PUBLIC UTILITIES CORPORATION

Members' Report and Audited Financial Statements
For the year ended December 31, 2015

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Members' Report

The Members present their report together with the audited financial statements of the Corporation for the year ended December 31, 2015.

CORPORATION

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

PRINCIPAL ACTIVITIES

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

RESULTS

	SR
Profit for the year	328,124,972
Revenue deficit brought forward	(122,772,249)
Retained earnings carried forward	**205,352,723**

DIVIDENDS

The Members did not recommend declaration of any dividend for the financial year under review (2014 : Nil).

PROPERTY, PLANT AND EQUIPMENT

Additions to property, plant and equipment of SR. 132.9 million during the year comprised mainly buildings, plant and equipment and vehicles. Disposals comprised of vehicles carried at NIL net book value.

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

MEMBERS AND MEMBERS' INTERESTS

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

Chairman	Mr. Eddy Belle
Chief Executive Officer	Mr. Philippe Morin
Non-executive members:	Mr. Hubert Barbe
	Mr. Andrew Jean-Louis
	Mr. Joel Melanie
	Mr. Nimhan Senaratne (resigned effective August 1, 2015)
	Mr. Yannick Vel
	Ms. Nanette Laure (appointed effective August 1, 2015)

None of the Members held any interest in the Corporation nor entered into any contracts or arrangements (other than service contracts) or made any profit from the operation of the Corporation.

STATEMENT OF MEMBERS' RESPONSIBILITIES

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

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

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

AUDITORS

The Auditor General of Seychelles is mandated to carry out the audit of the Corporation as per Article 158 of the Constitution and as specified under Section 16 (2) of The Public Utilities Corporation Act, 1986. The Auditor General has contracted Messers. Mathur Associates, Chartered Accountants to perform the audit function for the year and report their findings to the Auditor General.

Signed in accordance with the authorisation of the Board

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

Dated: March 24, 2016
Victoria, Seychelles

OFFICE OF THE AUDITOR GENERAL

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REPORT OF THE AUDITOR GENERAL TO THE BOARD PUBLIC UTILITIES CORPORATION

Pursuant to the powers conferred on me by Section 16(2) of Public Utilities Corporation Act, 1985 (as amended), I have caused Mathur Associates, Chartered Accountants, to audit on my behalf the financial statements of the Public Utilities Corporation (the Corporation) for the period ended 31 December 2015. The financial statements of the Corporation as set out on pages 4 to 37 comprise the Statement of Financial Position at December 31 2015, the Statement of Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended and a summary of significant accounting policies and explanatory notes.

Responsibility of the Board of Directors of the Corporation for the Financial Statements

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

Responsibility of the Auditor General

My responsibility is to express an opinion on these financial statements based on the audit. The audit was conducted in accordance with International Standards of Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Corporation's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors as well as evaluating the overall presentation of the financial statements.

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

Basis of Qualified Opinion

Most of the land parcels acquired from the .Government of Seychelles (main shareholder) and certain land parcels from third parties have not yet been registered in the name of the Corporation. In the absence of complete records linking land parcel numbers to their cost, it is not possible to quantify them.

Audit Opinion

Except for the financial effect, if any, as might have been determined to be necessary in respect of title to the properties discussed in the above paragraph, in my opinion,

(a) proper accounting records have been kept by the Corporation as far as appears from my examination of those records; and

(b) the financial statements set out on pages 4 to 37 give a true and fair view of the financial position of the Corporation as at 31 December 2015 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the provisions of the Public Utilities Act, 1985 (as amended).

Marc Benstrong
AUDITOR GENERAL

28 March 2016
Victoria

MATHUR ASSOCIATES
CHARTERED ACCOUNTANTS

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

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

Report on the Financial Statements

We have audited the attached financial statements of the Public Utilities Corporation set out on pages 4 to 37 which comprise the Statement of Financial Position at December 31, 2015, the Statement of Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended and a summary of significant accounting policies and explanatory notes.

Members' Responsibility for the Financial Statements

As stated on Page 2 of the Members' Report, the Members are responsible for preparation of the financial statements.

Auditors' Responsibility

Our responsibility is to express an opinion on those financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making these risk assessments, the auditors consider internal control relevant to the Corporation's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Members as well as evaluating the overall presentation of the financial statements.

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

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

Report on the Financial Statements *Continued*

Basis of qualified opinion

Most of the land parcels acquired from the Government of Seychelles (owner of the Corporation) and certain land parcels from third parties have not yet been registered in the name of the Corporation. In the absence of complete records linking land parcel numbers to their cost, it is not possible to quantify them.

Opinion

Except for the financial effect, if any, as might have been determined to be necessary in respect of title to the properties discussed in the above paragraph, In our opinion, the financial statements set out on pages 4 to 37 give a true and fair view of the financial position of the Corporation at Dečember 31, 2015 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with the provisions of the Public Utilities Corporation Act, 1985 (as amended).

Report on Other Legal Regulatory Requirements

Public Utilities Corporation Act, 1985

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

We have obtained all information and explanations we have required.

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

Mathur Associates
MATHUR ASSOCIATES
Chartered Accountants

Dated: March 24, 2016
Victoria, Seychelles

Statement of Financial Position as at December 31, 2015

	Notes	2015	2014
		SR	SR
ASSETS			
Non Current assets:			
Property, plant and equipment	5	1,460,888,205	1,443,004,889
Intangible assets	6	1,197,237	1,670,929
Capital work in progress	7	678,120,847	416,417,404
Trade and other receivables	8	1,296,804	1,908,143
		2,141,503,093	1,863,001,365
Current assets:			
Inventories	9	424,237,526	319,341,893
Trade and other receivables	8	239,618,622	245,458,483
Cash and cash equivalents	10	326,455,530	294,637,104
		990,311,678	859,437,480
Total Assets		3,131,814,771	2,722,438,845
EQUITY, DEFERRED GRANT AND LIABILITIES			
Equity			
Assigned capital	11	1,439,743,591	1,439,743,591
Retained earnings/ (Revenue deficit)		205,352,723	(122,772,249)
Total Equity		1,645,096,314	1,316,971,342
Deferred Grants			
Non Current	12	69,357,414	66,495,606
Current	12	974,126,832	986,869,031
		1,043,484,246	1,053,364,637
Non Current liabilities:			
Borrowings	13	122,917,560	142,665,867
Trade and other payables	14	31,836,733	30,194,424
Employee benefit liabilities	15	59,600,978	52,795,716
		214,355,271	225,656,007
Current liabilities:			
Borrowings	13	148,932,549	41,189,794
Trade and other payables	14	76,896,092	82,566,932
Employee benefit liabilities	15	3,050,299	2,690,133
		228,878,940	126,446,859
Total Liabilities		443,234,211	352,102,866
Total Equity, Deferred Grants and Liabilities		3,131,814,771	2,722,438,845

These financial statements were approved for issue by the Members of the Corporation on March 24, 2016

Chairman **Chief Executive Officer**

The notes on pages 8 to 37 form an integral part of these financial statements
Auditors' Report on pages 3 and 3 (a)

Statement of Comprehensive Income for the year ended December 31, 2015

	Notes	2015	2014
		SR	SR
Revenue			
Revenue from operations	16	**1,395,036,641**	1,492,362,088
Other income	17	**104,728,339**	89,231,317
		1,499,764,980	1,581,593,405
Expenditure			
Consumables and spares	18	**667,457,144**	882,201,854
Staff cost	19	**188,173,178**	162,609,387
Finance cost		**3,375,917**	9,088,895
Depreciation and amortisation	5 & 6	**115,540,325**	103,249,804
Other operating overheads	20	**197,093,444**	226,119,894
		1,171,640,008	1,383,269,834
Profit for the year and total comprehensive income		**328,124,972**	198,323,571

The notes on pages 8 to 37 form an integral part of these financial statements
Auditors' Report on pages 3 and 3 (a)

Statement of Changes in Equity for the year ended December 31, 2015

	Assigned Capital	Revenue Deficit	Total
	SR	SR	SR
Balance at January 1, 2015	**1,439,743,591**	**(122,772,249)**	**1,316,971,342**
Profit for the year	**-**	**328,124,972**	**328,124,972**
Balance at December 31, 2015	**1,439,743,591**	**205,352,723**	**1,645,096,314**
Balance at January 1, 2014	1,439,743,591	(321,095,820)	1,118,647,771
Profit for the year	-	198,323,571	198,323,571
Balance at December 31, 2014	1,439,743,591	(122,772,249)	1,316,971,342

The notes on pages 8 to 37 form an integral part of these financial statements
Auditors' Report on pages 3 and 3 (a)

Statement of Cash Flows for the year ended December 31, 2015

	Notes	2015	2014
		SR	SR
OPERATING ACTIVITIES			
Profit for the year		328,124,972	198,323,571
Adjustments for:			
Depreciation	5	115,540,325	103,249,804
Impairment loss		-	3,705,149
Reversal of credit impairment		-	(791,763)
(Profit)/Loss from disposal of equipment		**(357,492)**	59,493
Amortisation to grant income	12	**(76,066,974)**	(64,607,167)
Movement in employee liabilities	15	**(7,165,428)**	(7,965,489)
Movement in unbilled units	8	**7,550,478**	(6,836,269)
Cash generated from operations		**367,625,881**	225,137,329
Changes in working capital			
- Inventories		**(104,895,633)**	(99,334,211)
- Trade and other receivables		**13,231,578**	(28,698,476)
- Trade and other payables		**(4,028,531)**	1,515,947
Net cash inflow from operating activities		**271,933,295**	98,620,589
INVESTING ACTIVITIES			
Additions to property, plant and equipment	5	**(132,949,949)**	(116,771,144)
Increase in work in progress	7	**(261,703,443)**	(186,887,460)
Proceeds from disposal of property, plant and equipment	5	**357,492**	6,804,915
Net cash outflow from investing activities		**(394,295,900)**	(296,853,689)
FINANCING ACTIVITIES			
Increase in borrowings	13	**87,994,448**	65,525,290
Government grants received	12	**66,186,583**	74,241,532
Net cash inflow from financing activities		**154,181,031**	139,766,822
Net change in cash and cash equivalents		**31,818,426**	(58,466,278)
Movement in cash and cash equivalents:			
At January 1,		**294,637,104**	353,103,382
Increase/(Decrease) during the year		**31,818,426**	(58,466,278)
At December 31,	10	**326,455,530**	294,637,104

The notes on pages 8 to 37 form an integral part of these financial statements
Auditors' Report on pages 3 and 3 (a)

1. **CORPORATION INFORMATION**

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

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

2.1 **Basis of preparation**

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

The accounting policies adopted are consistent with those used in the previous financial year, except for the following new standards and amendments to IFRS that are mandatorily effective for accounting periods beginning on or after 1 January 2015, except as indicated otherwise:

New and amended standards and interpretations

IAS 19 Amendments to IAS 19 Defined Benefit Plans: Employee Contributions.

Annual Improvements 2010 – 2012 cycle:
IFRS 2 Share-based Payment – Definitions of performance and service conditions which are vesting conditions.
IFRS 3 Business Combinations – Subsequent measurement at fair value of contingent consideration arrangements classified as liabilities (or assets) arising from a business combination.
IFRS 8 Operating Segments – Disclosure of judgments made in applying the aggregation criteria.
IAS 16 Property, Plant and Equipment and Intangible Assets – Revaluation of assets by reference to observable data.
IAS 24 Related Party Disclosures – Disclosure of management entity as a related party.

Annual Improvements 2011 – 2013 cycle:
IFRS 3 Business Combinations – Exclusion of joint arrangements from the scope of IFRS 3.
IFRS 13 Fair Value Measurement – Applicability of portfolio exception to all contracts within the scope of IAS 39.
IAS 40 Investment Property – Determination of nature of transaction (purchase of an asset or a business combination) to be made on the basis of IFRS 3 and not on the basis of description of ancillary services in IAS 40.

The adoption of the above standards, amendments and interpretations relevant to the Corporation did not have a material impact on the financial statements of the Corporation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *Continued*

2.1 Basis of preparation *Continued*

Standards, amendments and interpretations in issue but not yet effective

The following new and revised IFRSs are not mandatorily effective for the period ended 31 December 2015. However, they are available for early application. Paragraph 30 of IAS 8 requires entities to consider and disclose the potential impact of new and revised IFRSs that have been issued but are not yet effective.

- IFRS 9 Financial Instruments (1 January 2018)
- IFRS 14 Regulatory Deferral Accounts (1 January 2016)
- IFRS 15 Revenue from Contracts with Customers (1 January 2018)
- IFRS 16 Leases (1 January 2019)
- Amendments to IFRS 11 Joint Arrangements (1 January 2016)
- Amendments to IAS 16 Property, Plant and Equipment (1 January 2016)
- Amendments to IAS 38 Intangible Assets (1 January 2016)
- Amendments to IAS 41 Agriculture (1 January 2016)
- Amendments to IAS 27 Separate Financial Statements (1 January 2016)
- Amendments to IFRS 10 and IAS 28 Consolidated financial statements and investments in associates and joint ventures (1 January 2016)
- Annual improvements 2012-2014 cycle (1 July 2016)
  - IFRS 5 Assets held for sale and discontinued operations
  - IFRS 7 Financial Instruments
  - IAS 9 Post Employment Benefits
  - IAS 34 Interim Reports
- Amendments to IAS 1 Presentation of Financial Statements

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

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

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

2.2 Property, plant and equipment and depreciation

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

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

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

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

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

Costs incurred for major maintenance is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are charged to the Income Statement. The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of respective assets only if the recognition criteria for provision is met.

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

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

Freehold land and construction work in progress are not depreciated.

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

The assets residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

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

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

2.3 Intangible assets

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

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

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

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

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

2.4 Foreign currencies

Functional and presentation currency

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

Transactions and balances

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *Continued*

2.5 Financial instruments

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

2.5.1 Financial assets

(a) Classification

The Corporation classifies its financial assets within the scope of IAS 39 in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(b) Initial recognition and measurement

All financial assets are recognised initially at fair value plus directly attributable transaction costs. The Corporation's financial assets include cash and short-term deposits, trade and other receivables, loans and other receivables.

(c) Loans and receivables

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

(d) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Corporation has the positive intention and ability to hold them to maturity.

(e) Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a Corporation of similar financial assets) is derecognised when:

The rights to receive cash flows from the asset have expired.

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

When the Corporation has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of it, the asset is recognised to the extent of the Corporation’s continuing involvement in it.

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

2.5.1 **Financial assets** *Continued*

(f) **Impairment of financial assets**

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

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

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

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

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

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

2.5.2 **Financial liabilities**

(a) **Classification**

The Corporation classifies its financial liabilities within the scope of IAS 39 at fair value through profit or loss, loans and borrowings, or as derivatives. The Corporation determines the classification of its financial liabilities at initial recognition.

(b) **Initial recognition and measurement**

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, carried at amortised cost. This includes directly attributable transaction costs. The Corporation's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings, financial guarantee contracts, and derivative financial instruments.

(c) **Financial liabilities at fair value through profit or loss**

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Corporation that are not designated as hedging instruments in hedge relationships as defined by IAS 39.

Gains or losses on liabilities held for trading are recognised in the Income Statement. The Corporation has not designated any financial liabilities upon initial recognition as fair value through profit/loss.

(d) **Trade payables**

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

(e) **Loans and borrowings**

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

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

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

2.6 **Impairment of non-financial assets**

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

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

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

2.7 **Inventories**

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

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

2.8 **Trade receivables**

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

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

2.9 **Cash and cash equivalents**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *Continued*

2.10 Deferred Grants

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

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

Where the grant relates to an asset, it is recognised as deferred income and released to income in equal amounts over the expected useful life of the related asset.

2.11 Borrowings

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

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

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

2.12 Borrowing costs

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

2.13 Trade payables

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

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

2.14 Provisions

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

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

2.15 **Employee Benefits**

(a) **Defined contribution plans**

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

(b) **Defined benefit plans**

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

(c) **Short-term employee benefits**

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

2.16 **Revenue Recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Corporation and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

(a) **Supply income**

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

(b) **Infrastructure contributions**

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

(c) **Surcharge income**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *Continued*

2.16 Revenue Recognition *Continued*

(d) Government grants

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

Grants that compensate the Corporation for expenses to be incurred are initially recognised in the statement of financial position as a deferred income. Subsequent to initial recognition, such grants are released to the Income Statement on a systematic basis over the period in which the related expenses are recognised.

2.17 Current and deferred taxation

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

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

2.18 Segment reporting

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

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

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

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

(c) Sewerage segment, constructs sewerage facilities, maintains the facilities and provide sewerage facilities to the population of the country.

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

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the financial statements. However, financing (including finance costs and finance income) are managed at Corporate level and are not allocated to operating segments. Transfer prices between operating segments are on an arm’s length basis in a manner similar to transactions with third parties.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

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

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

(a) ***Currency Risk***

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

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

	Euro	USD	GBP	SGD
	+/-	+/-	+/-	+/-
December 31, 2015				
Trade and other receivables	118,606	73,323	14,193	25,519
Cash and Bank balances	256,141	63,078	9,540	-
Trade and other payables	(2,957)	(717)	-	(127)
Bank Borrowings	(933,602)	-	-	-
Net Exposure	**(561,812)**	**135,684**	**23,733**	**25,392**
December 31, 2014				
Trade and other receivables	69,449	50,900	30,563	2,779
Cash and Bank balances	91,636	77,114	9,617	-
Trade and other payables	(12,407)	(3,400)	(125)	(25,822)
Bank Borrowings	(535,372)	-	-	-
Net Exposure	**(386,694)**	**124,614**	**40,055**	**(23,043)**

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

3.1 **Financial risk factors** *Continued*

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

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

	Financial assets		Financial liabilities	
	2015	2014	**2015**	2014
	SR	SR	**SR**	SR
EURO	**108,793,247**	148,197,252	**272,714,043**	185,845,838
USD	**36,339,521**	37,963,368	**191,006**	948,256
SGD	**4,807,299**	586,660	**23,925**	5,450,467
ZAR	**1,526,610**	496,715	**-**	-
GBP	**9,371,271**	18,494,370	**-**	54,179
SR	**406,533,009**	336,265,365	**107,653,960**	104,318,277
	567,370,957	542,003,730	**380,582,934**	296,617,017

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

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

Market risks are thoroughly discussed in regular management meetings. The Planning department carries out regular reviews of the market outlook for fuel prices and interest rates to analyse possible risk exposures to the Corporation and plan for appropriate courses of action. Market risks and strategies to combat these risks are also discussed by members at the meetings.

At December 31, 2015, if interest rates on floating rate borrowings had been 1% higher/lower with all other variables held constant, results for the year would have been as shown below, mainly as a result of higher/lower interest rate expense on loans.

	2015	2014
	SR	SR
Bank borrowings	**± 2,718,501**	± 1,828,359

(c) ***Credit Risk***

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

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

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

3.1 **Financial risk factors** *Continued*

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

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

(d) ***Liquidity Risk***

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

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

	Less than 1 year	Between 1 and 5 years	After 5 years	Total
	SR	SR	SR	SR
At December 31, 2015				
Borrowings	148,932,549	24,583,512	98,334,048	271,850,109
Trade and other payables	76,896,092	31,836,733	-	108,732,825
	225,828,641	56,420,245	98,334,048	380,582,934
At December 31, 2014				
Borrowings	41,189,794	28,533,173	114,132,694	183,855,661
Trade and other payables	82,566,932	30,194,424	-	112,761,356
	123,756,726	58,727,597	114,132,694	296,617,017

3.2 **Fair value estimation**

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

3. FINANCIAL RISK MANAGEMENT *Continued*

3.3 Capital risk management

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

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

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

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

During the financial year ended December 31, 2015, the Corporation's strategy, which was unchanged from the financial year ended December 31, 2014, was to maintain the debt-to-total equity ratio at a reasonable level in order to secure access to finance at a reasonable cost. The debt-to-total equity ratio at December 31, 2015 were as follows:

	2015	2014
	SR	SR
Total debt	271,850,109	183,855,661
Less: Cash and cash equivalents	(326,455,530)	(294,637,104)
	(54,605,421)	(110,781,443)
Total equity	1,645,096,314	1,316,971,342
Debt-to-total equity ratio	**3.32%**	8.41%

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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

4.1 *Functional currency*

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

4.2 *Impairment losses on receivables*

The Corporation reviews its receivables to assess adequacy of allowance for impairment at least on a monthly basis. The Corporation's credit risk is primarily attributable to its trade receivables. In determining whether impairment losses should be recorded in the Income Statement, the Corporation makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows. Accordingly, an allowance for impairment is made where there is an identified loss event or condition which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

4.3 *Impairment of plant and machinery*

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

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

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

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

4.4 *Government Grants*

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

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

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

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

4.6 ***Employee benefit obligation***

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

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

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

4.7 ***Capitalisation of Projects***

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

4.8 ***Limitation of sensitivity analysis***

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

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

Notes to the financial statements for the year ended December 31, 2015

5. PROPERTY, PLANT AND EQUIPMENT

	Land & Buildings	Dams & Reservoirs	Water & Sewerage Treatment Works	Water & Sewerage Networks	Electricity Generation works	Electricity Distribution Networks	Other Plant & Machinery	Operating Equipment	Office Equipment	Furniture & Fittings	Motor Vehicles	Total
	SR	SR	SR	SR	SR	SR	SR	SR	SR	SR	SR	
COST												
At January 1, 2015	248,024,131	89,309,998	314,697,702	393,760,938	719,770,510	235,789,846	430,086,166	10,604,346	21,780,705	3,224,956	37,851,968	2,504,901,266
Additions	761,009	44,039,083	7,769,947	28,585,555	29,992,575	-	15,256,319	-	3,309,411	39,800	3,196,250	132,949,949
Disposals	-	-	-	-	-	-	-	-	-	-	(1,979,749)	(1,979,749)
At December 31, 2015	**248,785,140**	**133,349,081**	**322,467,649**	**422,346,493**	**749,763,085**	**235,789,846**	**445,342,485**	**10,604,346**	**25,090,116**	**3,264,756**	**39,068,469**	**2,635,871,466**
ACCUMULATED DEPRECIATION												
At January 1, 2015	77,887,713	24,341,993	228,508,716	155,259,838	275,394,990	150,604,789	93,797,264	10,403,271	19,259,710	3,162,564	23,275,529	1,061,896,377
Charge for the year	5,600,330	2,690,667	8,903,339	13,896,626	31,207,242	7,555,732	39,395,564	111,141	944,128	9,667	4,752,197	115,066,633
Disposals	-	-	-	-	-	-	-	-	-	-	(1,979,749)	(1,979,749)
At December 31, 2015	**83,488,043**	**27,032,660**	**237,412,055**	**169,156,464**	**306,602,232**	**158,160,521**	**133,192,828**	**10,514,412**	**20,203,838**	**3,172,231**	**26,047,977**	**1,174,983,261**
NET BOOK VALUE												
At December 31, 2015	**165,297,097**	**106,316,421**	**85,055,594**	**253,190,029**	**443,160,853**	**77,629,325**	**312,149,657**	**89,934**	**4,886,278**	**92,525**	**13,020,492**	**1,460,888,205**
COST												
At January 1, 2014	250,489,309	88,971,963	255,319,326	384,921,897	726,958,922	235,809,356	391,775,209	12,815,448	21,200,509	3,310,077	26,305,343	2,397,877,359
Additions	3,998,991	346,196	2,378,376	8,860,793	49,911,588	-	38,678,566	43,100	1,006,909	-	11,546,625	116,771,144
Disposals	(6,464,169)	(8,161)	-	(21,752)	(100,000)	(19,510)	(367,609)	(2,254,202)	(426,713)	(85,121)	-	(9,747,237)
As previously stated	248,024,131	89,309,998	257,697,702	393,760,938	776,770,510	235,789,846	430,086,166	10,604,346	21,780,705	3,224,956	37,851,968	2,504,901,266
Reclassification	-	-	**57,000,000**	-	**(57,000,000)**	-	-	-	-	-	-	-
At December 31, 2014 (Restated)	**248,024,131**	**89,309,998**	**314,697,702**	**393,760,938**	**719,770,510**	**235,789,846**	**430,086,166**	**10,604,346**	**21,780,705**	**3,224,956**	**37,851,968**	**2,504,901,266**
ACCUMULATED DEPRECIATION												
At January 1, 2014	74,358,725	21,071,569	210,380,321	142,269,210	259,400,066	142,792,418	58,896,539	10,230,061	18,761,731	3,213,394	20,629,061	962,003,095
Charge for the year	5,646,007	3,270,914	4,828,388	12,995,895	29,376,598	7,822,388	35,136,004	175,658	851,654	26,137	2,646,468	102,776,111
Disposals	(2,117,019)	(490)	-	(5,267)	(81,667)	(10,017)	(235,279)	(2,448)	(353,675)	(76,967)	-	(2,882,829)
As previously stated	77,887,713	24,341,993	215,208,709	155,259,838	288,694,997	150,604,789	93,797,264	10,403,271	19,259,710	3,162,564	23,275,529	1,061,896,377
Reclassification	-	-	**13,300,007**	-	**(13,300,007)**	-	-	-	-	-	-	-
At December 31, 2014 (Restated)	**77,887,713**	**24,341,993**	**228,508,716**	**155,259,838**	**275,394,990**	**150,604,789**	**93,797,264**	**10,403,271**	**19,259,710**	**3,162,564**	**23,275,529**	**1,061,896,377**
NET BOOK VALUE												
At December 31, 2014	**170,136,418**	**64,968,005**	**86,188,986**	**238,501,100**	**444,375,520**	**85,185,057**	**336,288,902**	**201,075**	**2,520,995**	**62,392**	**14,576,439**	**1,443,004,889**

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

(a) Most of the land parcels acquired from the Government of Seychelles (owner of the Corporation) and certain from third parties have not yet been registered in the name of the Corporation. In the absence of complete records it is not possible to quantify them.

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

(c) The Corporation was carrying certain generators that were completely written off in the prior years, though they are still in use. During the year 2014 the management, with assistance of concerned technical teams have evaluated the extended useful lives of all the generators and have identified that except one generator all the others are fully functional and are having sufficient useful life to carry them for at least next 5 years. Completely writing them off in the prior years is an error in estimation and the management has rectified the error during the prior year, consequently depreciation charged off aggregating to SR. 3,709,981 up to the financial year ended December 31, 1993 was written back by restating the prior year's financials in the year 2014. Useful lives of those assets were re-assessed during the current financial year. No significant changes were found in their current useful lives.

(d) In the year 2014 the corporation identified certain motor vehicles owned by it as impaired being not in good condition and not in use, carried at net book value of SR. 475,831 and these were written off during the year 2014.

6. **INTANGIBLE ASSETS**

Computer software

	2015	2014
	SR	SR
Transfer from property, plant and equipment:		
COST		
At the beginning of the year	**2,503,590**	2,503,590
Addition during the year	**-**	-
At December 31,	**2,503,590**	2,503,590
AMORTISATION		
At the beginning of the year	**832,661**	358,968
Amortisation for the year	**473,692**	473,693
At December 31,	**1,306,353**	832,661
Net book value December 31,	**1,197,237**	1,670,929

7. CAPITAL WORK IN PROGRESS

	2015	2014
	SR	SR
At the beginning of the year	416,417,404	229,529,944
Expenditure during the period	394,726,753	304,034,246
	811,144,157	533,564,190
Transfer to PPE during the year :		
Buildings	(2,607,204)	(4,103,991)
Water & Sewerage treatment works	(65,742,058)	(2,494,376)
Water and sewerage networks	(30,078,847)	(8,977,794)
Electricity distribution networks	(29,992,575)	(50,021,588)
Others	(4,602,626)	(51,549,037)
	(133,023,310)	(117,146,786)
At the end of the year	678,120,847	416,417,404

(i) Included in capital work in progress above are specific projects funded jointly by European Investment Bank ('EIB') and Agence Francaise De Developpement ('AFD') which are detailed below. Drawdowns from the approved loan facilities from EIB and AFD are held by the Government of Seychelles in separate accounts with the Central Bank of Seychelles to ensure specific disbursements as per the terms of the loan agreements. Movements in the Central Bank of Seychelles account are also analysed below.

	2015	2014
	SR	SR
Details of Capital Projects:		
Upgrade of desalination plant	214,014,536	213,865,605
Consultancy costs	22,917,859	17,644,288
Non revenue water program	15,552,720	4,776,883
Consultancy costs for design and construction	3,627,249	2,513,443
Resource efficiency program	102,875	78,959
Improvements to Mahe and La Digue Water system	1,467,133	-
	257,682,372	238,879,178
Source of funding for the above projects:		
European Investment Bank ('EIB')	52,176,243	39,639,564
Agence Francaise De Developpement ('AFD")	15,117,129	9,597,698
Government of Seychelles Grant	190,389,000	189,641,916
	257,682,372	238,879,178
Movements in balances held with Central Bank of Seychelles:		
At January 1,	93,508,959	101,888,369
Drawdown during the year	-	24,415,047
Utilised during the year	(18,056,109)	(32,794,457)
Exchange rate fluctuation	(12,975,727)	-
At December 31,	62,477,123	93,508,959
Balances held with Central Bank of Seychelles denominated in Euro:		
European Investment Bank ('EIB')	2,928,789	3,778,744
Agence Francaise De Developpement ('AFD")	1,362,457	1,735,744
	4,291,246	5,514,488

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

8. TRADE AND OTHER RECEIVABLES

	2015	2014
	SR	SR
Gross Trade Receivables (notes (a) to (e))	**132,096,543**	144,217,697
Less : Provision for credit impairment (note (f))	**(16,188,554)**	(16,188,554)
Net Trade Receivables	**115,907,989**	128,029,143
Loans and Advances to staff (note (g))	**3,279,955**	3,777,941
Unbilled Units (note (h))	**36,570,839**	44,121,317
Operating expenditure	**2,307,477**	1,254,409
Prepayments	**58,830,415**	51,118,743
Other receivables	**14,740,907**	14,331,507
VAT Receivable (note (i))	**9,277,844**	4,733,566
	240,915,426	247,366,626
Analysed as:		
Due beyond one year	**1,296,804**	1,908,143
Due within one year	**239,618,622**	245,458,483
	240,915,426	247,366,626

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

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

(c) At December 31, 2015, trade receivables include **SR. 30,466,908** (2014 : SR. 21,150,444) from Government and parastatal organisations which is fully recoverable.

(d) At December 31, 2015, trade receivables include **SR.43,566,299** (2014 : SR. 40,165,406) were past due but not impaired. These relate to number of independent customers for whom there is no recent history of default. The aged analysis of these trade receivables is as follows:

	2015	2014
	SR	SR
Less than 30 days	**71,206,442**	82,413,836
31 to 60 days	**17,323,802**	21,638,455
61 to 90 days	**5,976,776**	7,396,035
Over 90 days	**37,589,523**	32,769,371
	132,096,543	144,217,697

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

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

	2015	2014
	SR	SR
At January 1,	**16,188,554**	16,980,317
Provision made during the year	**-**	271,550
	16,188,554	17,251,867
Bad debts written off	**-**	(1,061,519)
Bad debts recovered	**-**	(1,794)
At December 31,	**16,188,554**	16,188,554

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

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

	2015	2014
	SR	SR
Due within one year	**1,983,151**	1,869,798
Due beyond one year	**1,296,804**	1,908,143
	3,279,955	3,777,941

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

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

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

9. **INVENTORIES**

	2015	2014
	SR	SR
Materials and consumables:		
Electricity generation fuel and lubricants	**24,069,606**	27,225,182
Spare parts and non saleable items	**400,167,920**	292,116,711
	424,237,526	319,341,893

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

Certain spares specific to the old generators whose extended useful lives have been reassessed and adjusted in the financial statements are carried for a long period of time are carried at their original cost. Those spares carried at cost approximating to SR. 12 million can be used only until the extended useful life of the old generators. These spares are essential for maintenance of those old generators.

10. **CASH AND CASH EQUIVALENTS**

	2015	2014
	SR	SR
Balances with banks	**163,139,107**	94,853,828
Term deposits with banks	**100,702,009**	106,210,811
Deposit with treasury	**62,477,123**	93,508,959
Cash on hand	**137,291**	63,506
	326,455,530	294,637,104

10. CASH AND CASH EQUIVALENTS *Continued*

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

Deposits of SR. 234,000 and USD 194,000 were blocked against letter of credit facility provided by Nouvobanq to the Corporation.

Deposits with The Mauritius Commercial Bank (Seychelles) Limited of SR. 750,000 were secured against a Bank Guarantee of USD 45,000 provided by the bank on behalf of the Corporation.

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

11. ASSIGNED CAPITAL

	2015	2014
	SR	SR
Transferred from:		
- Seychelles Electricity Corporation Limited	**42,069,280**	42,069,280
- Seychelles Water Authority	**8,551,125**	8,551,125
Loans taken over as capital contribution	**841,512,062**	841,512,062
Transfer of Revaluation Reserve (note (a))	**158,537,000**	158,537,000
Transfer of Capital Contribution Reserve (Note (b))	**389,074,124**	389,074,124
	1,439,743,591	1,439,743,591

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

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

12. DEFERRED GRANTS

	2015	2014
	SR	SR
At the beginning of the year	**1,053,364,637**	1,043,730,271
Received from Government of Seychelles	**63,128,228**	67,016,417
Received from others	**3,058,355**	7,225,115
	1,119,551,220	1,117,971,803
Less: Amortisation for the year	**(76,066,974)**	(64,607,166)
	1,043,484,246	1,053,364,637

12. **DEFERRED GRANTS** *Continued*

Analysed as:		
Non current	**69,357,414**	66,495,606
Current	**974,126,832**	986,869,031
	1,043,484,246	1,053,364,637

13. **BORROWINGS**

	2015	2014
	SR	SR
Loan for infrastructure development (note (a))	**122,917,560**	142,665,867
Loan for plant and equipment (note (b))	**148,932,549**	41,189,794
	271,850,109	183,855,661
Analysed as:		
Due beyond one year	**213,436,036**	142,665,867
Due within one year	**58,414,073**	41,189,794
	271,850,109	183,855,661

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

(b) The Corporation borrowed Euro 14,487,000 from Seychelles International Mercantile Banking Corporation Limited (Nouvobanq) for acquisition of plant and equipment. The loan bears interest averaging at 5.21% and is repayable at Euro 334,348 per month.

14. **TRADE AND OTHER PAYABLES**

	2015	2014
	SR	SR
Trade payables	**42,331,735**	60,638,638
Other payables	**34,564,357**	21,928,294
Customer deposits	**31,836,733**	30,194,424
	108,732,825	112,761,356
Analysed as:		
Due beyond one year	**31,836,733**	30,194,424
Due within one year	**76,896,092**	82,566,932
	108,732,825	112,761,356

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

14. **TRADE AND OTHER PAYABLES** *Continued*

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

	2015	2014
	SR	SR
Euro	**33,345,180**	42,907,368
USD	**19,344,105**	48,256,679
SGD	**4,783,374**	5,450,467
ZAR	**1,526,610**	34,591
GBP	**5,604,406**	54,179
SR	**44,129,150**	16,058,072
	108,732,825	112,761,356

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

(d) Trade payables includes an overdue amount of SGD 510,778 equivalent to SR. 4,807,299 (2014 : SR. 5,530,606) which the Corporation is contesting payment since the year 2007. The amount due is restated at each balance sheet date and the exchange difference arising is charged to the Income Statement each year.

(e) Customer deposits comprise the following:

	2015	2014
	SR	SR
Electricity	**28,104,375**	26,623,007
Water	**3,732,358**	3,571,417
	31,836,733	30,194,424

15. **EMPLOYEE BENEFIT LIABILITIES**

	2015	2014
	SR	SR
Accrued leave	**9,404,492**	7,781,324
Gratuity	**4,405,125**	3,282,110
Length of service compensation	**48,841,660**	44,422,415
Total employee benefit liabilities	**62,651,277**	55,485,849
Due within one year	**(3,050,299)**	(2,690,133)
Due beyond one year	**59,600,978**	52,795,716

Analysis of amounts due within one year:		
Accrued leave	**12,850**	61,434
Gratuity	**1,269,250**	1,081,868
Length of service compensation	**1,768,199**	1,546,831
	3,050,299	2,690,133

15. **EMPLOYEE BENEFIT LIABILITIES** *Continued*

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

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

16. **REVENUES FORM OPERATIONS**

	2015	2014
	SR	SR
Supply of electricity	**1,140,576,350**	1,272,625,308
Supply of water	**202,650,841**	177,406,189
Disposal fees	**25,528,265**	21,310,147
Services	**26,281,185**	21,020,444
	1,395,036,641	1,492,362,088

Revenue from related parties:

Income from sales to Government and Government related:

	2015	2014
	SR	SR
Supply of electricity	**119,558,897**	126,770,047
Supply of water	**27,723,944**	25,738,596
Disposal fees	**4,333,210**	4,097,809
	151,616,051	156,606,452

17. **OTHER INCOME**

	2015	2014
	SR	SR
Grant Income	**76,066,974**	64,607,167
Interest receivable on overdue trade debtors	**13,139,937**	15,182,957
Interest on term Deposits	**856,025**	1,082,873
Interest on loan to employees	**146,283**	94,809
Inter-corporation cost recoveries	**1,865,691**	1,554,614
Foreign exchange gain	**12,295,937**	6,768,390
Profit/(Loss) on disposal of fixed assets	**357,492**	(59,493)
	104,728,339	89,231,317

18. CONSUMABLES AND SPARES

	2015	2014
	SR	SR
Generation fuel and lubricants	**615,299,742**	824,020,656
Materials and equipment charges	**41,036,555**	43,351,144
Other Consumables	**5,243,904**	7,002,161
Fuel and oil	**5,876,943**	7,827,893
	667,457,144	882,201,854

Purchase from related parties:

Purchase of fuel from a Government Company:

	2015	2014
	SR	SR
Heavy fuel oil	**458,948,336**	659,864,675
Light fuel oil	**119,158,127**	147,686,191
	578,106,463	807,550,866

19. STAFF COST

	2015	2014
	SR	SR
Salaries	**158,741,034**	131,724,355
Members' emoluments (note (a))	**1,442,740**	1,243,691
Pension contribution	**2,562,719**	2,789,843
Long service gratuities and compensation (notes (b to d))	**10,111,769**	14,038,566
Other employee related costs	**15,314,916**	12,812,932
	188,173,178	162,609,387

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

Mr. Eddie Belle	Chairman	**84,000**	84,000
Mr. Philippe Morin	Chief Executive Officer	**1,178,740**	976,691
Other fees	Non-executive members	**180,000**	183,000
		1,442,740	1,243,691

(b) The Corporation started to provide for end of contract bonus with respect to fixed term employees. The amount provided during the financial year under review is SR. 1,866,112 (2014: SR. 1,361,053) with respect to all existing fixed term contracted employees from the year 2014. End of contract bonus is payable based on their individual performance which is assessed at the end of the contract. For the purpose of provision, the Management estimated the liability based on the prior years' average.

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

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

20. OPERATING AND OTHER EXPENSES

	2015	2014
	SR	SR
Electricity	**51,830,462**	61,035,980
Repairs and maintenance	**85,101,505**	117,338,570
Tree clearance	**8,124,755**	4,048,052
Drought expenses	**255**	2,196
Utility charges	**4,492,321**	4,091,416
Rent	**1,859,280**	2,262,413
Others	**-**	-
Hire	**18,786,755**	13,262,057
Licenses and insurance	**2,171,948**	1,201,751
Administration expenses	**24,333,561**	17,065,534
Audit fee	**355,000**	320,000
Other professional services	**-**	76,750
Value added tax	**30,226**	650,302
Bad debts net of recoveries	**7,376**	1,059,724
Impairment loss on property and equipment	**-**	3,705,149
	197,093,444	226,119,894

21. CAPITAL COMMITMENTS

	2015	2014
	SR	SR
Major capital commitments for capital projects	**1,069,109,024**	895,921,373

22. CONTINGENT LIABILITIES

	2015	2014
	SR	SR
Litigations with third parties	**5,800,000**	4,000,000

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

23. SEGMENTAL REPORTING

Segmental Information for the year ended December 31, 2015

Particulars	Electricity	Water	Sewerage	Total Segments	Adjustments and eliminations	Consolidated
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
Income						
Revenue from operations	1,162,858	205,802	26,376	1,395,036	-	1,395,036
Other income	41,954	60,273	2,144	104,371	357	104,728
	1,204,812	266,075	28,520	1,499,407	357	1,499,764
Expenditure						
Consumables and spares	629,805	31,021	6,631	667,457	-	667,457
Employee benefit expenses	94,144	82,204	11,825	188,173	-	188,173
Finance expense	-	-	-	-	3,376	3,376
Depreciation and amortisation	31,795	74,515	9,230	115,540	-	115,540
Other operating overheads	103,714	73,048	20,331	197,093	-	197,093
	859,458	260,788	48,017	1,168,263	3,376	1,171,639
Profit/(Loss) from operations	345,354	5,287	(19,497)	331,144	(3,019)	328,125
Operating assets						
Inventories	340,666	33,392	21,444	395,502	28,735	424,237
Trade and other receivables	95,281	36,518	54	131,853	107,766	239,619
Cash and cash equivalents	-	65,589	-	65,589	260,867	326,456
	435,947	135,499	21,498	592,944	397,368	990,312
Operating liabilities						
Trade and other payables	-	(17,189)	-	(17,189)	(59,707)	(76,896)
	-	(17,189)	-	(17,189)	(59,707)	(76,896)
Other Disclosures						
Property, plant and equipment	599,861	704,903	142,121	1,446,885	14,003	1,460,888
Intangibles	-	-	-	-	1,197	1,197
Capital work in progress	321,464	330,582	-	652,046	26,075	678,121
Customer Deposits	-	-	-	-	1,297	1,297
Borrowings	(148,933)	(122,918)	-	(271,851)	-	(271,851)
Trade and other payables	(28,104)	(3,732)	-	(31,836)	-	(31,836)
Employee benefit liabilities	(27,363)	(23,337)	(2,547)	(53,247)	(9,404)	(62,651)
Deferred Grants	(453,591)	(539,698)	(20,956)	(1,014,245)	(29,239)	(1,043,484)
Assigned capital	-	-	-	-	(1,439,744)	(1,439,744)
Retained Earnings	-	-	-	-	(205,353)	(205,353)
	263,334	345,800	118,618	727,752	(1,641,168)	(913,416)

23. **SEGMENTAL REPORTING** *Continued*

Segmental Information for the year ended December 31, 2014

Particulars	Electricity	Water	Sewerage	Total Segments	Adjustments and eliminations	Consolidated
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
Income						
Revenue from operations	1,288,918	181,511	21,933	1,492,362	-	1,492,362
Other income	36,806	43,742	1,598	82,146	7,085	89,231
	1,325,724	225,253	23,531	1,574,508	7,085	1,581,593
Expenditure						
Consumables and spares	843,865	33,253	5,084	882,202	-	882,202
Employee benefit expenses	78,554	73,766	10,289	162,609	-	162,609
Finance expense	-	-	-	-	9,089	9,089
Depreciation and amortisation	38,886	55,276	9,088	103,250	-	103,250
Other operating overheads	117,403	88,863	19,227	225,493	627	226,120
	1,078,708	251,158	43,688	1,373,554	9,716	1,383,270
Profit/(Loss) from operations	247,016	(25,905)	(20,157)	200,954	(2,631)	198,323
Operating assets						
Inventories	27,225	3,631	-	30,856	288,486	319,342
Trade and other receivables	158,057	28,847	54	186,958	58,501	245,459
Cash and cash equivalents	-	93,509	-	93,509	201,128	294,637
	185,282	125,986	54	311,323	548,115	859,438
Operating liabilities						
Trade and other payables	-	(8,072)	-	(8,072)	(74,494)	(82,566)
	-	(8,072)	-	(8,072)	(74,494)	(82,566)
Other Disclosures						
Property, plant and equipment	651,331	628,363	142,688	1,422,382	20,623	1,443,005
Intangibles	289	-	-	289	1,382	1,671
Capital work in progress	100,673	279,522	13,957	394,152	22,265	416,417
Customer Deposits	-	-	-	-	1,908	1,908
Borrowings	(41,190)	(142,666)	-	(183,856)	-	(183,856)
Trade and other payables	(26,623)	(11,481)	-	(38,104)	7,910	(30,194)
Employee benefit liabilities	(14,361)	(13,439)	(1,322)	(29,122)	(26,364)	(55,486)
Deferred Grants	(495,132)	(492,797)	(13,695)	(1,001,624)	(51,741)	(1,053,365)
Assigned capital	-	-	-	-	(1,439,744)	(1,439,744)
Revenue deficit	-	-	-	-	122,772	122,772
	174,987	247,502	141,628	564,117	(1,340,989)	(776,872)