance income received	10	(11,001,989)	(11,336,252)
Finance charge	10	8,148,471	4,934,434
Depreciation of property, plant and equipment	11	179,803,668	171,886,917
Amortisation of intangible assets	13	8,109,424	6,260,413
Amortisation of right-of-use assets	14b)	3,770,578	-
Provision of credit impairment	15	(5,862,747)	16,389,584
Foreign currency differences on borrowings	19	24,294,675	2,177,880
Employee benefit obligations charge	21b)	26,951,510	22,935,375
Exchange (losses)/gains on cash and cash equivalents		(270,553)	434,355
Cash generated from operations		237,892,602	255,912,819
Movement in working capital:			
Decrease/(Increase) in trade and other receivables	15	28,968,237	(106,885,277)
Increase in inventories	16	(1,301,650)	(96,181,270)
Movement in bank balances retained for letters of credit	17	(9,401,806)	(5,015,770)
Increase in trade and other payables	20	63,698,421	58,310,559
		319,855,804	106,141,061
Interest receivable on overdue trade debtors	10	10,470,896	10,664,789
Employee benefit paid	21b)	(7,385,094)	(8,706,474)
Net cash inflow from operating activities		322,941,606	108,099,376
INVESTING ACTIVITIES			
Additions to property, plant and equipment	11	(9,030,279)	(17,545,101)
Additions to capital work in progress	12	(826,295,247)	(473,258,145)
Proceeds from disposal of property, plant and equipment		-	337,845
Movement in term deposits	17	(66,239)	(42,159)
Interest on term deposits	10	416,433	529,132
Interest in staff loans	10	114,660	142,331
Net cash outflow from investing activities		(834,860,672)	(489,836,097)

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

Figures in SR

	Notes	2019	2018
FINANCING ACTIVITIES			
Proceeds from borrowings	19	**502,306,256**	383,770,336
Repayment of borrowings	19	**(13,805,759)**	(48,360,088)
Government and other grants received	22	**62,994,551**	129,156,423
Principal paid on lease liabilities	14c)	**(3,566,037)**	-
Interest paid	10	**(8,148,471)**	(4,934,434)
Net cash inflow from financing activities		**539,780,540**	459,632,237
Net change in cash and cash equivalents		**27,861,474**	77,895,516
Movement in cash and cash equivalents:			
At 1 January		**497,658,614**	420,197,453
Increase during the year		**27,861,474**	77,895,516
Exchange gain/(losses) on cash and cash equivalents		**270,553**	(434,355)
At 31 December	17	**525,790,641**	497,658,614

1. GENERAL INFORMATION

The **Public Utilities Corporation** is a Parastatal organisation formed in the year 1986 under The Public Utilities Corporation Act, 1985 (as amended), subsequent to the merger of two previous parastatals, namely the Seychelles Water Authority and Seychelles Electricity Corporation Limited. The Corporation is domiciled in the Republic of Seychelles with its administrative office situated at the Electricity House, Roche Caiman, Mahe.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied for all years presented, unless otherwise stated. Where necessary, comparative figures have been amended to conform with the change in presentation in the current year.

a) Basis of preparation

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

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

b) New and amended standards and interpretations

i) IFRS 16 Leases

IFRS 16 supersedes IAS 17 Leases, International Financial Reporting Interpretation Committee 4 Determining whether an Arrangement contains a Lease, Standard Interpretation Committee 15 Operating Leases-Incentives and Standard Interpretation Committee 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the Statement of Financial Position.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) New and amended standards and interpretations (Continued)

i) IFRS 16 Leases

The Corporation adopted IFRS 16 using the modified retrospective approach, with recognition of transitional adjustments on the date of initial application (1 January 2019), without restatement of comparative figures. The Corporation elected to use the transition practical expedient to not reassess whether a contract is or contains a lease at 1 January 2019. Instead, the Corporation applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

The Corporation has lease contracts for its office space and staff accommodations. Before the adoption of IFRS 16, the Corporation classified each of those leases (as lessee) at the inception date as operating lease per *note 2.5(a)* for the accounting policy prior to 1 January 2019.

Upon adoption of IFRS 16 effective 1 January 2019, the Corporation applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. Refer to *note 2.5(b)*. The standard provides specific transition requirements and practical expedients, which have been applied by the Corporation.

The Corporation recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets.

Right-of-use assets were measured upon transition as if the new requirements of the standard had always been applied, i.e., discounting using incremental borrowing rates as of 1 January 2019 and depreciation provided from inception date of the lease up to transition date. Upon adoption of IFRS 16, the Company also recognised lease liabilities in relation to leases which had previously been classified as operating leases under the principles of IAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the Corporation's incremental borrowing rate as of 1 January 2019 which was 8%.

The Corporation also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Relied on its assessment of whether leases are onerous immediately before the date of initial application;
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application; and
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application.

Based on the above, as at 1 January 2019:

- Right-of-use assets of **SR 3.86m** were recognised and presented in the Statement of Financial Position within "right-of-use assets" *(note 14(b))*.
- Lease liabilities amounting to **SR 3.96m** were also recognised in the Statement of Financial Position *(note 14(c))*.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) New and amended standards and interpretations (Continued)

i) IFRS 16 Leases (Continued)

Based on the above, as at 1 January 2019 (Continued):

- The adoption of IFRS 16 had an impact of SR 98k on retained earnings of the Corporation as at 1 January 2019.

- The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018, as follows:

	SR
Operating lease commitments disclosed as at 31 December 2018 *(note 23(b))*	5,629,000
Discounted using the lessee's incremental borrowing rate at the date of initial application	(261,453)
Less: short-term leases not recognised as a liability	(1,406,775)
Lease liability recognised as at 1 January 2019 (note 14(c))	**3,960,772**

ii) IFRIC 23 Uncertainty over Income Tax Treatments

The standard explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. There are no new disclosure requirements except to provide information about judgements and estimates made in preparing the financial statements. *The interpretation has no impact on the Corporation's financial statements.*

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

This enables entities to measure certain prepayable financial assets with negative compensation at amortised cost. These assets, which include some loan and debt securities, would otherwise have to be measured at fair value through profit or loss. To qualify for amortised cost measurement, the negative compensation must be 'reasonable compensation for early termination of the contract' and the asset must be held within a 'held to collect' business model. *The amendment have no impact on the Corporation's financial statements.*

iv) Annual Improvements to IFRSs 2015 - 2017 Cycle

IFRS 3 - clarified that obtaining control of a business that is a joint operation is a business combination achieved in stages;

IFRS 11 - clarified that party obtaining joint control of a business that is a joint operation should not remeasure its previously held interest in the joint operation;

IAS 12 - clarified that income tax consequences of dividends on financial instruments classified as equity should be recognised according to where the past transactions or events that generated distributable profits were recognised; and

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) New and amended standards and interpretations (Continued)

iv) Annual Improvements to IFRSs 2015 - 2017 Cycle (Continued)

IAS 23 - clarified that, if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings.
The amendments have no impact on the Corporation's financial statements.

v) Long- term interests in Associates and Joint Ventures (Amendments to IAS 28)

The amendment clarify the accounting for long-term interests in an associate or joint venture, which in substance form part of the net investment in the associate or joint venture, but to which equity accounting is not applied. Entities must account for such interests under IFRS 9 before applying the loss allocation and impairment requirements in IAS 28. *The amendment have no impact on the Corporation's financial statements.*

vi) Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)

The amendment clarify that entities must calculate the current service cost and net interest for the remainder of the reporting period after a plan amendment, curtailment or settlement by using the updated assumptions from the date of the change;

Recognise any reduction in a surplus immediately in Statement of Profit or Loss, either as part of past service cost or as a gain or loss on settlement. In other words, a reduction in a surplus must be recognised in Statement of Profit or Loss even if that surplus was not previously recognised because of the impact of the asset ceiling; and

Separately recognise any changes in the asset ceiling through Statement of Other Comprehensive income.

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

c) 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 January 1, 2020 or later periods, but which the Corporation has not early adopted.

At the reporting date the following amendments were in issue but not yet effective:

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28);
IFRS 17 Insurance Contracts;
Definition of a Business (Amendments to IFRS 3);
Definition of Material (Amendments to IAS 1 and IAS 8); and
Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Standards, Amendments to published Standards and Interpretations issued but not yet effective (Continued)

Certain new standards, revised IFRSs and interpretations that are not mandatorily effective for the year ended 31 December 2019 are not likely to have an impact on the Corporation's financial statements. The Corporation will adopt the other standards on their effective dates.

d) Use of estimates and judgements

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

2.1 Foreign Currencies

Functional and presentation currency

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

Transactions and balances

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

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

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

2.2 Revenue

Performance obligations and timing of revenue recognition

The majority of the Corporation's revenue is derived from supply of electricity, water and sewerage services with revenue recognised at a point in time when control of the services has transferred to the customer. This is generally when the services are delivered to the customer.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Revenue (Continued)

Revenue is recognised when the performance obligation is being satisfied. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. Revenue from unbilled services is recognised as accrued, based on past experience on the consumption pattern and effective rates thereof, on the reporting date as services are already provided.

2.3 Property, plant and equipment

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Property, plant and equipment (Continued)

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

Freehold land and construction work in progress are not depreciated.

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

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

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

2.4 Intangible assets

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Intangible assets (Continued)

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

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

2.5 Leases

a) Leases (Policy applicable prior 1 January 2019)

The determination of whether an arrangement is a lease, or contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or whether the arrangement conveys a right to use the asset.

Leases that do not transfer to the Corporation substantially all of the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognised as an expense in the Statement of Profit or Loss on a straight-line basis over the lease term. Contingent rental payable is recognised as an expense in the period in which it is incurred.

b) Leases (Policy applicable as of 1 January 2019)

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

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

i) Right-of-use assets

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Leases (Continued)

b) Leases (Policy applicable as of 1 January 2019)

ii) Lease liabilities

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

2.6 Impairment of non-financial assets

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

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

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

2.7 Financial assets

a) Initial recognition

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Financial assets (Continued)

b) *Classification and Measurement*

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

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

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

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

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

c) *Impairment of financial assets*

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

The Corporation applied the simplified approach to IFRS 9 to measure the loss allowance which uses lifetime expected losses. The Corporation determines the expected credit losses by using a provision matrix, estimated on historical credit loss experience and based on past due dates of the receivables adjusted appropriate to reflect current conditions and estimates of future economic conditions. *note 15(g)* includes further details on loss allowances on receivables.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Financial assets (Continued)

d) Derecognition

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

2.8 Inventories

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

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

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

2.9 Cash and cash equivalents

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

2.10 Assigned capital

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

2.11 Deferred grant

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

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

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

2.12 Borrowings and finance costs

Borrowings are recognised initially at fair value being their issue proceeds net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Statement of Profit or Loss over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities and non - current depending on the repayment period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Borrowings and finance costs (Continued)

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

2.13 Employee benefit obligations

Defined contribution schemes

A defined contribution plan is a post employment benefit plan under which an entity pays fixed contributions into a separate entity and the Corporation have no legal or constructive obligation to pay further amounts. Contributions to defined contribution pension schemes are charged to the Statement of Profit or Loss in the year to which they relate.

Defined benefit schemes

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

2.14 Trade and other payables

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

2.15 Provisions

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

3.1 Functional currency

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

3.2 Calculation of expected credit loss allowance (ECL)

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

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

3.3 Impairment of non-financial assets

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

i) Significant change in the useful life which would be expected from the passage of time or normal use.
ii) Significant changes in the technology and regulatory environments.
iii) Evidence that the performance of the plant and equipment could have negative impact on the operating results.

3.4 Government Grants

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

3.5 Depreciation and estimated useful lives of non-financial assets

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

3.6 Employee benefit obligations

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

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

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

3.7 Capitalisation of Projects

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

3.8 Calculation of unbilled units

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

3.9 Limitation of sensitivity analysis

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

4. FINANCIAL INSTRUMENTS - RISK MANAGEMENT

The Corporation is exposed through its operations to the following financial risks:
- Currency risk;
- Cash flow and fair value interest rate risk;
- Credit risk; and
- Liquidity risk.

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

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

The principal financial instruments used by the Corporation, from which financial instrument risk arises, are as follows:
- Trade and other receivables;
- Cash and cash equivalents;
- Borrowings; and
- Trade and other payables.

4.1 General objectives, policies and processes

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

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

4. FINANCIAL INSTRUMENTS - RISK MANAGEMENT (CONTINUED)

4.1 General objectives, policies and processes

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

a) Currency Risk

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

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

	Euro	USD	GBP	OTHERS
	+/-	+/-	+/-	+/-
December 31, 2019:				
Cash and bank balances	**158,619**	**16,049**	**1,308**	**-**
Trade and other payables	**(6,757)**	**(8,480)**	**(708)**	**(146)**
Borrowings	**(286,019)**	**(255,397)**	**-**	**-**
Net Exposure	**(134,158)**	**(247,829)**	**600**	**(146)**
December 31, 2018:				
Cash and bank balances	81,093	35,997	1,032	-
Trade and other payables	(3,949)	(2,815)	23	(326)
Borrowings	(183,587)	(138,932)	-	-
Net Exposure	(106,443)	(105,749)	1,055	(326)

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

	Financial assets		Financial liabilities	
	2019	2018	**2019**	2018
	SR	SR	SR	SR
EURO	**317,237,231**	162,185,822	**585,553,534**	375,071,564
USD	**32,097,463**	71,994,358	**527,755,520**	283,493,254
SGD	**-**	-	**197,778**	248,228
ZAR	**-**	-	**93,476**	403,294
GBP	**2,616,955**	2,063,791	**1,416,545**	(46,565)
SR	**394,848,067**	495,016,525	**294,482,538**	166,378,606
	746,799,716	731,260,497	**1,409,499,391**	825,548,381

4. FINANCIAL INSTRUMENTS - RISK MANAGEMENT (CONTINUED)

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

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

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

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

	2019	2018
	SR	SR
Borrowings	**± 81,485**	± 49,344

c) *Credit risk*

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

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

The Corporation applied the simplified approach of IFRS 9 to measure loss allowance of lifetime ECL. The Corporation determines the expected credit losses using a provision matrix explained on note 3.2. In order to minimise credit risk, the Corporation has adopted a policy of only dealing with credit worthy counterparties. Credit approvals and other monitoring procedures are in place to ensure follow up is done to recover overdue debts.

d) *Liquidity Risk*

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

4. FINANCIAL INSTRUMENTS - RISK MANAGEMENT (CONTINUED)

d) *Liquidity Risk (Continued)*

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

	Less than 1 year	Between 1 to 5 years	After 5 years	Total
	SR	SR	SR	SR
At 31 December 2019:				
Borrowings	**50,526,789**	**454,191,380**	**653,115,392**	**1,157,833,561**
Trade and other payables	**205,221,475**	**38,986,940**	**-**	**244,208,415**
Lease liabilities	**4,748,241**	**2,709,174**	**-**	**7,457,415**
	260,496,505	**495,887,494**	**653,115,392**	**1,409,499,391**
At 31 December 2018:				
Borrowings	8,505,257	200,286,163	436,246,968	645,038,388
Trade and other payables	143,334,962	37,175,032	-	180,509,994
	151,840,219	237,461,195	436,246,968	825,548,382

4.2 Fair value estimation

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

4.3 Capital risk management

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

- to maintain flexibility to pursue strategic infrastructure development opportunities and ensure adequate liquidity to withstand weakening economic conditions; and
- to maintain an appropriate balance between debt financing vis-a-vis capital as measured by gearing ratio.

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

During the financial year ended 31 December 2019, the Corporation's strategy, which was unchanged from the financial year ended 31 December 2018, was to maintain the debt-to-total equity ratio at a reasonable level in order to secure access to finance at a reasonable cost. The debt-to-total equity ratio at 31 December 2019 and 31 December 2018 were as follows:

4. FINANCIAL INSTRUMENTS - RISK MANAGEMENT (CONTINUED)

4.3 Capital risk management (Continued)

	2019	2018
	SR	SR
Total debt	1,157,833,561	645,038,388
Less: Cash and cash balances	542,055,035	504,454,963
	615,778,526	140,583,425
Total equity	2,422,795,475	2,311,813,118
Debt-to-total equity ratio	25.42%	6.08%

5. REVENUE FROM CONTRACTS WITH CUSTOMERS

REVENUE FROM OPERATIONS	2019	2018
	SR	SR
Supply of electricity	1,389,419,079	1,285,367,988
Supply of water	232,328,527	230,046,477
Disposal fees	32,826,857	26,984,000
Services	30,301,990	31,216,734
	1,684,876,453	1,573,615,199

(a) ***Revenue from related parties:***

Income from sales to Government and Government related entities:

	2019	2018
	SR	SR
Supply of electricity	141,644,034	133,208,462
Supply of water	33,360,630	31,325,322
Disposal fees	8,592,384	6,039,542
Services	40,070	39,550
	183,637,118	170,612,876

(b) The Corporation's own consumption of Electricity was **SR 82,906,592** (2018: SR 72,639,456) and Water was **SR 4,069,391** (2018: SR 8,616,545). These amounts have been eliminated from revenue operations.

6. OTHER INCOME

	2019	2018
	SR	SR
Amortisation of grant income (note 22)	107,130,858	100,083,964
Gain on disposal of equipment	-	337,845
	107,130,858	100,421,809

7. CONSUMABLES AND SPARES

	2019	2018
	SR	SR
Generation fuel and lubricants	**835,259,668**	839,316,738
Materials and equipment charges	**63,276,325**	25,618,008
Other consumables	**4,438,095**	3,281,631
Fuel and oil	**7,812,751**	8,039,641
	910,786,839	876,256,018

(a) ***Purchase from related parties:***

	2019	2018
Purchase of fuel from a Government Company:	SR	SR
Heavy fuel oil	**656,123,565**	656,178,392
Light fuel oil	**157,038,316**	152,813,946
	813,161,881	808,992,338

8. STAFF COST

	2019	2018
	SR	SR
Salaries	**224,206,299**	195,714,872
Members' emoluments (note 8(a))	**2,490,082**	2,100,620
Pension contribution	**4,927,075**	3,511,930
Post-employment benefit (note 21(b))	**26,951,510**	22,935,375
Other employee related costs	**23,007,530**	22,325,001
	281,582,496	246,587,798

	2019	2018
a) Members' emoluments:	SR	SR
Mr. Eddy Belle	**108,000**	83,220
Mr. Philippe Morin	**1,962,082**	1,740,000
Other fees	**420,000**	277,400
	2,490,082	2,100,620

b) The Corporation provides for end of contract bonus with respect to fixed term employees. The total provision as at the year end for the financial year amounted to **SR 5,130,926** (2018: SR 2,824,134) with respect to all existing fixed term contracted employees. End of contract bonus is payable based on their individual performance which is assessed at the end of the contract. For the purpose of provision, the Members estimated the liability based on the prior years' averages.

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

9. OTHER OPERATING OVERHEADS

	2019	2018
	SR	SR
Repairs and maintenance	**207,819,666**	136,943,334
Tree clearance	**10,850,597**	7,608,451
Drought expenses	**321,678**	12,220
Rent	**1,570,180**	2,723,494
Hire	**21,096,190**	15,747,715
Licenses and insurance	**2,315,644**	2,052,710
Administration expenses	**51,590,094**	51,897,653
Audit fee	**431,250**	415,000
Provision for credit impairment	**98,970**	16,047,764
	296,094,269	233,448,341

a) The Corporation's Electricity and Water consumption charges have been eliminated from operating expenses same as for revenue from operations (note 5(b)).

However, the cost to produce these utilities consumed by the Corporation have been included in respective cost headings.

b) **Reclassification of prior year presentation**

During 2018 financial year the Corporation accounted its internal consumption of electricity and water within revenue and other operating overheads. These were eliminated and had no effect on the results, since the effect was only a grossing up revenue from operations and other operating overheads. Comparative figures have therefore been adjusted by netting off internal balances as shown below.

	2018		
	As previously reported	Reclassification	As restated
	SR	SR	SR
Revenue	1,366,623,988	(81,256,001)	1,285,367,987
Other operating overheads	314,704,341	(81,256,001)	233,448,340

10. FINANCE INCOME AND EXPENSE

	2019	2018
Finance income	SR	SR
Interest receivable on overdue trade receivables	**10,470,896**	10,664,789
Interest on term deposits	**416,433**	529,132
Interest on loan to employees	**114,660**	142,331
Total finance income	**11,001,989**	11,336,252
Finance expense		
Interest expense on borrowings	**7,718,107**	4,934,434
Interest expense on lease liabilities (note 14(c))	**430,364**	-
Total finance expense	**8,148,471**	4,934,434
Net finance income recognised in Statement of Profit or Loss	**2,853,518**	6,401,818

11. PROPERTY, PLANT AND EQUIPMENT

	Land & buildings	Dams & reservoirs	Water & sewerage equipment	Electricity equipment	Other plant & machinery	Other equipment	Furniture & fittings	Motor vehicles	Strategic parts	Total
(a) 2019	SR	SR	SR	SR	SR	SR	SR	SR	SR	SR
COST										
At 1 January 2019	281,503,396	168,293,990	1,088,049,900	1,468,317,510	469,183,404	45,820,657	3,450,047	69,068,686	32,375,206	3,626,062,796
Reclassification from inventories (note 16)	-	-	-	-	-	-	-	-	14,922,482	14,922,482
Additions	-	-	-	6,056,642	-	2,875,885	-	97,752	-	9,030,279
Transfer from WIP	4,395,127	3,328,939	70,610,055	-	-	4,181,557	-	-	-	82,515,678
At 31 December 2019	285,898,523	171,622,929	1,158,659,955	1,474,374,152	469,183,404	52,878,099	3,450,047	69,166,438	47,297,688	3,732,531,235
ACCUMULATED DEPRECIATION										
At 1 January 2019	100,824,639	37,679,948	497,875,920	630,342,183	253,324,742	37,194,105	3,244,418	37,057,687	-	1,597,543,642
Charge for the year	6,456,603	4,329,565	41,232,711	72,881,969	41,484,185	3,512,576	39,012	9,867,047	-	179,803,668
At 31 December 2019	107,281,242	42,009,513	539,108,631	703,224,152	294,808,927	40,706,681	3,283,430	46,924,734	-	1,777,347,310
NET BOOK VALUE										
At 31 December 2019	178,617,281	129,613,416	619,551,324	771,150,000	174,374,477	12,171,418	166,617	22,241,704	47,297,688	1,955,183,925
(b) 2018										
COST										
At 1 January 2018	265,301,589	142,000,563	861,877,399	1,263,350,974	447,376,270	41,509,857	3,375,902	58,006,284	-	3,082,798,838
Reclassification from inventories (note 16)	-	-	-	-	-	-	-	-	32,375,206	32,375,206
Additions	-	-	-	-	-	2,954,001	74,145	14,516,955	-	17,545,101
Transfer from WIP	16,201,807	26,293,427	226,172,501	204,966,536	21,807,134	1,356,799	-	-	-	496,798,204
Disposals	-	-	-	-	-	-	-	(3,454,553)	-	(3,454,553)
At 31 December 2018	281,503,396	168,293,990	1,088,049,900	1,468,317,510	469,183,404	45,820,657	3,450,047	69,068,686	32,375,206	3,626,062,796
ACCUMULATED DEPRECIATION										
At 1 January 2018	94,785,050	33,465,347	454,154,630	564,114,426	213,038,907	34,549,917	3,214,271	31,788,730	-	1,429,111,278
Charge for the year	6,039,589	4,214,601	43,721,290	66,227,757	40,285,835	2,644,188	30,147	8,723,510	-	171,886,917
Disposals	-	-	-	-	-	-	-	(3,454,553)	-	(3,454,553)
At 31 December 2018	100,824,639	37,679,948	497,875,920	630,342,183	253,324,742	37,194,105	3,244,418	37,057,687	-	1,597,543,642
NET BOOK VALUE										
At 31 December 2018	180,678,757	130,614,042	590,173,980	837,975,327	215,858,662	8,626,551	205,629	32,010,999	32,375,206	2,028,519,154

11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

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

12. CAPITAL WORK IN PROGRESS

	2019	2018
	SR	SR
At 1 January	**724,203,909**	747,743,968
Expenditure during the period	**826,295,247**	473,258,145
	1,550,499,156	1,221,002,113
Transfer to PPE during the year :	**(82,515,678)**	(496,798,204)
Buildings (note 11)	**(4,395,127)**	(16,201,807)
Dams and reservoirs (note 11)	**(3,328,939)**	(26,293,427)
Water and sewarage equipment (note 11)	**(70,610,055)**	(226,172,502)
Other equipment (note 11)	**(4,181,557)**	(1,356,798)
Electricity equipment (note 11)	-	(204,966,536)
Other plant and machinery (note 11)	-	(21,807,134)
Transfer to intangible asset (note 13)	**(11,338,790)**	-
	(93,854,468)	(496,798,204)
At 31 December	**1,456,644,688**	724,203,909

i) Included in capital work in progress above are specific projects funded jointly by European Investment Bank ('EIB') and Agence Francaise De Developpement ('AFD'); and certain projects funded by African Development Bank ('AFDB'), Arab Bank for Economic Development of Africa ('BADEA'), The Saudi Fund for Development ('SAFD'), The Abu Dhabi Fund for Development ('ADFD') and Seychelles International Mercantile Banking Corporation Limited (Nouvobanq) which are detailed per *note 12.2.* Drawdowns from the approved loan facilities from EIB and AFD are held by the Government of Seychelles in separate accounts with the Central Bank of Seychelles to ensure specific disbursements as per the terms of the loan agreements. Movements in the Central Bank of Seychelles account are also analysed on *note 12.3*.

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

12. CAPITAL WORK IN PROGRESS (CONTINUED)

12.1 Details of Capital Projects funded by loan facilities

	2019	2018
	SR	SR
Consultancy costs	3,755,054	3,370,636
Non revenue water program	2,219,345	1,541,739
Consultancy costs for design and construction	11,652,079	21,345,552
Improvements to Mahe and La Digue Water system	14,700,995	72,797,339
Raising of the La Gogue Dam	69,013,976	32,615,413
33kv cable from Turtle Bay to Anse Boileau	72,866,828	163,810,893
Providence Desalination Extension	75,000,000	-
5MW Solar Park	86,071,127	-
	335,279,404	295,481,572

12.2 Source of funding for the above projects:

	2019	2018
	SR	SR
European Investment Bank ('EIB')	-	55,198,841
Agence Francaise De Developpement ('AFD')	32,327,473	43,856,425
African Development Bank ('AFDB')	69,013,976	32,615,413
Arab Bank for Economic Development in Africa ('BADEA')	28,509,919	52,804,428
The Saudi Fund For Development ('SAFD')	44,356,909	111,006,465
Seychelles International Mercantile Banking Corporation Ltd	75,000,000	-
Adu Dhabi Fund for Development ('ADFD')	86,071,127	-
	335,279,404	295,481,572

12.3 Movements in balances held with Central Bank of Seychelles:

	2019	2018
	SR	SR
At 1 January	139,562,715	50,673,119
Drawdown during the year	199,350,066	191,124,852
Utilised during the year	(35,290,161)	(100,451,586)
Exchange rate fluctuation	812,383	(1,783,670)
At 31 December	304,435,003	139,562,715
Balances held with Central Bank of Seychelles denominated in Euro:		
European Investment Bank ('EIB')	16,684,855	3,842,795
Agence Francaise De Developpement ('AFD')	2,661,917	4,847,503
	19,346,772	8,690,298
Balances held with Central Bank of Seychelles denominated in USD:		
African Development Bank ('AFDB')	8,831	-
Arab Bank for Economic Development in Africa ('BADEA')	22,433	19,726
	31,264	19,726

13. INTANGIBLE ASSETS

Computer software	2019	2018
	SR	SR
COST		
At 1 January	32,555,071	32,555,071
Transfer from work in progress (note 12)	11,338,790	-
At 31 December	43,893,861	32,555,071
AMORTISATION		
At 1 January	18,832,547	12,572,134
Amortisation for the year	8,109,424	6,260,413
At 31 December	26,941,971	18,832,547
Net book value 31 December	16,951,890	13,722,524

14. LEASES

a) Lease contracts

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

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

b) Right-of-use assets

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

	2019		
	Accomodations	Offices	Total
	SR	SR	SR
As at 1 January - effect of adoption of IFRS 16	2,329,694	1,533,012	3,862,706
Additions	5,281,476	1,781,204	7,062,680
Depreciation charge for the year (note 14(e))	(2,436,262)	(1,334,316)	(3,770,578)
As at 31 December 2019	5,174,908	1,979,900	7,154,808

14. LEASES (CONTINUED)

c) Lease liabilities

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

	2019
	SR
As at 1 January - effect of adoption of IFRS 16 (note 2b)i))	3,960,772
Additions	7,062,680
Finance cost (notes 10 & 14e))	430,363
Lease payments	(3,996,400)
As at 31 December 2019	7,457,415

The Corporation had total cash outflows for leases of SR 4.0m. The initial application of IFRS 16 resulted in non-cash additions to right-of-use assets and lease liabilities of SR 3.86m and SR 3.96m respectively at 1 January 2019.

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

	Up to 3 Months	Between 3 and 12 Months	Between 1 and 2 years	Total
	SR	SR	SR	SR
At 31 December 2019				
Lease liabilities	1,512,681	3,235,560	2,709,174	7,457,415

e) The following are the amounts recognised in Statement of Comprehensive Income:

	2019
	SR
Depreciation expense of right-of-use assets (note 14b))	3,770,578
Interest expense on lease liabilities (note 14c))	430,363
Expense relating to short-term leases included in:	
- Accomodation expenses	2,999,269
- Offices expenses	1,209,830
Total amount recognised in the Statement of Comprehensive Income	8,410,040

15. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	Less than 30 days	31 to 60 days	61 to 90 days	Over 90 days	Total
December 31, 2019					
Gross carrying amount	162,245,112	24,819,937	7,892,673	36,952,127	231,909,849
Expected loss rate	2.42%	10.09%	28%	89%	
Loss provision	3,926,332	2,504,332	2,182,324	33,047,572	41,660,559
December 31, 2018					
Gross carrying amount	155,933,799	25,422,548	7,557,120	38,593,801	227,507,268
Expected loss rate	4%	13%	42%	90%	
Loss provision	6,327,601	3,426,553	3,161,602	34,607,550	47,523,306

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

	2019	2018
	SR	SR
Due within one year	**662,617**	2,211,012
Due beyond one year	**4,922,559**	1,441,762
	5,585,176	3,652,774

i) Other receivables are mostly in respect of temporary arrangements for services of the Corporation and there were no long outstanding balances. The Directors have estimated that the risk of default is remote and no ECL provided.

j) This pertains to claims pending on capital projects.

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

l) The Members have estimated that no ECL is required for loans and advances to staff since repayments are deducted monthly from salaries and wages and there has been no history of default.

16. INVENTORIES

	2019	2018
i) **Material and consumables:**	**SR**	SR
Electricity generation fuel and lubricants		
Spare parts and non saleable items	**25,900,968**	22,137,035
Inventories movement to property plant and equipment	**696,572,393**	699,034,676
Transfer to property, plant and equipment (note 11 & 16ii))	**(47,297,688)**	(32,375,206)
	675,175,673	688,796,505

ii) **Reclassification of prior year presentation**

The Corporation inventories include engineering spares and most of which are considered strategic, are of a capital nature and have a life span of over 1 year.

A reclassification of these strategic inventories have been made to property, plant and equipment in line with the requirements of IAS 16. The prior year amounts for 'property, plant and equipment' and 'inventories' have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of operations.

16. INVENTORIES (CONTINUED)

	2018		
	As previously reported	Reclassification	As restated
	SR	SR	SR
Property, plant and equipment (note 11b))	1,996,143,949	32,375,206	2,028,519,155
Inventories (note 16)	721,171,711	(32,375,206)	688,796,505

17. CASH AND CASH EQUIVALENTS

	2019	2018
	SR	SR
Balances with banks	**224,981,141**	355,596,507
Deposit with treasury (note 17a))	**304,435,002**	139,562,715
Term deposits with banks (note 17c))	**1,756,818**	1,690,579
Cash on hand	**111,500**	157,500
Undeposited funds (note 17d))	**10,770,574**	7,447,662
Cash and bank balances Statement of Financial Position	**542,055,035**	504,454,963
Bank balance retained for letters of credit (note 17b))	**(14,507,576)**	(5,105,770)
Term deposits with banks (note 17c))	**(1,756,818)**	(1,690,579)
Cash and cash equivalents per Statement of Cash Flows	**525,790,641**	497,658,614

a) Borrowings from Government of Seychelles through Agence Francaise De Developpement, European Investment Bank and African Development Bank are received in the treasury account held with the Central Bank of Seychelles for spending on the Projects of the Corporation. Those deposits are denominated in Euro and are non-interest bearing. Movements in these accounts are provided in *note 12.3.*

b) Deposits of **USD 1,136,200** and **EUR 104,000** were retained against letters of credit facility provided by Seychelles International Mercantile Banking Corporation Limited (Nouvobanq) to the Corporation (2018: USD 3,634,000).

c) Term deposits with banks comprise short term call deposits and other short term deposits with varying periods between 7 days and 12 months, depending on the immediate cash requirements of the Corporation and earn interest at varying short term interest rates.

d) Undepsited funds comprised amounts unbanked at end of period date.

18. ASSIGNED CAPITAL

	2019	2018
Transferred from:	SR	SR
- Seychelles Electricity Corporation Limited	**42,069,280**	42,069,280
- Seychelles Water Authority	**8,551,125**	8,551,125
Loans taken over as capital contribution	**841,512,062**	841,512,062
Transfer of Revaluation Reserve (note 18a))	**158,537,000**	158,537,000
Transfer of Capital Contribution Reserve (Note 18b))	**389,074,124**	389,074,124
	1,439,743,591	1,439,743,591

18. ASSIGNED CAPITAL (CONTINUED)

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

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

19. BORROWINGS

	2019	2018
	SR	SR
Borrowings for infrastructure development are as follows:		
European Investment Bank (note 19 (a))	**412,621,625**	211,829,001
Agence Francaise De Developpement (note 19 (a))	**159,417,000**	155,345,287
The African Development Bank (note 19 (b))	**125,815,961**	54,127,322
The Arab Bank for Economic Development in Africa (note 19 (c))	**103,426,614**	74,212,201
The Saudi Fund For Development (SFD) (note 19 (d))	**195,188,728**	149,524,577
Seychelles International Mercantile Banking Corporation (note 19 (e))	**75,000,000**	-
Abu Dhabi Fund for Development (ADFD) (note 19 (f))	**86,363,633**	-
	1,157,833,561	645,038,388

Analysed as:		
Due beyond one year	**1,107,306,772**	636,533,131
Due within one year	**50,526,789**	8,505,257
	1,157,833,561	645,038,388

The movement in borrowings is as follows:

	2019	2018
	SR	SR
At 1 January	**645,038,388**	307,450,261
Received during the year	**502,306,256**	383,770,336
Repayment during the year	**(13,805,759)**	(48,360,088)
Foreign currency differences	**24,294,675**	2,177,880
At 31 December	**1,157,833,561**	645,038,388

19. BORROWINGS (CONTINUED)

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

b) The Corporation entered into an indemnity agreement relating to certainty of payment obligation under The African Development Bank (AFDB) with the Republic of Seychelles for financing part of the USD component and the entire Seychelles Rupee component of the Mahe Sustainable Water Augmentation Project (La Gogue). The total approved borrowing is USD 20,600,000 with closing date of drawdown as 31 December 2021. The loan bears interest at 6 months **Libor + margin 0.60% per annum** (2018: Libor + margin 0.60% per annum) and is repayable after a grace period of 5 years. Repayment is to be in 30 equal instalments following the 5 year grace period. Current balance represents drawdown at the reporting date. This Project is also expected to be funded with three grants approximating to Euro 1.5 million.

c) The Corporation entered into an indemnity agreement relating to certainty of payment obligation under The Arab Bank for Economic Development in Africa (BADEA) with the Republic of Seychelles for financing the Improvement of Electricity Network in South Mahe Project. The total approved borrowing is USD 11,000,000 with closing date of drawdown as 31 December 2019 . The loan bears interest at **2.5% per annum** (2018: 2.5% per annum) and is repayable after the Grace period of 5 years in 34 semi annual instalments with interest. Current balance represents drawdown at the reporting date.

d) The Corporation entered into an indemnity agreement relating to certainty of payment obligation under The Saudi Fund For Development (SFD) with the Republic of Seychelles for financing the Electrification of South Mahe Island Project - Second Phase. The total approved borrowing is USD 20,000,000 with closing date of drawdown as March 31, 2020. The loan bears interest at **2% per annum** (2018: 2% per annum) and is repayable in 30 semi - annual instalments of USD 666,667 with interest effective November 15, 2020 after a 5 year grace period. Current balance represents drawdown at the reporting date.

e) The Corporation entered in to a loan agreement with Seychelles International Mercantile Banking Corporation Limited (Nouvobanq) to borrow SCR 159,351,000 to finance the Desalination Plant Extension Project. This loan is fully pledged against generator set A51 (Serial Number PAAE269991) and generator set A61 (Serial Number PAAE269992) and bears interest at **8.00% per annum** (2018: 8.00% per annum) and is repayable from the 13th month of the loan, which is in September 2020, in monthly installments of SCR 2,483,679. The current balance of SR 75m represents the drawdown at the reporting date.

f) The Corporation entered into loan agreement with the Abu Dhabi Fund for Development, guaranteed by the Government of the Republic of Seychelles for financing the Ile de Romainville Solar Power Field Project. The total approved borrowing is **AED 31,220,500.00** (USD 8.5m) with the closing date of drawdown as 31 December 2020. The loan bears interest at **2.00% per annum** (2018: 2.00% per annum) and is repayable in 15 years following a grace period of 5 years in 30 semi annual instalments with interest. Current balance represents drawdown at the reporting date.

20. TRADE AND OTHER PAYABLES

	2019	2018
	SR	SR
Trade payables	144,455,473	114,868,894
Other payables	60,766,002	28,466,068
Customer deposits (note 20d))	38,986,940	37,175,032
	244,208,415	180,509,994
Analysed as:		
Due beyond one year	38,986,940	37,175,032
Due within one year	205,221,475	143,334,962
	244,208,415	180,509,994

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

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

	2019	2018
	SR	SR
EURO	13,514,908	7,897,277
USD	16,960,584	5,629,153
SGD	197,778	248,228
ZAR	93,476	403,294
GBP	1,416,545	(46,565)
SR	192,081,418	166,378,606
	224,264,709	180,509,993

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

d) Customer deposits comprise the following:

	2019	2018
	SR	SR
Electricity	34,322,490	32,721,543
Water	4,664,450	4,453,489
	38,986,940	37,175,032

21. EMPLOYEE BENEFIT OBLIGATIONS

	2019	2018
	SR	SR
Accrued leave	13,044,514	10,198,937
Gratuity	6,614,417	8,086,497
Length of service compensation	86,181,266	67,988,347
Total employee benefit liabilities	105,840,197	86,273,781
Due within one year	(5,291,522)	(1,764,073)
Due beyond one year	100,548,675	84,509,708

21. EMPLOYEE BENEFIT OBLIGATIONS (CONTINUED)

	2019	2018
	SR	SR
a) **Analysis of amounts due within one year:**		
Accrued leave	645,251	119,710
Gratuity	130,000	132,833
Length of service compensation	4,516,271	1,511,530
	5,291,522	1,764,073

b) Movement in length-of-service compensation is as follows:

	2019	2018
	SR	SR
At 1 January	86,273,781	72,044,880
Charge to Statement of Comprehensive Income (note 8)	26,951,510	22,935,375
Paid during the year	(7,385,094)	(8,706,474)
At 31 December	105,840,197	86,273,781

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

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

22. DEFERRED GRANTS

	2019	2018
	SR	SR
At the beginning of the year	1,139,293,760	1,110,221,304
Received from Government of Seychelles	60,000,000	108,981,927
Received from others	2,994,551	20,174,496
	1,202,288,311	1,239,377,727
Less: Amortisation for the year (note 6)	(107,130,858)	(100,083,967)
	1,095,157,453	1,139,293,760

	2019	2018
	SR	SR
Analysed as:		
Non-current	993,061,328	1,044,440,958
Current	102,096,125	94,852,802
	1,095,157,453	1,139,293,760

23. CAPITAL COMMITMENTS

a) Capital Commitments

	2019	2018
	SR	SR
Approved and contracted for	**954,710,307**	1,102,364,823
Approved but not yet contracted for	**187,265,764**	382,362,462

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

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

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

	2019	2018
	SR	SR
Not later than one year	**1,793,000**	4,224,675
Later that one year and not later than three years	-	1,404,325
	1,793,000	5,629,000

24. RELATED PARTY TRANSACTIONS

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

The following are material transactions entered into with the Government:

	2019	2018
	SR	SR
Revenue and services (note 5a))	**183,637,118**	170,612,876
Purchase of fuel (Note 7a))	**813,161,881**	808,992,338

24 Key Management Personnel

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

24. RELATED PARTY TRANSACTIONS CONTINUED)

24 Key Management Personnel (Continued)

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

	2019	2018
	SR	SR
Members' emoluments	2,489,282	2,100,620

25. CONTINGENT LIABILITIES

	2019	2018
	SR	SR
Litigations by third parties	4,753,305	3,250,000

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

26. EVENTS AFTER THE REPORTING PERIOD

Effects of COVID-19 pandemic

The COVID-19 - pandemic outbreak caused severe disruptions in Seychelles and the world at large. Several countries closed their borders, grounded flights and discouraged people from travelling abroad. However being a State-owned utility entity, the Corporation did not stop its activities and operations as it is in the essential services category for supply of electricity and water to the general public at large.

However, the following economic and financial measures have been taken at all levels:

i) *At Corporation level*
The Corporation did a cashflow projection for the next 12 months and concluded on the following:
Reduce revenue and enhance expenditure level due to approximately 30% drop in the value of local currency in relation to the hard currencies.

ii) *At Government level*
A supplementary budget of **SR 1.5bn** has been approved by the Government aimed, at providing support for the Organisations that have been highly impacted by the COVID-19 pandemic.

The Members together with the Management of the Corporation have assessed the Corporation's ability to continue as a going concern and are confident that they will continue the operations with the support of the Government of Seychelles, its shareholder as and when required. They are therefore of the opinion that the going concern basis of preparation of these financial statements remains appropriate in the foreseeable future.