HOUSING FINANCE COMPANY LIMITED

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CORPORATE INFORMATION

DIRECTORS	:	Jennifer Morel (Chairperson) Ronny Palmyre (Chief Executive Officer) Daniel Frichot Yves Choppy Elizabeth Agathine Michel Marie
SECRETARY	:	Marilyn Port-Louis
REGISTERED OFFICE	:	1st Floor, Victoria House, P O Box 1112 Victoria, Mahé, Seychelles
PRINCIPAL PLACE OF BUSINESS	:	1st Floor, Victoria House, Victoria, Mahé, Seychelles
AUDITORS	:	BDO Associates Chartered Accountants Seychelles
BANKERS	:	Seychelles International Mercantile Banking Corporation Limited ABSA Bank (Seychelles) Limited The Mauritius Commercial Bank (Seychelles) Ltd Seychelles Commercial Bank Ltd Bank of Baroda (Seychelles)

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

PRINCIPAL ACTIVITIES

The Company is engaged in the provision of finance to the housing sector and there has been no change in this activity for the financial year under review.

RESULTS

	SR
Profit before taxation	12,473,685
Tax expense	(865,348)
Profit for the year	11,608,337
Retained earnings brought forward	85,329,261
Retained earnings carried forward	96,937,598

DIVIDENDS

The Directors did not recommend any dividends for the financial year under review (2019: Nil).

PROPERTY AND EQUIPMENT

Additions to property and equipment of **SR 322k** (2019: SR 192k) during the year comprised office equipment, furniture and fittings and computer equipment. Assets written off during the comprised furniture and fittings and computer equipment at cost values of SR **61.7k** and **SR 89k** (2019: SR Nil), resepectively.

The Directors are of the opinion that the carrying amount of property and equipment does not materially differ from its fair value as at December 31, 2020.

GOING CONCERN

The Directors, together with Management, have assessed the Company's ability to continue as a going concern and acknowledged the risk of lower revenue and higher cost of risk in the short to medium term. Based on the capital and liquidity position of the Company as well as all the ongoing measures being put in place at all levels, the Directors are of the opinion that the going concern basis of preparation of these financial statements remains appropriate in the foreseeable future.

DIRECTORS AND DIRECTORS' INTEREST

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

Jennifer Morel (Chairperson)
Ronny Palmyre (Chief Executive Officer)
Daniel Frichot
Yves Choppy
Elizabeth Agathine
Michel Marie

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The Directors 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 Seychelles Companies Act, 1972. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances. The Directors have the general responsibility of safeguarding the assets, both owned by the Company and those that are held in trust and used by the Company.

The Directors consider they have met their aforesaid responsibilities.

AUDITORS

The auditors, Messrs. BDO Associates, retire and being eligible offer themselves for re-appointment.

BOARD APPROVAL

Jennifer Morel
Chairperson

Ronny Palmyre
Director

Daniel Frichot
Director

Yves Choppy
Director

Elizabeth Agathine
Director

Michel Marie
Director

Date: 2 3 JUN 2021
Victoria, Seychelles

BDO

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The Créole Spirit
Quincy Street
Victoria, Mahe
Seychelles
P.O. Box 18

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS

Report on the audit of the Financial Statements

Opinion

We have audited the financial statements of **HOUSING FINANCE COMPANY LIMITED** set out on pages **4 to 52** which comprise the Statement of Financial Position as at December 31, 2020, 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 give a true and fair view of the financial position of the Company as at December 31, 2020 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Seychelles Companies Act, 1972.

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 Company 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

Compliance with Financial Institutions Act 2004, as amended and Regulations and Directives of the Central Bank of Seychelles

(a) All categories of non-performing credit shall be placed on a non-accrual basis, that is interest due but uncollected should not be accrued as income but instead should be shown as 'Interest in Suspense'. The Company's software is presently unable to identify and suspend interest so as to recognise it in Interest Suspense and consequently all interest has been recognised in the Statement of Profit or Loss.

(b) The Company accepts interest bearing deposits from its customers but does not possess a license for this activity. The Company has represented to us that this matter is under discussion with the Ministry of Finance to facilitate this.

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

HOUSING FINANCE COMPANY LIMITED 3(a)

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS

Key Audit Matter

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

Key Audit Matter

(1) ***Allowance for Expected Credit Losses (ECL)***

Determining expected credit losses ('ECL') involves Management's judgement and is subject to significant uncertainties, which have varied considerably as a result of Covid-19 pandemic.

Management makes various assumptions when estimating ECL and the significant assumptions on which we focused during our audit included those with greater levels of Management's judgement and for which variations had the most significant impact on ECL.

Inherently judgemental modelling was used to estimate ECL which involves determining Probabilities of Default ("PD"), Loss Given Default ("LGD"), and Exposures at Default ("EAD"). The PD are the key drivers of complexity in the ECL and also impact on the staging of assets are considered to be the most significant judgemental aspects of the Company's ECL modelling approach.

The modelling methodologies used for estimating assumptions, as well as other data, to compute ECL are non-standardised as well as complex. They are developed using historical experience, which can result in limitations in their reliability to appropriately estimate ECL and these limitations are often addressed with judgemental adjustments and subject to estimation uncertainty.

The COVID-19 pandemic has resulted in unprecedented economic conditions with varying impacts across countries and industry sectors as well as economic factors such as for example GDP and unemployment, and consequently the extent and timing of customer defaults.

These factors have increased the uncertainty around judgements made in determining the severity and likelihood of macroeconomic variable ('MEV') forecasts across different economic scenarios used in ECL models. Furthermore, these conditions are outside the bounds of historical experience used to develop the models, where these models produce plausible results, resulting in significantly greater limitations in their reliability to estimate ECLs.

Management has made significant adjustments to ECL to address these limitations through judgemental overlay to model outcomes. The nature and extent of these limitations and the resulting changes to ECL varied across corporate and retail portfolios globally.

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

Key Audit Matters (Cont'd)

(2) *How our audit addressed the key audit matter*

During the course of our audit, we:

- evaluated the appropriateness of the Company's IFRS 9 impairment methodologies;
- reperformed and inspected model code for the calculation of certain components of the ECL model (including the staging criteria);
- evaluated whether the changes were appropriate by assessing the updated model methodology;
- checked the reasonableness of the Company's considerations on the ECL impact of the current economic environment due to COVID-19;
- sample-tested key inputs, data and assumptions impacting ECL calculations to assess the reasonableness of economic forecasts, weights, and model assumptions applied;
- scrutinised post model adjustments, considering the size and complexity of Management's adjustments with a focus on COVID-19 related ones, in order to assess the reasonableness of the adjustments by challenging key assumptions, inspecting the calculation methodology and tracing a sample of the data used back to source data;
- assessed whether disclosures with respect to ECL appropriately addressed the uncertainties which exists when determining the ECL and in addition, assessed whether the disclosures of key judgements and assumptions made were adequate in the circumstances.

Based on the evidence assessed, we found the methodologies, modelled assumptions and data used within the allowance for ECL assessment to be materially appropriate.

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

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and in compliance with the Companies Act, 1972, the Financial Institutions Act 2004, as amended and the Regulations and Directives of the Central Bank of Seychelles, and for such internal control as the directors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company'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 directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Directors.
- 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.
- Conclude on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company'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 Company to cease to continue as a going concern.

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

Report on Other Legal and Regulatory Requirements

Companies Act, 1972

We have no relationship with, or interests in, the Company, 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.

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

Report on Other Legal and Regulatory Requirements (Cont'd)

Public Enterprise Monitoring Commission (PEMC) Act, 2013

In our opinion, proper accounting records have been kept by the Company 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.

Report on Other Legal and Regulatory Requirements (Cont'd)

Financial Institutions Act 2004, as amended and Regulations and Directives of the Central Bank of Seychelles

The Financial Institutions Act 2004, as amended and Regulations and Directives of the Central Bank of Seychelles requires that in carrying out our audit, we consider and report to you the following matters. We confirm that:

- In our opinion, the financial statements have been prepared on a basis consistent with that of the preceding year and are complete, fair and properly drawn up and comply with the Financial Institutions Act 2004, as amended and Regulations and Directives of the Central Bank of Seychelles except as discussed under the Emphasis of Matter paragraphs.
- The explanations or information called for or given to us by Management and employees of the Company were satisfactory.
- The Company did not carry out any fiduciary duties during the year under review.

Other Matters

This report is made solely to the members of **HOUSING FINANCE COMPANY LIMITED**, as a body, in terms of our engagement to conduct the audit on their behalf. Our audit work has been undertaken so that we might state to the Company's members those matters which we are required to state to them in an auditor's 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 Company or the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

BDO Associates

BDO ASSOCIATES
Chartered Accountants

Dated: 2 3 JUN 2021
Victoria, Seychelles

HOUSING FINANCE COMPANY LIMITED

STATEMENTS OF FINANCIAL POSITION - DECEMBER 31, 2020

	Notes	2020 SR	2019 SR
ASSETS			
Cash and bank balances	5	**33,847,976**	34,977,080
Loans and advances	6	**586,836,726**	584,514,127
Investment in financial assets	7	**66,664,005**	58,474,795
Right-of-use assets	8(b)	**125,226**	1,411,096
Property and equipment	9	**475,446**	514,696
Intangible asset	10	**433,826**	736,310
Other receivables	11	**3,437,940**	4,185,445
Deferred tax assets	12(ii)	**14,267,519**	10,425,195
Total assets		**706,088,664**	695,238,744
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Lease liabilities	8(c)	**131,645**	2,071,537
Borrowings	14	**74,210,539**	94,957,711
Deposits	15	**173,026,678**	156,897,440
Other payables	16	**49,232,842**	31,136,930
Retirement benefit obligations	17	**1,286,212**	885,746
Tax payable	13	**730,747**	2,237,032
Total liabilities		**298,618,663**	288,186,396
EQUITY			
Share capital	18	**20,000,000**	20,000,000
Capital reserve	2(o)	**246,672,602**	251,806,363
Retained earnings		**96,937,598**	85,329,261
Contingency reserve	19	**43,859,801**	41,271,113
Regulatory reserve	23	**-**	8,645,611
Total shareholders' equity		**407,470,001**	407,052,348
Total liabilities and shareholders' equity		**706,088,664**	695,238,744
CONTINGENT LIABILITIES			
Loan commitments	26/3.3.2(a)	**102,319,412**	50,736,797

The financial statements have been approved for issue by the Board of Directors on: 2 3 JUN 2021

Jennifer Morel
Chairperson

Ronny Palmyre
Director

Daniel Frichot
Director

Yves Choppy
Director

Elizabeth Agathine
Elizabeth Agathine
Director

Michel Marie
Director

The notes on pages 8 to 52 form an integral part of these financial statements.
Auditor's report on pages 3 to 3(d).

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

	Notes	2020 SR	2019 SR
Interest income	2(p) & 20	**48,628,958**	48,852,213
Interest expense	2(p) & 20	**(12,277,537)**	(13,968,535)
Net interest income	20	**36,351,421**	34,883,678
Fee income	2(q)	**1,258,182**	1,035,902
Operating expenses	21	**(20,493,284)**	(18,448,742)
Profit before provision for credit impairment		**17,116,319**	17,470,838
Expected credit loss charge	22	**(4,642,634)**	(1,258,835)
Profit before tax		**12,473,685**	16,212,003
Tax expense	13(ii)	**(865,348)**	(7,586,580)
Profit for the year		**11,608,337**	8,625,423
Other Comprehensive Income			
Items that will be reclassified subsequently to Statement of Profit or Loss			
(Reversal)/Excess of CBS over IFRS 9 provisions on loan and advances and other comprehensive income	22 & 23	**(8,645,611)**	8,645,611
Total Comprehensive Income		**2,962,726**	17,271,034

The notes on pages 8 to 52 form an integral part of these financial statements.
Auditor's report on pages 3 to 3(d).

STATEMENT OF CHANGES IN EQUITY - YEAR ENDED DECEMBER 31, 2020

	Notes	Share capital	Capital Reserve	Regulatory reserve	Retained earnings	Contingency reserve	Total
		SR	SR	SR	SR	SR	SR
At January 1, 2020		**20,000,000**	**251,806,363**	**8,645,611**	**85,329,261**	**41,271,113**	**407,052,348**
Total Comprehensive Income	23	-	-	**(8,645,611)**	**11,608,337**	-	**2,962,726**
Charge for the year	19	-	-	-	-	**2,588,688**	**2,588,688**
Movement in Housing Subsidy scheme							
- Subsidy received during the year	24(i)	-	**8,131,596**	-	-	-	**8,131,596**
- Disbursed during the year	24(i)	-	**(13,265,357)**	-	-	-	**(13,265,357)**
At December 31, 2020		**20,000,000**	**246,672,602**	-	**96,937,598**	**43,859,801**	**407,470,001**
At January 1, 2019		20,000,000	255,915,014	-	76,703,838	40,241,150	392,860,002
Total Comprehensive Income	23	-	-	8,645,611	8,625,423	-	17,271,034
Charge for the year	19	-	-	-	-	1,029,963	1,029,963
Movement in Housing Subsidy scheme							
- Subsidy received during the year	24(i)	-	11,992,200	-	-	-	11,992,200
- Disbursed during the year	24(i)	-	(16,100,851)	-	-	-	(16,100,851)
At December 31, 2019		20,000,000	251,806,363	8,645,611	85,329,261	41,271,113	407,052,348

The notes on pages 8 to 52 form an integral part of these financial statements.
Auditor's report on pages 3 to 3(d).

STATEMENT OF CASH FLOWS - YEAR ENDED DECEMBER 31, 2020

	Notes	2020	2019
		SR	SR
Cash flows from operating activities			
Profit before tax		**12,473,685**	16,212,003
Adjustments for:			
Movement in provision for credit impairment	6(c)	**11,064,317**	(4,269,386)
Loans written back during the year	6(c)	**216,153**	125,621
Loans written off in provision for credit impairment	6(c)	**(406,188)**	(377,826)
Amortisation right of use assets	8(b)	**1,328,477**	2,215,704
Depreciation of property and equipment	9	**358,872**	414,533
Loss on write-off of fixed assets	9	**2,600**	-
Amortisation of intangible asset	10	**302,484**	392,798
Received on Home Savings scheme	15	**19,972,343**	18,736,425
Repayment on Home Savings scheme	15	**(10,264,842)**	(15,680,860)
Interest accrued on deposits	15	**6,421,737**	5,937,867
Retirement benefit obligations charge	17	**1,227,255**	834,494
Movement in contingency reserve	19	**2,588,688**	1,029,963
(Reversal)/Excess of CBS over IFRS 9 provisions on loan and advances	22	**(8,645,611)**	8,645,611
Contributions & subsidy received during the year	24(i)	**8,131,596**	11,992,200
Subsidy disbursed during the year	24(i)	**(13,265,357)**	(16,100,851)
		31,506,209	30,108,295
Changes in working capital			
- (Increase)/Drecrease in loans and advances		**(13,196,881)**	12,663,587
- Decrease in other receivables		**747,505**	1,393,589
- Increase/(Decrease) in other payables		**18,095,912**	(3,109,580)
Net cash generated from operations		**37,152,745**	41,055,891
Tax paid during the year	13(i)	**(6,213,957)**	(5,591,350)
Retirement benefit obligation paid	17	**(826,789)**	(958,493)
Net cash inflow from operating activities		**30,111,999**	34,506,048
Cash flows from investing activities			
Purchase of property and equipment	9	**(322,222)**	(191,786)
Addition to intangible asset	10	**-**	(572,362)
Additions to investment in financial assets	7(a)	**(205,081,355)**	(58,474,795)
Redemption of financial asset	7(a)	**196,892,145**	55,328,367
Net cash outflow from investing activities		**(8,511,432)**	(3,910,576)
Cash flow from financing activities			
Repayment of lease liabilities	8(c)	**(1,982,499)**	(1,555,263)
Repayment of borrowings	14(ii)	**(14,565,353)**	(11,667,927)
Repayment of interest on borrowings	14(ii)	**(6,181,819)**	(7,630,532)
Net cash outflow from financing activities		**(22,729,671)**	(20,853,722)
Net (decrease)/increase in cash and cash equivalents		**(1,129,104)**	9,741,750
Movement in cash and cash equivalents			
At January 1,		**34,977,080**	25,235,330
(Decrease)/Increase		**(1,129,104)**	9,741,750
At December 31,	5	**33,847,976**	34,977,080

The notes on pages 8 to 52 form an integral part of these financial statements.
Auditor's report on pages 3 to 3(d).

1. GENERAL INFORMATION

Housing Finance Company Limited is a limited liability company, incorporated and domiciled in Seychelles and is involved in providing finance to the housing sector.

The principal place of business is situated at the Victoria House, Mahé, Seychelles.

The financial statements will be submitted for consideration and approval at the forthcoming Annual General Meeting of Shareholders of the Company.

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 **Housing Finance Company Limited** 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 Companies Act, 1972, the Financial Institutions Act, 2004 as amended and Regulations and Directives of the Central Bank of Seychelles as well as the PEMC Act 2013.

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.

New and amended standards and Interpretations effective in the reporting period

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

New and amended to standards and Interpretations effective in the reporting period (Cont'd)

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

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

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, 2021 or later periods, but which the Company has not early adopted.

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

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28);
- IFRS 17 Insurance Contracts;
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1);
- Annual Improvements 2018-2020;
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
- Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37);
- Reference to the Conceptual Framework (Amendments to IFRS 3);
- Amendments to IFRS 17; and
- Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16).

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

(b) 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 Company's management to exercise judgement in applying the Company's accounting policies. The areas where significant judgements and estimates have been made in preparing the financial statements and their effect are disclosed in note 4.

(c) Foreign currencies

Functional and presentation currency

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Foreign currencies (Cont'd)

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 the fair value was determined.

(d) Financial instruments

(i) Initial recognition

Financial assets and liabilities, with the exception of loans and advances to customers and balances due to customers, are initially recognised on the trade date, i.e., the date on which the Company becomes a party to the contractual provisions of the instrument. This includes regular way trades, i.e., purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Loans and advances to customers are recognised when funds are transferred to the customers' accounts. The Company recognises balances due to customers when funds are transferred to the Company.

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value, except in the case of financial assets and financial liabilities recorded at FVTPL, transaction costs are added to, or subtracted from, this amount. Other receivables are measured at the transaction price.

When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Company recognises the difference between the transaction price and fair value in net trading income.

(ii) Classification and measurement

The Company classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either at Amortised Cost or Fair Value Through Other Comprehensive Income (FVTOCI).

(d) **Financial instruments (Cont'd)**

(ii) **Classification and measurement (Cont'd)**

Financial Assets measured at Amortised Cost

The Company measures Cash and cash equivalents, Loans and advances and Investment in financial assets and Other receivables at amortised cost only if both of the following conditions are met:

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

Business model assessment

The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective:

- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;

- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected); and

- Other factors considered by the Company in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, the expected frequency and value and timing of sales.

The SPPI test

As a second step of its classification process the Company assesses the contractual terms of the financial asset to identify whether they meet the SPPI test.

Principal for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Company applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTOCI.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Financial instruments (Cont'd)

(ii) Classification and measurement (Cont'd)

Financial Liabilities measured at Amortised Cost

After initial measurement, debt issued and other borrowed funds are subsequently measured at amortised cost. Amortised cost is calculated by taking into account any discount or premium on issued funds, and costs that are an integral part of the Effective Interest Rate (EIR).

Undrawn loan commitments

Undrawn loan commitments and letters of credits are commitments under which, over the duration of the commitment, the Company is required to provide a loan with pre-specified terms to the customer. Similar to financial guarantee contracts, these contracts are in the scope of the ECL requirements.

The nominal contractual value of undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded in the Statement of Financial Position. The Company has not provided any commitment to provide loans at a below-market interest rate, or that can be settled net in cash or by delivering or issuing another financial instrument.

(iii) Reclassification of financial assets and liabilities

The Company does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Company acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified.

(iv) Derecognition of financial assets and liabilities

Derecognition of financial assets due to substantial modification of terms and conditions

The Company sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Company assesses whether or not the new terms are substantially different to the original terms. The Company considers the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay;
- Whether any substantial new terms are introduced, such as a profit share/equity-based return that substantially affects the risk profile of the loan;
- Significant extension of the loan term when the borrower is not in financial difficulty;
- Significant change in the interest rate;
- Change in the currency the loan is denominated in; and
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Financial instruments (Cont'd)

(iv) Derecognition of financial assets and liabilities (Cont'd)

Derecognition of financial assets due to substantial modification of terms and conditions (Cont'd)

If the terms are substantially different, the Company derecognises the original financial asset and recognises a 'new' asset at fair value and recalculates a new effective interest rate for the assets. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Company also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in Statement of Profit or Loss in net impairment of financial assets.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Company recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in Statement of Profit or Loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

Financial asset derecognition other than on a modification

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Company transfers substantially all the risks and rewards of ownership, or (ii) the Company neither transfers nor retains substantially all the risks and rewards of ownership and the Company has not retained control.

The Company enters into transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards. These transactions are accounted for as 'pass through' transfers that result in derecognition if the Company:

- Has no obligation to make payments unless it collects equivalent amounts from the assets;
- Is prohibited from selling or pledging the assets; and
- Has an obligation to remit any cash it collects from the assets without material delay.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in Statement of Profit or Loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Financial instruments (Cont'd)

(v) *Impairment of financial assets*

(i) Overview of the ECL principles

The Company records an allowance for Expected Credit Loss (ECL) for all loans and other debt financial assets not held at FVTPL, together with loan commitments and financial guarantee contracts as applicable, in this section all referred to as 'financial instruments'.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit losses or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit losses (12mECL). The Company's policies for determining if there has been a significant increase in credit risk are set out in note 3.3.3(f).

The 12mECL is the portion of LTECLs that represent the ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECL and 12mECL are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments. The Company's policy for grouping financial assets measured on a collective basis is explained in note 3.3.3(b).

The Company has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. This is further explained in note 3.3.3(f).

Based on the above process, the Company groups its loans into Stage 1, Stage 2 and Stage 3 as described below:

Stage 1: When loans are first recognised, the Company recognises an allowance based on 12mECL. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.

Stage 2: When a loan has shown a significant increase in credit risk since origination, the Company records an allowance for the LTECL. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.

Stage 3: Loans considered credit-impaired (as outlined in note 3.3.3(a)) The Company records an allowance for the LTECL.

(ii) The calculation of ECL

The Company calculates ECL based on probability of default (PD) to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Financial instruments (Cont'd)

(v) *Impairment of financial assets (Cont'd)*

(ii) *The calculation of ECL (Cont'd)*

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

P D The Probability of Default (PD) is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio. The concept of PD is further explained in *note 3.3.3(c)*.

EAD The Exposure at Default (EAD) is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments. The EAD is further explained in *note 3.3.3(d)*.

LGD The Loss Given Default (LGD) is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral or credit enhancements that are integral to the loan and not required to be recognised separately, as set out in *note 2.3(f)*. It is usually expressed as a percentage of the EAD. The LGD is further explained in *note 3.3.3(e)*.

The maximum period for which the credit losses are determined is the contractual life of a financial instrument unless the Company has the legal right to call it earlier.

Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value.

Stage 1 - The 12mECL is calculated as the portion of LTECL that represent the ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Company calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR.

Stage 2 - When a loan has shown a significant increase in credit risk since origination, the Company records an allowance for the LTECL. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

Stage 3 - For loans considered credit-impaired (as defined in note 3.3.3(a)), the Company recognises the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Financial instruments (Cont'd)

(v) *Impairment of financial assets (Cont'd)*

(ii) *The calculation of ECL (Cont'd)*

Loan commitments and letters of credit - When estimating LTECL for undrawn loan commitments, the Company estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down, based on a probability of default. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan. ECL for loan commitment is recognised within Provisions under other liabilities. To the extent that the combined expected credit losses exceed the gross carrying amount of the loan, the expected credit losses are recognised as a provision.

(iii) *Purchased or originated credit impaired financial assets (POCI)*

For POCI financial assets, the Company only recognises the cumulative changes in LTECL since initial recognition in the loss allowance.

(iv) *Forward looking information*

In its ECL models, the Company relies on a broad range of forward looking information as economic inputs, such as:

- GDP growth
- Unemployment rates

The inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of the Financial Statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material. Information of actual input used to adjust PD are included on *3.3.3(c)*.

(vi) Credit enhancements: collateral valuation and financial guarantees

To mitigate its credit risks on financial assets, the Company seeks to use collateral, where possible. The collateral comes in various forms, such as cash and securities. Collateral, unless repossessed, is not recorded on the Company's Statement of Financial Position.

The Company does not uses active market data for valuing financial assets held as collateral. It relies on other valuation models which do not have readily determinable market values as well as real estate and data provided by third parties mortgage valuers.

Cash flows expected from credit enhancements which are not required to be recognised separately by IFRS standards and which are considered integral to the contractual terms of a Financial Asset which is subject to ECL, are included in the measurement of those ECL. On this basis, the fair value of collateral affects the calculation of ECL. Collateral is generally assessed, at a minimum, at inception and re-assessed on practical basis by Management. However, some collateral, for example, cash or securities relating to margining requirements, is valued daily.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Financial instruments (Cont'd)

(v) *Impairment of financial assets (Cont'd)*

Guarantees held are included in the measurement of loan ECLs when either they are specified in the contractual terms of the loan or else are integral to the loan, in that they formed part of the basis on which the loan was extended. Guarantees that are not integral to the loan's contractual terms are accounted as separate units of accounts subject to ECL.

(vii) Collateral repossessed

The Company's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets for which selling is determined to be a better option are transferred to assets held for sale at their fair value (if financial assets) and fair value less cost to sell for non-financial assets at the repossession date in, line with the Company's policy.

In its normal course of business, the Company recover funds from the repossessed assets, generally at auction, to settle outstanding debt. Any surplus funds are returned to the customers/obligors. As a result of this practice, the residential properties under legal repossession processes are not recorded on the Statement of Financial Position.

(viii) Write-offs

Financial assets are written off either partially or in their entirety only when the Company has no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

(e) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and highly liquid financial assets that are subject to an insignificant risk of changes in their fair value and are used by the Company in the management of its short-term commitments. Cash and cash equivalents comprise cash on hand, balances with the Central Bank of Seychelles and amounts due from Company's on demand or with an original maturity of three months or less and Company overdrafts.

(f) Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Fair value (Cont'd)

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

(g) Property and equipment

Property and equipment are carried at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

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

	Years
Leasehold improvements	5
Furniture and fittings	3
Computer equipment	3
Office equipment	5
Motor vehicles	3

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Leases

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

Right-of-use assets

The Company 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 Company's policy as described in note 2(j) impairment of non-financial assets.

Lease liabilities

At the commencement date of the lease, the Company 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 Company 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.

(i) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any. The useful lives of intangible assets are assessed as either finite or infinite.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relate. 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 computer 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 (CONT'D)

(j) Impairment of non-financial assets

The Company assesses, at each reporting date, whether there is an indication that Property and equipment, Right of use asset, Intangible assets and Other assets may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's 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. Impairment losses are recognised in the Statement of Profit or Loss.

(k) Taxation

Current tax

Tax in the Statement of Profit or Loss relates to current year's tax which is the expected amount of tax payable in respect of taxable profit for the year and is measured using the tax rates that have been enacted at the end of the reporting period.

Deferred tax

Deferred tax is provided for using the liability method on all taxable temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The principal temporary differences arise from depreciation of equipment, provision for credit impairment on loans and advances and provision for retirement benefit obligation.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled. The tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date are used to determine deferred tax.

Deferred tax assets are recognised to the extent that it is possible that future taxable profit will be available against which the temporary differences can be utilised.

(l) Employee benefits

(i) *Short-term employee benefits*

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) Employee benefits (Cont'd)

(i) *Short-term employee benefits (Cont'd)*

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

(ii) *Defined contribution plans*

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

(iii) *Gratuity*

The Company provides for a payment of compensation based on contractual terms for two years. The amount provisioned every year is based on the number of years the employee has worked after the last payment date. The liability recognised in the Statement of Financial Position is the present value of the defined obligation at the reporting date less fair value of plan assets together with adjustments for unrecognised actuarial gains and losses and past service costs.

(iv) *Provision for length of service*

Provision for compensation is provided as per the contractual terms as follows:

a) Staff below management level, compensation equals 10% of total salaries for two years.
b) Staff above management level, compensation equals 10% - 15% of total salaries for two years.
c) Chief Executive Officer, compensation equals 10% - 30% of total salaries for three years.

(m) Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the Statement of Profit or Loss net of any reimbursement.

(n) Share capital

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) Reserves

(i) Capital reserve

The capital reserve originally arose from contra credit entries to net assets transferred from SHDC to the Company at nil consideration in 2005. Subsequent movements represent further additions to properties transferred from the Government of Seychelles also at nil consideration and cash grants. It also includes revaluations by Directors of assets previously transferred.

(ii) Regulatory reserve

The Company provides for additional ECL when computation under IFRS 9 is less than the the provsioning requirement in accordance with the Financial Institution (Credit Classification and Provisioning) Regulations, (as ammended), to a non-distributable reserve.

(p) Interest income and expense

(i) The effective interest rate (EIR) method

Under IFRS 9, interest income is recorded using the EIR method for all financial assets measured at amortised cost. Interest income on interest bearing financial assets measured at FVOCI under IFRS 9 is also recorded using the EIR method. Interest expense is also calculated using the EIR method for all financial liabilities held at amortised cost. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or liability or, when appropriate, a shorter period, to the gross carrying amount of the financial asset.

The EIR (and therefore, the amortised cost of the financial asset) is calculated by taking into account transaction costs and any discount or premium on the acquisition of the financial asset, as well as fees and costs that are an integral part of the EIR. The Company recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, the EIR calculation also takes into account the effect of potentially different interest rates that may be charged at various stages of the financial asset's expected life, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

If expectations of fixed rate financial assets' or liabilities' cash flows are revised for reasons other than credit risk, then changes to future contractual cash flows are discounted at the original EIR with a consequential adjustment to the carrying amount. The difference from the previous carrying amount is booked as a positive or negative adjustment to the carrying amount of the financial asset or liability on the Statement of Financial Position with a corresponding increase or decrease in Interest revenue/expense calculated using the effective interest method.

For floating-rate financial instruments, periodic re-estimation of cash flows to reflect the movements in the market rates of interest also alters the effective interest rate, but when instruments were initially recognised at an amount equal to the principal, re-estimating the future interest payments does not significantly affect the carrying amount of the asset or the liability.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(p) Interest income and expense (Cont'd)

(ii) Interest and similar income/expense

Net interest income comprises interest income and interest expense calculated using both the effective interest method and other methods. These are disclosed separately on the face of the Statement of Profit or Loss for both interest income and interest expense to provide symmetrical and comparable information.

In its interest income/expense calculated using the effective interest method, the Company only includes interest on those financial instruments that are set out in note 2(p)(i) above.

Interest income/expense on all trading financial assets/liabilities is recognised as a part of the fair value change in 'Net trading income'.

The Company calculates interest income on financial assets, other than those considered credit-impaired, by applying the EIR to the gross carrying amount of the financial asset.

When a financial asset becomes credit-impaired as set out in note 3.3.3(a) and is therefore regarded as 'Stage 3', the Company calculates interest income by applying the EIR to the net amortised cost of the financial asset. If the financial asset cures (as outlined in note 3.3.3(a)) and is no longer credit-impaired, the Company reverts to calculating interest income on a gross basis. However, during the year, the Company recomputed interest on a gross basis.

(q) Fees and commission

Fees and commissions are recognised on an accrual basis when the service has been provided. Commission and fees arising from negotiating, or participating in the negotiations of a transaction for a third party, such as the acquisition of loans, shares or other securities or the purchase or sale of businesses, are recognised on completion of the underlying transaction.

Loan processing fees is recognised as income in the period when the loan is processed. Management does not amortise loan fees and believes that impact of non amortisation is immaterial.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors and management

The activities of the Company expose it to different financial risk, market risk (including currency and fair value interest risk), credit risk and liquidity risk. The Directors have the overall responsibility for the establishment, overseeing and monitoring of the Company's risk management framework and are assisted by the senior management policies, which are approved by the Directors.

The Company's risk management policies are established to identify and analyse the risk faced by the Company focusing on the unpredictability of financial markets, 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 Company's activities and its role in the Republic of Seychelles.

The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. The following are the Company's exposure to each of the above risks, the Company's objective, policies and process for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.2 Interest rate risk

The Company takes term loans at floating rates and for various periods and earns interest margins by providing finance to the housing sector. The Company seeks to increase interest margins by rolling over short-term funds and lending for longer periods at higher rates.

(a) Interest sensitivity gap is as follows:

At December 31, 2020

	Less than 1 year	Between 1 and 3 years	Greater than 3 years	Non-interest bearing	Total
	SR	SR	SR	SR	SR
Assets					
Cash and bank balances	-	-	-	33,847,976	33,847,976
Loans and advances	37,901,743	36,002,266	555,947,945	-	629,851,954
Investment in financial assets	66,664,005	-	-	-	66,664,005
Right-of-use assets	-	-	-	125,226	125,226
Property and equipment	-	-	-	475,446	475,446
Intangible asset	-	-	-	433,826	433,826
Other receivables	-	-	-	3,437,940	3,437,940
Deferred tax assets	-	-	-	14,267,519	14,267,519
	104,565,748	36,002,266	555,947,945	52,587,933	749,103,892
Liabilities					
Borrowings	26,928,991	26,928,991	20,352,557	-	74,210,539
Lease liabilities	131,645	-	-	-	131,645
Deposits	-	-	173,026,678	-	173,026,678
Other payables	-	-	-	49,232,842	49,232,842
Retirement benefit obligation	-	-	-	1,286,212	1,286,212
Tax payable	-	-	-	730,747	730,747
	27,060,636	26,928,991	193,379,235	51,249,801	298,618,663
Interest sensitivity gap	77,505,112	9,073,275	362,568,710	1,338,132	450,485,229
Less: Allowances for credit impairment (note 6(c))					-43,015,228
					407,470,001

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.2 Interest rate risk (Cont'd)

(a) Interest sensitivity gap (Cont'd)

At December 31, 2019

	Less than 1 year	Between 1 and 3 years	Greater than 3 years	Non-interest bearing	Total
	SR	SR	SR	SR	SR
Assets					
Cash and bank balances	-	-	-	34,977,080	34,977,080
Loans and advances	31,073,276	32,394,368	553,187,429	-	616,655,073
Investment in financial assets	58,474,795	-	-	-	58,474,795
Right-of-use assets	-	-	-	1,411,096	1,411,096
Property and equipment	-	-	-	514,696	514,696
Intangible asset	-	-	-	736,310	736,310
Other receivables	-	-	-	4,185,445	4,185,445
Deferred tax assets	-	-	-	10,425,195	10,425,195
	89,548,071	32,394,368	553,187,429	52,249,822	727,379,690
Liabilities					
Borrowings	26,928,991	53,857,982	14,170,738	-	94,957,711
Lease liabilities	2,071,537	-	-	-	2,071,537
Deposits	-	-	156,897,440	-	156,897,440
Other payables	-	-	-	31,136,930	31,136,930
Retirement benefit obligation	-	-	-	885,746	885,746
Tax payable	-	-	-	2,237,032	2,237,032
	29,000,528	53,857,982	171,068,178	34,259,708	288,186,396
Interest sensitivity gap	60,547,543	-21,463,614	382,119,251	17,990,114	439,193,294
Less: Allowances for credit impairment (note 6(c))					-32,140,946
					407,052,348

The Company is exposed to the effects of mismatch in tenure on term loans obtained from commercial banks, interest on deposits and loans advanced to customers. Increase in interest rates on interest from commercial banks results in reduction of net interest as interest in loans and advances is fixed. Decrease in interest rate on commercial banks have an effect of increasing interest margin.

(b) **Sensitivity analysis**

If interest rates had been 5 points higher/lower and all other variables were held constant as at year-end, the Companies' results would have been increased/decreased as follows:

	2020	2019
	SR	SR
Decrease/Increase	**18,176**	17,442

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.3 Credit risk

3.3.1 Credit risk management

Credit risk is the risk that the Company will incur a loss because its customers or counterparties fail to discharge their contractual obligations. The Company structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower.

The Company has established a credit quality review process to provide identification of the creditworthiness of counterparties. There is regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment and of collateral and guarantees.

Credit risk arises from cash and cash equivalents, contractual cash flows of debt investments carried at amortised cost as well as credit exposures to customers, including outstanding receivables.

3.3.2 Risk concentration risk and exposure to credit risk

Also credit risk arises from commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans. With respect to credit risk on commitments to extend credit, the Company is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers continuously adhering to specific credit standards.

The Company monitors the term to maturity of credit commitments because longer term commitments generally have a greater degree of credit risk than shorter term commitments.

The Company's concentration risk is managed by client and segments.

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.3 Credit risk (Cont'd)

3.3.2 *Risk concentration and exposure to credit risk (Cont'd)*

The Company takes on exposure to credit risk which is the risk that a counterparty will be unable to pay amounts in full when due. The Company structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower. Such risks are monitored on a revolving basis and subject to an annual or more frequent review. Limits on the level of credit risk are approved by the Board of Directors with discretionary limits set for the Companies' Management.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these limits where appropriate. Exposure to credit risk is also managed by obtaining collateral and personal guarantees.

(a) The table that follow shows the maximum exposure of financial assets to credit risk for the components of the Statement of Financial Position.

Description	2020			2019		
	Gross exposure	**E C L**	**Net exposure**	Gross exposure	E C L	Net exposure
Cash and bank balances (note 5)	**33,847,976**	**-**	**33,847,976**	32,765,151	-	32,765,151
Loans and advances (note 6)	**629,851,954**	**(43,015,228)**	**586,836,726**	616,655,073	(32,140,946)	584,514,127
Investment in financial assets (note 7)	**66,664,005**	**-**	**66,664,005**	58,474,795	-	58,474,795
Other receivables (note 11)	**756,713**	**-**	**756,713**	1,504,218	-	1,504,218
Loan commitments (notes 17 & 26(a))	**102,319,412**	**(2,510,483)**	**99,808,929**	50,736,797	(286,555)	50,450,242
Total	**833,440,060**	**(45,525,711)**	**787,914,349**	760,136,034	(32,427,501)	727,708,533

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.3 Credit risk (Cont'd)

3.3.2 *Risk concentration and exposure to credit risk (Cont'd)*

(b) Analysis of risk concentration

	Gross exposure	Impairment allowance	Carrying amount	Fair value of collateral held
	SR	SR	SR	SR
December 31, 2020				
Home - secured	547,559,367	21,597,420	525,961,947	411,565,930
Home - unsecured	51,110,719	16,406,881	34,703,838	5,156,998
SHDC - secured loans	13,767,342	3,444,768	10,322,574	17,280,523
Pensioner + SHRLS - Unsecured	14,948,624	1,555,911	13,392,713	1,741,262
Staff loan	2,465,902	10,248	2,455,654	-
Total credit impaired assets	**629,851,954**	**43,015,228**	**586,836,726**	**435,744,713**
December 31, 2019				
Home - secured	530,004,432	8,492,080	521,512,352	589,951,609
Home - unsecured	48,624,963	19,290,317	29,334,646	299,925
SHDC - secured loans	16,963,951	1,939,577	15,024,374	31,905,069
Pensioner + SHRLS - Unsecured	19,237,107	2,409,557	16,827,550	2,078,830
Staff loan	1,824,620	9,415	1,815,205	-
Total credit impaired assets	616,655,073	32,140,946	584,514,127	624,235,433

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.3 Credit risk (Cont'd)

3.3.3 Impairment assessment

The Company's impairment assessment and measurement approach is set out below. It should be read in conjunction with the summary of significant accounting policies *note 2(d)(v)*.

(a) *Definition of default, impaired and cure*

The Company considers a financial instrument defaulted for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments. The Company considers treasury and intercompany balances defaulted and takes immediate action when the required intraday payments are not settled by the close of business as outlined in the individual agreements.

The Company has aligned its definition of credit impaired assets under IFRS 9 to prudent global definition of non-performing loans ('NPLs').

As a part of a qualitative assessment of whether an exposure is credit-impaired, the Company also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Company carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate. Such events include:

- The borrower having past due liabilities to public creditors or employees;
- The borrower is deceased;
- A material decrease in the underlying collateral value where the recovery of the loan is expected from the sale of the collateral;
- A covenant breach not waived by the Company; and
- The debtor is filing bankruptcy application/protection.

It is the Company's policy to consider a financial instrument as 'cured' and therefore re-classified out of Stage 3 when none of the default criteria have been present unless there are quantitative or qualitative that disallow immediate cure. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the updated credit grade, at the time of the cure, and whether this indicates there has been a significant increase in credit risk compared to initial recognition.

(b) *Grouping financial assets*

The Company calculates the allowance for ECL either on a collective or an individual basis dependent on the factors below.

Asset classes where the Company calculates ECL on an collective basis include:

Total loan receivable (including accrued interest excluding interest on NPA) is allocated into 5 segments based on the industry in which customer is operating as below:

(i) Home loan - Secured
ii) Home loan - Unsecured
iii) SHDC - Secured loans
iv) Pensioner + SHRLS - Unsecured
v) Staff loan

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.3 Credit risk (Cont'd)

3.3.3 Impairment assessment *(Cont'd)*

(b) *Grouping financial assets (Cont'd)*

Asset classes where the Company calculates ECL on an individual basis include:

i) Cash and bank balances (Balance due from local banks)

ii) Investments in financial assets (Sovereign Debt and Financial Institutions)

iii) Other receivables

(c) *The Company's internal rating and Probability of Default (PD) estimation process*

The Company allocates each exposure to credit risk grade based on a variety of data that is determined to be predictive of risk of default and applying experienced credit judgement. For the loans and advances, credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of the borrower.

(i) *Company's Grading*

The Company allocates each exposure to credit risk grade based on a variety of data that is determined to be predictive of risk of default and applying experienced credit judgement.

In particular grading of loans and advances is based on the modified Central Bank of Seychelles grading guidelines aligning to the Company's Days Past Due (DPD) days as below:

C B S grading	Company grading	DPD Date	Staging
Pass	High grade to Standard	0 - 30	Stage 1
Special mention	Sub standard,	31 - 90	Stage 2
Sub standard,	Non performing loans	91 - 180	Stage 3
Doubtful	Non performing loans	181 - 365	Stage 3
Loss	Non performing loans	> 365	Stage 3

Grading of other financial assets is based on Moody rating where gradings from 1-4 is classified as high grade, 5-16 as standard grade, 17-19 as sub standard grading and 20 as non performing.

(ii) *Computation of PDs for loans and advances*

The Company compute the historical default rates based on movement of loans receivable from ageing buckets. These average flow rates are then used to determine the credit loss rate (determined as a product of the average flow rates for the applicable brackets).

The Company considered monthly ageing from November 14 to December 2020 and ageing bucket for carrying analysis of movement in its loan's receivables. Total loan receivable for each sector is bifurcated in following ageing bucket: Not due, 1 - 30 days, 31 to 60 days, 61 to 90 days, more than 90 days.

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.3 Credit risk (Cont'd)

3.3.3 Impairment assessment - *Computation of PDs for loans and advances (Cont'd)*

PDs were arrived by the following steps

Step 1: Plotting the total loan receivable into ageing buckets for the period;

Step 2: Calculation of average default rate per time bucket: Average default rate is computed for each month by comparing the movement of ageing in the next month;

Step 3: Computation of impairment loss and average default rate: Impairment loss and average default rate is computed for December 2015, December 2016, December 2017, December 2018, December 2019 and December 2020.

Step 4: Analysis of forward-looking information for each sector is performed using regression analysis between historical loss rate applicable to sector vis a vis unemployement.

Step 5: **Computation of ECL rate for provision**

(i) Life time expected credit loss is used for the portfolio classified under Stage 2. 'ECL provision identified for each sector is computed based on adjusted loss rate from Step 4 and applied to sector portfolio of loan receivables categorised under stage 2 category as at the reporting date.

(ii) Life time expected credit loss for the portfolio classified under Stage 3: 'ECL provision of 100% is applied to sector portfolio of loan receivables under stage 3 as at the reporting date.

(iii) 12 month expected credit loss (ECL) is used in the portfolio classified under Stage 1. Life time ECL is computed for each sector by multiplying the 12-month ECL rate.

(iii) *PD for Financial Institutions*

PD for financial institutions - No loss in the past as well as based on available information, the likelihood that there is loss due to default is remote. The Directors view expected credit loss to be immaterial.

(d) Exposure at default

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too.

To calculate the EAD for a Stage 1 loan, the Company assesses the possible default events within 12 months for the calculation of the 12mECL. However, if a Stage 1 loan that is expected to default in the 12 months from the Statement of Financial Position date and is also expected to cure and subsequently default again, then all linked default events are taken into account. For Stage 2 and Stage 3 financial assets, the exposure at default is considered for events over the lifetime of the instruments.

ECL computation exposure is discounted as below:

(i) 12 months ECL - Present value of ECL for each individual loan is computed based on remaining maturity period as at each reporting period (maximum period for discounting is capped at 12 month/365 days) using interest rate of respective loan.

(ii) Present value of ECL for each individual loan is computed based on remaining maturity period as at each reporting period using interest rate of respective loan.

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.3 Credit risk (Cont'd)

3.3.3 Impairment assessment *(Cont'd)*

(e) Loss given default (LGD)

(i) *LGD for loans and advances*

The Company consider the secured portion of loan receivables as fair value of collaterals as at each reporting period divided by total loan receivables including interest multiplied by 100 i.e. Loss given default (%) = 100% exposure minus secured portion of loan receivables (%).

Fair value is derived by discounting 50% of the carrying amount of collaterals (2019: 25%). Additional 5% is further adjusted from book value of collateral as cost expected to be incurred for selling collaterals. The haircutting however excludes special product of pensioners where 25% of the proceeds are recovered from the Government of Seychelles.

Fair value of security in the form of guarantor are taken as Nil for the purpose of ECL computation.

(ii) *LGD for Financial Institutions and Sovereign Debt*

- Based on Basel standardized approach applicable to all financial institutions.

(f) Significant increase in credit risk

The Company continuously monitors all assets subject to ECL. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Company assesses whether there has been a significant increase in credit risk since initial recognition.

The Company uses the number of days past due (DPD) to determine significant in credit risk. Credit ratings are assigned to facilities granted by sectors upon initial recognition based on available information.

Credit risk is deemed to have increased significantly if credit ratings have deteriorated at the reporting date. When estimating ECLs on a collective basis for a group of similar assets (as set out in note 3.3.3(b)), the Company applies the same principles for assessing whether there has been a significant increase in credit risk since initial recognition.

The Company also applies a secondary qualitative method for triggering a significant increase in credit risk for an asset, such as moving a customer/facility to the watch list, or the account becoming forborne. In certain cases, the Company may also consider that events explained in note 3.3.3(b) are a significant increase in credit risk as opposed to a default. Regardless of the change in credit grades, if contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition.

3.4 *Liquidity risk*

The Company is exposed to call back of term loans from commercial banks. The Board sets limits on the ratio of borrowing for loans and advances. Prudent liquidity risk management implies maintaining sufficient cash and availability of funding through an adequate amount of committed credit facilities. Furthermore, Management monitors rolling forecasts of the Company's liquidity reserve on the basis of expected cash flows.

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

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.4 *Liquidity risk (Cont'd)*

At December 31, 2020	Less than 1 year	Between 1 and 3 years	Greater than 3 years	Non maturing	Total
Assets	SR	SR	SR	SR	SR
Cash and bank balances	33,847,976	-	-	-	33,847,976
Loans and advances	37,901,743	36,002,266	555,947,945	-	629,851,954
Right-of-use assets	-	-		125,226	125,226
Investment in financial assets	66,664,005	-	-	-	66,664,005
Property and equipment	-	-	-	475,446	475,446
Intangible asset	433,826	-	-	-	433,826
Other receivables	3,437,940	-	-	-	3,437,940
Deferred tax assets	-	-	-	14,267,519	14,267,519
	142,285,490	36,002,266	555,947,945	14,868,191	749,103,892
Liabilities					
Borrowing	26,928,991	26,928,991	20,352,557	-	74,210,539
Lease liabilities	131,645	-	-	-	131,645
Deposits	-	-	-	173,026,678	173,026,678
Other payables	19,211,287	-	30,021,555	-	49,232,842
Retirement benefit obligations	-	1,286,212	-	-	1,286,212
Tax payable	730,747	-	-	-	730,747
	47,002,670	28,215,203	50,374,112	173,026,678	298,618,663
Maturity gap	95,282,820	7,787,063	505,573,833	(158,158,487)	450,485,229
Less: Allowances for credit impairment					(43,015,228)
					407,470,001

At December 31, 2019	Less than 1 year	Between 1 and 2 years	Greater than 3 years	Non maturing	Total
	SR	SR	SR	SR	SR
Assets					
Cash and bank balances	34,977,080	-	-	-	34,977,080
Loans and advances	31,073,276	32,394,368	553,187,429	-	616,655,073
Right-of-use assets	-	-		1,411,096	1,411,096
Investment in financial assets	58,474,795	-	-	-	58,474,795
Property and equipment	-	-	-	514,696	514,696
Intangible asset	736,310	-	-	-	736,310
Other receivables	4,185,445	-	-	-	4,185,445
Deferred tax assets	-	-	-	10,425,195	10,425,195
	129,446,906	32,394,368	553,187,429	12,350,987	727,379,690
Liabilities					
Borrowing	26,928,991	26,928,991	41,099,729	-	94,957,711
Lease liabilities	2,071,537	-	-	-	2,071,537
Deposits	-	-	-	156,897,440	156,897,440
Other payables	12,075,127	-	19,061,803	-	31,136,930
Retirement benefit obligations	-	885,746	-	-	885,746
Tax payable	2,237,032	-	-	-	2,237,032
	43,312,687	27,814,737	60,161,532	156,897,440	288,186,396
Maturity gap	86,134,219	4,579,631	493,025,897	(144,546,453)	439,193,294
Less: Allowances for credit impairment					-32,140,946
					407,052,348

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.5 Currency risk

Currency risk is defined as the risk that movements in foreign exchange rates adversely affect the value of the Company's foreign currency positions. The Company is not exposed to foreign exchange risk as the earnings and expenses of the Company are Seychelles Rupees which is the Company's functional and presentation currency.

Also the Company's total portfolio of financial assets and liabilities are denominated in Seychelles Rupees. Therefore currency risk is considered negligible.

3.6 Fair value estimation

The carrying amounts of financial assets and liabilities of the Company at reporting date approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

3.7 Capital risk management

The Company's objectives when managing capital are:

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

The Company sets the amount of capital in proportion to risk. It manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt. The Company monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt adjusted capital. Net debt is calculated as total debt less cash and cash equivalents. Adjusted capital comprises all components of equity (i.e. share capital, retained earnings and capital reserve).

During 2020, the Company's strategy, which was unchanged from 2019, was to maintain the debt-to-adjusted capital ratio at a reasonable level in order to secure access to finance at a reasonable cost. The debt-to-adjusted capital ratios at December 31, 2020 were as follows:

	2020	2019
	SR	SR
Total debt (note 14)	**74,210,539**	94,957,711
Less: Cash and cash equivalents (note 5)	**(33,847,976)**	(34,977,080)
Net debt	**40,362,563**	59,980,631
Total equity	**407,470,001**	407,052,348
Debt-to-adjusted capital ratio	**10%**	15%

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Company's financial statements requires Management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the Company's disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

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

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 below.

(a) *Impairment losses on financial assets*

The measurement of impairment losses under IFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Company's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Company's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be, measured on a life time Expected Credit Losses (LTECL) basis and the qualitative assessment;
- The segmentation of financial assets when their ECL is assessed on a collective basis;
- Development of ECL models, including the various formulas and the choice of inputs;
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs; and
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

It has been the Company's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

(i) *Calculation of Loss allowance*

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

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

(a) *Impairment losses on financial assets (Cont'd)*

(ii) Business model assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Company determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated.

The Company monitors financial assets measured at amortised cost prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Company's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets. No such changes were required during the periods presented.

(iii) Significant increase in credit risk

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

(b) *Useful lives and residual values of property and equipment and intangible asset*

Determining the carrying amounts of company's assets requires the estimation of the useful lives and residual values of these assets which carry a degree of uncertainty. The Directors have used historical information relating to the Company and the relevant industry in which it operates in order to best determine the useful lives and residual values of equipment.

(c) *Capital Reserve*

Investment properties and cash are granted to the Company by the Government of Seychelles. The corresponding credits are accounted under Capital Reserve. Capital reserve also includes revaluation of assets previously granted to the Company.

(d) *Retirement benefit obligations*

The cost of retirement benefit has been determined based on the contractual terms for two years and the Directors have estimated that the amount of liability provided will not be materially different had it been computed by an external Actuary.

(e) Impairment of other assets

At each financial reporting year end, Company's Management reviews and assesses the carrying amounts of other assets and where relevant, write them down to their recoverable amounts based on best estimates.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

(f) *Fair value estimation*

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from for example, a stock exchange and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily quoted equity investments classified as trading securities or available-for-sale classified as trading securities or available-for-sale.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

(g) *Limitation of sensitivity analysis*

The sensitivity analysis demonstrate the effect of a change in a key assumption while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear and larger or smaller impacts should not be interpolated or extrapolated from these results.

The sensitivity analysis do not take into consideration that the Branch's assets and liabilities are actively managed. Other limitations include the use of hypothetical market movements to demonstrate potential risk that only represent the Company's views of possible near-term market changes that cannot be predicted with any certainty.

5. CASH AND BANK BALANCES

	2020	2019
	SR	SR
Cash in hand	14,600	14,240
Balances with local banks	33,833,376	32,750,911
Cash and cash equivalents	33,847,976	32,765,151

(a) Cash and bank balances are denominated in Seychelles Rupees.

(b) Banks in Seychelles have been performing well during the period under review and are standard graded per the Company internal rating. Cash and bank balances historic default rates are nil and Directors have considered ECL to be immaterial.

6. LOANS AND ADVANCES

	2020	2019
	SR	SR
Home - secured	547,559,367	530,004,432
Home - unsecured	51,110,719	48,624,963
SHDC - secured loans	13,767,342	16,963,951
Pensioner + SHRLS - Unsecured	14,948,624	19,237,107
Staff loan	2,465,902	1,824,620
Gross carrying amount	629,851,954	616,655,073
Less: ECL allowance on loans and advances (note 6(c))	(43,015,228)	(32,140,946)
Net carrying amount	586,836,726	584,514,127

(a) *Allowances for credit impairment*

	2020			2019
	Gross amount	ECL	Net amount	Net amount
	SR	SR	SR	SR
Home - secured	547,559,367	21,597,420	525,961,947	521,512,352
Home - unsecured	51,110,719	16,406,881	34,703,838	29,334,646
SHDC - secured loans	13,767,342	3,444,768	10,322,574	15,024,374
Pensioner + SHRLS - Unsecured	14,948,624	1,555,911	13,392,713	16,827,550
Staff loan	2,465,902	10,248	2,455,654	1,815,205
At December 31,	629,851,954	43,015,228	586,836,726	584,514,127

(b) Credit quality and the maximum exposure to credit risk based on the Company's internal credit rating system and year-end stage classification by segment.

(i) **Home - secured**

Internal rating grade	2020			
	Stage 1	Stage 2	Stage 3	Total
	SR	SR	SR	SR
Performing				
High grade	489,607,533	-	-	489,607,533
Standard grade	-	11,810,367	-	11,810,367
Sub-standard grade	-	-	10,606,209	10,606,209
Doubtful	-	-	13,435,468	13,435,468
Loss	-	-	22,099,790	22,099,790
Gross amount	489,607,533	11,810,367	46,141,467	547,559,367
Less: ECL allowance	(975,375)	(127,648)	-20,494,397	-21,597,420
Net carrying amount	488,632,158	11,682,719	25,647,070	525,961,947

6. LOANS AND ADVANCES (CONT'D)

(b) Credit quality and the maximum exposure to credit risk based on the Company's internal credit rating system and year-end stage classification by segment (Cont'd)

(i) Home - secured (Cont'd)

Internal rating grade	2019 Stage 1	Stage 2	Stage 3	Total
	SR	SR	SR	SR
Performing				
High grade	477,180,159	-	-	477,180,159
Standard grade	-	11,933,498	-	11,933,498
Sub-standard grade	-	-	8,933,164	8,933,164
Doubtful	-	-	11,795,122	11,795,122
Loss	-	-	20,162,489	20,162,489
Gross amount	477,180,159	11,933,498	40,890,775	530,004,432
Less: ECL allowance	(193,362)	(84,161)	(8,214,557)	(8,492,080)
Net carrying amount	476,986,797	11,849,337	32,676,218	521,512,352

(ii) Home - unsecured

Internal rating grade	**2020** Stage 1	Stage 2	Stage 3	Total
	SR	SR	SR	SR
Performing				
High grade	**35,645,878**	-	-	**35,645,878**
Standard grade	-	**806,633**	-	**806,633**
Sub-standard grade	-	-	**773,474**	**773,474**
Doubtful	-	-	**1,247,953**	**1,247,953**
Loss	-	-	**12,636,781**	**12,636,781**
Gross amount	**35,645,878**	**806,633**	**14,658,208**	**51,110,719**
Less: ECL allowance	**(1,577,175)**	**(202,508)**	**(14,627,198)**	**-16,406,881**
Net carrying amount	**34,068,703**	**604,125**	**31,010**	**34,703,838**

Internal rating grade	2019 Stage 1	Stage 2	Stage 3	Total
	SR	SR	SR	SR
Performing				
High grade	29,770,421	-	3,354	29,773,775
Standard grade	-	1,520,171	-	1,520,171
Sub-standard grade	-	-	1,291,839	1,291,839
Doubtful	-	-	1,753,721	1,753,721
Loss	-	-	14,285,457	14,285,457
Gross amount	29,770,421	1,520,171	17,334,371	48,624,963
Less: ECL allowance	(1,617,552)	(388,772)	(17,283,993)	-19,290,317
Net carrying amount	28,152,869	1,131,399	50,378	29,334,646

6. LOANS AND ADVANCES (CONT'D)

(b) Credit quality and the maximum exposure to credit risk based on the Company's internal credit rating system and year-end stage classification by segment (Cont'd)

(iii) **SHDC - secured loans**

	2020			
Internal rating grade	Stage 1	Stage 2	Stage 3	Total
	SR	SR	SR	SR
Performing				
High grade	2,027,832	2,183	-	2,030,015
Standard grade	-	213,676	-	213,676
Sub-standard grade	-	-	4,541	4,541
Doubtful	-	-	251,549	251,549
Loss	-	-	11,269,744	11,269,744
Gross amount	2,027,832	215,859	11,525,834	13,769,525
Less: ECL allowance	(27,241)	(32,394)	(3,385,133)	(3,444,768)
Net carrying amount	2,000,591	183,465	8,140,701	10,324,757

	2019			
Internal rating grade	Stage 1	Stage 2	Stage 3	Total
	SR	SR	SR	SR
Performing				
High grade	1,853,985	-	-	1,853,985
Standard grade	-	12,341	-	12,341
Sub-standard grade	-	-	274,486	274,486
Doubtful	-	-	902,714	902,714
Loss	-	-	13,920,425	13,920,425
Gross amount	1,853,985	12,341	15,097,625	16,963,951
Less: ECL allowance	(13,288)	-	(1,926,289)	(1,939,577)
Net carrying amount	1,840,697	12,341	13,171,336	15,024,374

(iv) **Pensioner + SHRLS - Unsecured**

	2020			
Internal rating grade	Stage 1	Stage 2	Stage 3	Total
	SR	SR	SR	SR
Performing				
High grade	13,455,109	-	-	13,455,109
Standard grade	-	36,866	-	36,866
Sub-standard grade	-	-	74,169	74,169
Doubtful	-	-	71,009	71,009
Loss	-	-	1,311,471	1,311,471
Gross amount	13,455,109	36,866	1,456,649	14,948,624
Less: ECL allowance	(170,145)	(2,387)	(1,383,379)	(1,555,911)
Net carrying amount	13,284,964	34,479	73,270.00	13,392,713

6. LOANS AND ADVANCES (CONT'D)

(b) Credit quality and the maximum exposure to credit risk based on the Company's internal credit rating system and year-end stage classification by segment (Cont'd)

(iv) Pensioner + SHRLS - Unsecured (Cont'd)

	2019			
Internal rating grade	Stage 1	Stage 2	Stage 3	Total
	SR	SR	SR	SR
Performing				
High grade	16,983,153	-	-	16,983,153
Standard grade	-	78,363	-	78,363
Sub-standard grade	-	-	166,394	166,394
Doubtful	-	-	175,783	175,783
Loss	-	-	1,833,414	1,833,414
Gross amount	16,983,153	78,363	2,175,591	19,237,107
Less: ECL allowance	(297,744)	(9,096)	(2,102,717)	(2,409,557)
Net carrying amount	16,685,409	69,267	72,874	16,827,550

(v) **Staff loan**

Staff loans were performing and have been classed in stage 1.

Internal rating grade	2020	2019
	SR	SR
High grade	**2,465,902**	1,824,620
Less allowance for credit impairment	**(10,248)**	(9,415)
Carrying amount	**2,455,654**	1,815,205

(c) **Movement in provision for credit impairment**

	2020	2019
	SR	SR
At January 1,	**32,140,946**	36,662,537
Charge/(Credit) for the year (note 22)	**11,064,317**	(4,269,386)
Written off during the year	**(406,188)**	(377,826)
Written back during the year	**216,153**	125,621
At December 31 (note 6(a))	**43,015,228**	32,140,946

(d) **Credit concentration of risk by industry sectors:**

The credit concentration risk of loans and advances by industry sectors is shown under note 3.3.2.

(e) Loans taken over from SHDC represent outstanding balances due from ex clients of SHDC transferred to HFC upon liquidation of the former net of discounts (note 6(f)). Interest varies from 3% to 10% (2019: 3% to 10%) per annum.

(f) Discounts granted to ex-SHDC borrowers were based on the applicable terms as per the Discount Scheme announced in 2005 by the Government of Seychelles.

7. INVESTMENTS IN FINANCIAL ASSETS

	2020 SR	2019 SR
- At amortised cost		
Investment in fixed deposit(note 7(a), 7(b), 7(c))	**66,664,005**	58,474,795

(a) Movement in financial assets is as follows:

	2020 SR	2019 SR
At January 1,	**58,474,795**	55,328,367
Additions during the year	**205,081,355**	58,474,795
Matured during the year	**(196,892,145)**	(55,328,367)
At December 31,	**66,664,005**	58,474,795

(b) Terms on financial assets denominated in Seychelles Rupees are as follows:

	Maturity Date	Amount SR	2020 %	2019 %
Seychelles International Mercantile Banking Corporation Limited	07/01/2021	10,348,253	**4**	5
Seychelles International Mercantile Banking Corporation Limited	30/03/2021	31,315,752	**2**	-
Seychelles Commercial Bank	16/01/2021	25,000,000	**4.2**	5

(c) Investment in fixed deposit in Seychelles have been perfoming well during the period and are standard graded per the Company internal rating. Their historic default rate is nil and Directors have considered ECL to be immaterial.

8. LEASES

(a) The Company has lease contracts for its Head Office and Praslin branch used in its operations. The lease term is for 2 years and the Company's obligations under these leases are secured by the lessor's title to the leased assets. The Company's Head Ofiice lease agreement expired effective August 31, 2020 and is yet to be renewed. The lease contract expiration was considered short-term and fell under the exemption clause of IFRS 16.

(b) Right-of-use assets

	2020 SR	2019 SR
As at January 1,	**1,411,096**	-
Effect of adopting IFRS 16	**-**	3,626,800
Effect of modification to lease terms	**42,607**	-
Amortisation charged	**(1,328,477)**	(2,215,704)
As at December 31,	**125,226**	1,411,096

8. LEASES (CONT'D)

(c) Lease liabilities

The carrying amounts of lease liabilities corresponding to the right-of-use assets and the movements noted during the period as follows:

	2020	2019
	SR	SR
As at January 1,	**2,071,537**	-
Effect of adopting IFRS 16	-	3,626,800
Effect of modification to lease terms	**42,607**	-
Finance costs (note 20)	**776,293**	2,100,497
Payments	**(2,758,792)**	(3,655,760)
As at December 31,	**131,645**	2,071,537

(d) The Company had total cash outflows for leases of **SR 4m** (2019: SR 3.7m). Additions to right-of-use assets and lease liabilities of **SR 42.6k** (2019: SR 3.6m).

(e) The maturity analysis of lease liabilities is disclosed in *note 3.4*.

9. PROPERTY AND EQUIPMENT

	Leasehold improvements	Furniture and fittings	Office equipment	Computer equipment	Motor vehicles	Total
	SR	SR	SR	SR	SR	SR
COST						
At January 1, 2019	1,419,409	1,692,880	1,896,933	2,270,812	1,296,932	8,576,966
Additions	-	62,631	39,325	89,830	-	191,786
At December 31, 2019	**1,419,409**	**1,755,511**	**1,936,258**	**2,360,642**	**1,296,932**	**8,768,752**
Additions	**-**	**119,372**	**34,403**	**168,447**	**-**	**322,222**
Write-off	**-**	**(61,607)**	**-**	**(87,990)**	**-**	**(149,597)**
At December 31, 2020	**1,419,409**	**1,813,276**	**1,970,661**	**2,441,099**	**1,296,932**	**8,941,377**
ACCUMULATED DEPRECIATION						
At January 1, 2019	1,419,409	1,416,087	1,777,463	2,116,178	1,110,386	7,839,523
Charge for the year	-	138,206	57,038	94,949	124,340	414,533
At December 31, 2019	**1,419,409**	**1,554,293**	**1,834,501**	**2,211,127**	**1,234,726**	**8,254,056**
Charge for the year	**-**	**137,190**	**50,224**	**109,252**	**62,206**	**358,872**
Write-off adjustments	**-**	**(59,007)**	**-**	**(87,990)**	**-**	**(146,997)**
At December 31, 2020	**1,419,409**	**1,632,476**	**1,884,725**	**2,232,389**	**1,296,932**	**8,465,931**
NET BOOK VALUE						
At December 31, 2020	**-**	**180,800**	**85,936**	**208,710**	**-**	**475,446**
At December 31, 2019	-	201,218	101,757	149,515	62,206	514,696

10. INTANGIBLE ASSET

	Computer software	Others	Total
COST	SR	SR	SR
At January 1, 2019	1,522,795	450,000	1,972,795
Additions	-	572,362	572,362
At December 31, 2019 and 2020	**1,522,795**	**1,022,362**	**2,545,157**
AMORTISATION			
At January 1, 2019	966,049	450,000	1,416,049
Charge for the year	304,559	88,239	392,798
At December 31, 2019	**1,270,608**	**538,239**	**1,808,847**
Charge for the year	**188,011**	**114,473**	**302,484**
At December 31, 2020	**1,458,619**	**652,712**	**2,111,331**
NET BOOK VALUE			
At December 31, 2020	**64,176**	**369,650**	**433,826**
At December 31, 2019	252,187	484,123	736,310

11. OTHER RECEIVABLES

	2020	2019
	SR	SR
Prepayments	**2,681,227**	2,681,227
Other receivables	**756,713**	1,504,218
	3,437,940	4,185,445

(i) Other receivables are denominated in Seychelles rupees and their carrying amounts approximate their fair value.

(ii) The Directors have estimated that no impairment is required with respect to other receivables at December 31, 2020 (2019: Nil).

12. DEFERRED TAX ASSETS

(i) Deferred taxes are calculated on all temporary differences under the liability method at 30% (2019: 30%). There is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets and liabilities when the deferred tax rates relate to the same fiscal authority on the same entity.

(ii) The following amounts are shown in the Statement of Financial Position:

	2020	2019
	SR	SR
The movement on the deferred tax account is as follows:		
At January 1,	**10,425,195**	12,456,464
Charge/(Credit) for the year (note 13(ii))	**3,842,324**	(2,031,269)
At December 31,	**14,267,519**	10,425,195

12. DEFERRED TAX ASSETS (CONT'D)

(iii) The movements in deferred tax assets during the year, without taking into consideration the offsetting of balances within the same fiscal authority on the Company are as follows:

	Excess of obligation to right-of-use	Accelerated tax depreciation	Provision for credit impairment	Retirement benefit obligations	Total
	SR	SR	SR	SR	SR
At January 1, 2019	-	133,595	12,019,945	302,924	12,456,464
Charge/(Credit) for the year	198,132	99,494	-2,291,695	-37,200	-2,031,269
At December 31, 2019	**198,132**	**233,089**	**9,728,250**	**265,724**	**10,425,195**
(Credit)/Charge for the year (note 13(ii))	**(196,207)**	**(11,072)**	**3,929,463**	**120,140**	**3,842,324**
At December 31, 2020	**1,925**	**222,017**	**13,657,713**	**385,864**	**14,267,519**

13. TAX PAYABLE

(i) Statement of Financial Position

	2020	2019
	SR	SR
At January 1,	(2,237,032)	(2,273,071)
Charge for the year (note 13(ii))	(4,707,672)	(5,555,311)
Payments effected during the year	6,213,957	5,591,350
At December 31,	(730,747)	(2,237,032)

(ii) Statement of Profit or Loss

	2020	2019
	SR	SR
Current tax at applicable tax rates (note 13(iii))	(4,707,672)	(5,555,311)
Deferred tax credit/(charge) (note 12(ii) and (iii))	3,842,324	(2,031,269)
	(865,348)	(7,586,580)

(iii) Tax on the Company's profit before tax differs from the theoretical amount that would arise using the basic tax rate of the Company as follows:

	2020	2019
	SR	SR
Profit before tax	12,473,685	16,212,003
Tax calculated at applicable tax rates (note 13(iv))	(3,692,106)	(4,872,461)
Excess of capital allowances over depreciation	128,437	78,213
Items not allowable and/or not subject to tax	(1,015,566)	(682,850)
	(4,707,672)	(5,555,311)

(iv) Applicable tax rates are as follows:

Taxable income threshold	Tax rates - % 2020 & 2019
≤ SR. 1,000,000	25%
> SR. 1,000,000	30%

14. BORROWINGS

	2020	2019
	SR	SR
Seychelles Commercial Bank (note 14(iii))	**74,210,539**	94,957,711

(i) Analysed as follows:

	2020	2019
	SR	SR
Non-current	**47,281,543**	68,028,715
Current	**26,928,996**	26,928,996
	74,210,539	94,957,711

(ii) Movement in borrowings is as follows:

	2020	2019
	SR	SR
At January 1,	**94,957,711**	114,256,170
Received during the year	**-**	-
Repaid during the year	**(14,565,353)**	(11,667,927)
Repayment of interest	**(6,181,819)**	(7,630,532)
At December 31,	**74,210,539**	94,957,711

(iii) Term loan from Seychelles Commercial Bank is in Seychelles Rupee, secured by a guarantee from the Government of Seychelles, bear interest at 7.25% per annum (2019: 7.25% per annum) and is repayable in 84 monthly instalment of SR 2.24 million starting from February 28, 2017.

(iv) Interest rate and liquidity risks are shown under notes 3.2 and 3.4.

(v) The carrying amount of the Company`s borrowings approximate their armotised costs.

15. DEPOSITS

	2020	2019
	SR	SR
Home Saving Scheme		
At January 1,	**156,897,440**	147,904,008
Received during the year	**19,972,343**	18,736,425
Refund during the year	**(10,264,842)**	(15,680,860)
Accrued interest	**6,421,737**	5,937,867
At December 31,	**173,026,678**	156,897,440

(i) Analysed as follows:

	2020	2019
	SR	SR
Non-current	**173,026,678**	156,897,440

(ii) Deposits approximate their fair values and are denominated in Seychelles Rupee.

16. OTHER PAYABLES

	2020	2019
	SR	SR
Payable to Property Management Corporation	**26,962,393**	18,775,248
Project commitments	**548,679**	548,679
Other payables	**19,211,287**	11,526,448
ECL on loan commitment (note 22(a))	**2,510,483**	286,555
	49,232,842	31,136,930

(a) The carrying amounts of 'other payables' measured at amortised cost approximate their fair value and denominated in Seychelles Ruppes

(b) Movement in ECL during the year is a follows:

	2020	2019
	SR	SR
At January 1,		
ECL charge/credit during the year (note 22)	**286,555**	3,403,945
At December 31,	**2,223,928**	(3,117,390)
	2,510,483	286,555

(c) The maturity terms and currency profile are shown in notes 3.4 and 3.5.

17. RETIREMENT BENEFIT OBLIGATIONS

Movement in provision for length-of-service compensation is shown below:

	2020	2019
	SR	SR
At January 1,	**885,746**	1,009,745
Charge for the year (note 21(i))	**1,227,255**	834,494
Paid during the year	**(826,789)**	(958,493)
At December 31,	**1,286,212**	885,746

18. SHARE CAPITAL

	2020 & 2019
	SR
Authorised, issued and paid up	
- 20,000 ordinary shares of SR. 1,000 each	**20,000,000**

19. CONTINGENCY RESERVE

	2020	2019
	SR	SR
At January 1,	**41,271,113**	40,241,150
Charge for the year	**2,588,688**	1,029,963
At December 31,	**43,859,801**	41,271,113

Note:

Contingency reserve is in respect of an extra 4% - 5% on all mortgage loans sanctioned to borrowers whose lives are not insured. The reserve is to be used as recovery against future losses in the event of the sudden death of the borrowers.

20. NET INTEREST INCOME

		2020	2019
		SR	SR
(a)	**Interest income**		
	Loans and advances	46,562,634	47,077,359
	Investment in fixed deposits	2,066,324	1,774,854
		48,628,958	48,852,213
(b)	**Interest expense**		
	Bank loans	(6,181,819)	(7,630,532)
	Home Saving Scheme	(5,319,425)	(4,237,506)
	Interest expense on lease liabilities (note 8(c))	(776,293)	(2,100,497)
		(12,277,537)	(13,968,535)
	Net interest income	36,351,421	34,883,678

21. OPERATING EXPENSES

	2020	2019
	SR	SR
Administrative expenses	3,097,724	2,914,745
Auditors' remuneration	316,250	316,250
Amortisation of right-of -use assets (note 8(b))	1,328,477	2,215,704
Depreciation on property and equipment (note 9)	358,872	414,533
Amortisation of intangible assets (note 10)	302,484	392,798
Maintenance costs	159,677	164,839
Rental expense	1,276,478	-
Employee benefit expenses (note 21(i))	13,653,322	12,029,873
	20,493,284	18,448,742

(i) Employee benefit expenses

	2020	2019
	SR	SR
Salaries and wages	10,943,016	9,575,670
Directors' emoluments (note 21(ii))	861,446	974,283
Pension contribution	316,876	267,621
Provision for length-of-service compensation (note 17)	1,227,255	834,494
Other staff costs	304,729	377,805
	13,653,322	12,029,873

(ii) Directors' emoluments

	2020	2019
Directors' fees	SR	SR
Ronny Palmyre	-	-
Jennifer Morel	67,080	63,000
Daniel Frichot	45,720	60,000
Yves Choppy	45,720	60,000
Elizabeth Agathine	45,720	60,000
Michel Marie	45,720	60,000
	249,960	303,000
Other emoluments		
Ronny Palmyre (note 27(c))	611,486	671,283
Total Directors' emoluments	861,446	974,283

22. EXPECTED CREDIT LOSS CHARGE/(CREDIT)

	2020	2019
	SR	SR
ECL charge/(credit) on loans and advances (note 6(c)	11,064,317	(4,269,386)
ECL charge/(credit) charge on loans commitment (note 16(b))	2,223,928	(3,117,390)
Regulatory (credit)/charge per Central Bank of Seychelles (CBS) (note 23(a))	(8,645,611)	8,645,611
	4,642,634	1,258,835

23. REGULATORY RESERVE

	2020	2019
	SR	SR
Loans and advance provision per CBS requirements (note 23(a))	38,372,593	40,786,557
Loans and advance provision per IFRS 9 (note 6(c))	43,015,228	32,140,946
Excess)/shortfall of provision	(4,642,635)	8,645,611
Regulatory reserve (note 23(a))	-	8,645,611

(a) During 2019, a SR 8.7m non-distributable provision reserve was created in accordance of section 8(b) of the Financial Institutions (Credit Classification and Provisioning) Regulations, 2010 (As amended) since the provsion per IFRS 9 was lower than CBS regulation. During the current year, no reserve was created since IFRS 9 provsion was higher than the regulated threshhold by SR 4.6m. The reserve was therefore reversed.

24. HOUSING SUBSIDY SCHEME

Housing Subsidy Scheme is an initiative undertaken by the Company based on Government of Seychelles recommendation, wherein subsidy is provided to borrowers eligible for social housing. Funds received from the Government are allocated to borrowers based on the criteria for eligibility.

(i) The movements in Housing Subsidy Scheme during the year is as follows:

	2020	2019
	SR	SR
At January 1,	27,304,370	31,413,021
Contributions and subsidy received during the year (note 27(b))	8,131,596	11,992,200
Disbursed during the year	(13,265,357)	(16,100,851)
At December 31,	22,170,609	27,304,370

25. CONTINGENT LIABILITIES

There were no contingent liabilities at December 31, 2020 (2019: Nil).

26. COMMITMENTS

(a) **Loan commitments**

	2020	2019
	SR	SR
Loans and advances approved but not yet disbursed	**102,319,412**	50,736,797

(b) There were no capital commitments at December 31, 2020 (2019: Nil).

27. RELATED PARTY TRANSACTIONS AND BALANCES

(a) In the normal course of its operations, the Company enters into transactions with related parties. Related parties includes 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.

(b) Transactions between the Company and the Government of Seychelles were as follows;

	2020	2019
	SR	SR
- Funds received from the Government (note 24(i))	**8,131,596**	11,992,200

(c) **Key Management Personnel**

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

The aggregate remuneration provided for and paid to key management personnel comprised:

	2020	2019
	SR	SR
Board members' fees (note 21(ii))	**249,960**	303,000
Salaries and allowances (note 21(ii))	**611,486**	671,283
	861,446	974,283

28. FIVE YEAR FINANCIAL SUMMARY

	2020	2019	2018	2017	2016
	SR'000	SR'000	SR'000	SR'000	SR'000
Profit for the year	**11,608**	8,625	14,641	10,776	15,002
Retained earnings brought forward	**85,329**	76,704	62,063	36,502	21,500
First time adoption of IFRS 9	-	-	-	3,438	-
Prior year error	-	-	-	11,347	-
Retained earnings carried forward	**96,937**	85,329	76,704	62,063	36,502
EQUITY					
Share capital	**20,000**	20,000	20,000	20,000	20,000
Capital reserve	**246,673**	251,806	255,915	257,562	256,967
Regulatory reserve	-	8,646	-	-	-
Retained earnings	**96,937**	85,329	76,704	62,063	36,502
Contingency reserve	**43,860**	41,271	40,241	37,077	27,978
	407,470	407,052	392,860	376,702	341,447