

SEYCHELLES PUBLIC TRANSPORT CORPORATION

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

SEYCHELLES PUBLIC TRANSPORT CORPORATION

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CORPORATE INFORMATION - DECEMBER 31, 2017

CHEF EXECUTIVE OFFICER	:	Patrick Vel (Chief Executive Officer)
DIRECTORS	:	Appointed effective July 15, 2017: Andy Moncherry (Chairman) Alone Edmond Noemi Woodcock Marilyn Reginald Cecily Derjacques Patrick Vel Resigned effective July 15, 2017: Steve Fanny (Chairman) Geffy Zialor Veronique Laporte Patrick André Hans Aglaé Raymond St. Ange
REGISTERED OFFICE	:	Victoria, Mahé, Seychelles
PRINCIPAL PLACE OF BUSINESS	:	Victoria, Mahé, Seychelles
AUDITORS	:	BDO Associates Chartered Accountants Seychelles
BANKERS	:	(1) The Mauritius Commercial Bank (Seychelles) Limited (2) Barclays Bank Limited (3) Bank of Baroda Limited (4) Seychelles Commercial Bank Limited (5) Seychelles International Mercantile Banking Corporation Limited

DIRECTORS' REPORT - DECEMBER 31, 2017

The Directors are pleased to submit their report together with the audited financial statements of the Corporation for the year ended December 31, 2017.

PRINCIPAL ACTIVITY

The Corporation operates public transport on Mahé and Praslin and this has remained the same during the year under review.

RESULTS

	SR
Loss for the year	(21,235,204)
Retained earnings brought forward	37,819,727
Retained earnings carried forward	<u>16,584,523</u>

PROPERTY AND EQUIPMENT

Additions to property and equipment of SR 5.4m during the year (2016: SR 27.9m) comprised mainly furniture, fittings and equipment, work in progress, vehicles and engines and buildings on leasehold land. A motor vehicle with a net book value of SR 52k was disposed during the year (2016: SR 10k).

Property and equipment are stated at cost less accumulated depreciation. The Directors are of the opinion that the carrying amounts of the assets approximate their fair value and do not require any adjustments for impairment.

DIRECTORS

The Directors of the Corporation in office from the date of the last report to the date of this report, appointed under Section 5(1) of the Seychelles Public Transport Act, 1977 are:

Andy Moncherry (Chairman)
 Alone Edmond
 Noemi Woodcock
 Marilyn Reginald
 Cecily Derjacques
 Patrick Vel

DIRECTORS' REPORT - DECEMBER 31, 2017

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Chief Executive Officer is responsible for the overall management of the affairs of the Corporation including its daily operations and the making of major investments and policy proposals to the Board of Directors for approval.

The Board is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS) and with the Seychelles Public Transport Corporation Act, 1977. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances. The Directors have the general responsibility of safeguarding the assets, both owned by the Corporation and those that are held in trust and used by the Corporation.

The Directors consider they have met their aforesaid responsibilities.

AUDITORS

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

BOARD APPROVAL



Andy Moncherry
Chairman



Alone Edmond
Director



Noemie Woodcock
Director



Marilyn Reginald
Director



Cecily Derjacques
Director



Patrick Vel
Director

Date: 15 APR 2018
Victoria, Seychelles

SEYCHELLES PUBLIC TRANSPORT CORPORATION

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS

This report is made solely to the members of **Seychelles Public Transport Corporation** (the "Corporation"), 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 Corporation's members those matters which we are required to state to them 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 Corporation and Corporation's members as a body, for our audit work, for this report, or for the opinions we have formed.

Report on the audit of the Financial Statements

Opinion

We have audited the financial statements of **Seychelles Public Transport Corporation** set out on pages 4 to 26 which comprise the Statement of Financial Position as at December 31, 2017, the Statement of Profit or Loss and Other comprehensive Income, Statement of Changes in Equity and the Statement of Cash Flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements on pages 4 to 26 give a true and fair view of the financial position of the Corporation as at December 31, 2017 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 Public Transport Corporation Act, 1977.

Basis for Opinion

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

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 requirements of the Seychelles Public Transport Corporation Act, 1977, and for such internal control as the Directors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

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

SEYCHELLES PUBLIC TRANSPORT CORPORATION

3(a)

INDEPENDENT AUDITORS' 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:

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

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



SEYCHELLES PUBLIC TRANSPORT CORPORATION

3(b)

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

Report on Other Legal and Regulatory Requirements

Public Enterprise Monitoring Commission Act, 2013

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

We have obtained all information and explanations we have required.

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

BDO Associates
BDO ASSOCIATES
Chartered Accountants

Dated: 15 APR 2018
Victoria, Seychelles

STATEMENTS OF FINANCIAL POSITION - DECEMBER 31, 2017

	Notes	2017 SR	2016 SR
ASSETS			
Non-current asset			
Property and equipment	5	71,771,686	85,950,630
Current assets			
Inventories	6	24,292,643	21,313,978
Investment in financial assets	7	5,183,186	10,467,638
Trade and other receivables	8	7,867,207	6,749,295
Cash and cash equivalents	9	13,994,632	4,634,600
		<u>51,337,668</u>	<u>43,165,511</u>
Total assets		<u><u>123,109,354</u></u>	<u><u>129,116,141</u></u>
RESERVES AND LIABILITIES			
Reserves			
Capital Grants	10	56,791,687	57,202,791
Retained earnings		<u>16,584,523</u>	<u>37,819,727</u>
		<u>73,376,210</u>	<u>95,022,518</u>
LIABILITIES			
Non-current liability			
Retirement benefit obligations	11	<u>24,162,527</u>	<u>22,274,637</u>
Current liabilities			
Borrowing	12	-	524,133
Trade and other payables	13	<u>25,570,617</u>	<u>11,294,853</u>
		<u>25,570,617</u>	<u>11,818,986</u>
Total liabilities		<u>49,733,144</u>	<u>34,093,623</u>
Total reserves and liabilities		<u><u>123,109,354</u></u>	<u><u>129,116,141</u></u>


These financial statements have been approved for issue by the Board of Directors on 15 APR 2018



Andy Moncherry
Chairman



Alone Edmond
Director



Noemie Woodcock
Director



Marilyn Reginald
Director



Cecily Derjacques
Director



Patrick Vel
Director

The notes on pages 8 to 26 form an integral part of these financial statements.
Auditors' report on pages 3 and 3(b).

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME - YEAR ENDED
DECEMBER 31, 2017

	Notes	2017 SR	2016 SR
Revenue	2(i)	117,574,395	124,586,017
Operating expenses	14	<u>(56,636,965)</u>	<u>(48,703,864)</u>
Operating profit		60,937,430	75,882,153
Administrative expenses	14	<u>(132,115,549)</u>	<u>(147,189,604)</u>
Interest income - banks		144,463	288,241
Other income	16	<u>50,083,953</u>	<u>50,407,723</u>
Loss before foreign exchange movement		<u>(20,949,703)</u>	<u>(20,611,487)</u>
Foreign exchange (losses)/gain		<u>(285,501)</u>	<u>150,368</u>
Loss for the year	17	<u><u>(21,235,204)</u></u>	<u><u>(20,461,119)</u></u>
Other comprehensive income:			
<i>Items that may be reclassified subsequently to Statement Profit or Loss:</i>			
Grant received during the year	10	8,456,273	28,086,936
Release to Statement of Profit or Loss			
- Depreciation charge and assets scrapped	10	<u>(8,867,377)</u>	<u>(19,150,296)</u>
Total other comprehensive (expense)/income for the year		<u>(411,104)</u>	<u>8,936,640</u>
Loss for the year and total comprehensive expense for the year		<u><u>(21,646,308)</u></u>	<u><u>(11,524,479)</u></u>

The notes on pages 8 to 26 form an integral part of these financial statements.
Auditors' report on pages 3 and 3(b).

STATEMENTS OF CHANGES IN EQUITY - YEAR ENDED DECEMBER 31, 2017

	Capital Grants	Retained earnings	Total
	SR	SR	SR
Balance at January 1, 2017	57,202,791	37,819,727	95,022,518
Total comprehensive expense for the year	(411,104)	(21,235,204)	(21,646,308)
Balance at December 31, 2017	<u>56,791,687</u>	<u>16,584,523</u>	<u>73,376,210</u>
Balance at January 1, 2016	48,266,151	58,280,846	106,546,997
Total comprehensive income/(expense) for the year	8,936,640	(20,461,119)	(11,524,479)
Balance at December 31, 2016	<u>57,202,791</u>	<u>37,819,727</u>	<u>95,022,518</u>

The notes on pages 8 to 26 form an integral part of these financial statements.
Auditors' report on pages 3 and 3(b).

STATEMENTS OF CASH FLOW FOR THE YEAR ENDED DECEMBER 31, 2017

	Notes	2017 SR	2016 SR
Cash flows from operating activities			
Loss for the year		(21,235,204)	(20,461,119)
<i>Adjustments for:</i>			
Depreciation on property and equipment	5(a)	19,574,076	20,214,732
Purchase of property and equipment through capital grant	5(b)	(3,191,447)	(26,771,391)
Provision for obsolete inventories	6(b)	-	(283,990)
Loss on exchange of financial assets	7(a)	205,428	35,533
Accrued interest	7(a)	(146,050)	(237,286)
Charge of provision for credit impairment	8(b)	34,541	308,043
Release of grants	10	(8,867,377)	(19,150,296)
Grant related to assets received	10	8,456,273	28,086,936
Charge for retirement benefit obligations	11	4,236,436	6,811,324
Asset scrapped	14	-	1,720,764
Gain on sale of motor vehicle	16	(182,679)	(346,919)
		<u>(1,116,003)</u>	<u>(10,073,669)</u>
<i>Changes in working capital</i>			
- (Increase)/decrease in Inventories	6	(2,978,665)	7,085,066
- (Increase)/decrease in trade and other receivables	8	(1,152,453)	1,967,333
- Increase in trade and other payables	13	14,275,764	2,336,771
		<u>9,028,643</u>	<u>1,315,501</u>
Retirement benefit obligation paid	11	(2,348,546)	(2,153,419)
Net cash inflow/(outflow) from operating activities		<u><u>6,680,097</u></u>	<u><u>(837,918)</u></u>
Cash flow from investing activities			
Purchase of property and equipment	5(b)	(2,256,006)	(1,137,506)
Proceed from sale of motor vehicle	7(a)	235,000	356,900
Purchase of investment in financial assets	7	(5,706,771)	(11,691,020)
Proceeds from redemption of investment in financial assets	7	10,912,578	5,083,685
Net cash inflow/(outflow) from investing activities		<u><u>3,184,801</u></u>	<u><u>(7,387,941)</u></u>
Net increase/(decrease) in cash and cash equivalents		<u><u>9,864,898</u></u>	<u><u>(8,225,859)</u></u>
Movement in cash and cash equivalents			
At January 1,		7,260,092	15,485,951
Increase/(decrease) during the year		9,864,898	(8,225,859)
At December 31,	9(a)	<u><u>17,124,990</u></u>	<u><u>7,260,092</u></u>

The notes on pages 8 to 26 form an integral part of these financial statements.
Auditors' report on pages 3 and 3(b).

1. GENERAL INFORMATION

The Corporation is fully owned by the Government of Seychelles and is domiciled in Seychelles. Its head office is located at Victoria, Seychelles and so is its principal place of business.

The principal activity of the Corporation is as stated in the Directors' report on page 2.

These financial statements will be submitted for consideration and approval at the forthcoming Annual General Meeting.

2. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

The financial statements of SPTC have been prepared in accordance with International Financial Reporting Standards (IFRS), the Seychelles Companies Act, 1972. These financial statements have been prepared under the historical cost convention, except that:

The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Corporation's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

- (i) Held-to-maturity investments and relevant financial assets and liabilities are carried at their amortised cost; and
- (ii) Relevant financial assets are stated at their fair value.

Amendments to published Standards effective in the reporting period

Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12). The amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. *The amendment has no impact on the Corporation's financial statements.*

Disclosure Initiative (Amendments to IAS 7). The amendments require the entity to explain changes in its liabilities arising from financing activities. This includes changes arising from cash flows and non-cash changes such as acquisitions, disposals, accretion of interest and unrealised exchange differences. A reconciliation of the opening and closing carrying amounts for each item for which cash flows have been or would be classified as financial activities is presented in the financial statements. *The amendment has no impact on the Corporation's financial statements.*

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**(a) Basis of preparation (Cont'd)****Annual Improvements to IFRSs 2014 - 2016 cycle**

IFRS 12 Disclosure of Interests in other Entities. The amendments clarify that entities are not exempt from all of the disclosure requirements in IFRS 12 when entities have been classified as held for sale or as discontinued operations.

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, 2018 or later periods, but which the Corporation has not early adopted.

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

IFRS 9 Financial Instruments;

IFRS 15 Revenue from Contracts with Customers;

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

IFRS 16 Leases;

Clarifications to IFRS 15 Revenue from Contracts with Customers;

Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2);

Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments to IFRS 4);

Annual Improvements to IFRSs 2014-2016 Cycle;

IFRIC 22 Foreign Currency Transactions and Advance Consideration;

Transfers of Investment Property (Amendments to IAS 40);

IFRS 17 Insurance Contracts;

IFRIC 23 Uncertainty over Income Tax Treatments;

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

Long- term Interests in Associates and Joint Ventures (Amendments to IAS 28);

Annual Improvements to IFRSs 2015-2017 Cycle.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Property and equipment

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

Subsequent costs are included in the 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. Repairs and maintenance are charged to the statement of profit or loss during the period in which they are incurred.

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

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

	%
Improvements to buildings on leasehold l:	2% - 20%
Furniture, fittings and equipment	10% - 50%
Vehicles and engines	12.5% - 20%

Land is not depreciated.

The assets' residual value and useful lives are reviewed, and adjusted if appropriate, at each reporting period.

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

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

(c) Inventories

Inventories are stated at the lower of cost and net realisable value. In general cost is determined by the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity) but excludes the borrowing costs.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**(c) Inventories (cont'd)**

Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses. Provisions are made for obsolete inventories based on management's appraisal.

(d) Financial instruments

Financial assets and liabilities are recognised on the Corporation's Statement of Financial Position when it 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:

(i) *Held-to-maturity financial assets*

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Corporation's management has the positive intention and ability to hold to maturity.

Held-to-maturity investments are recognised initially at fair value plus directly attributable transaction costs. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest rate method.

(ii) *Trade and other receivables*

Trade and other receivables are initially recognised 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. The amount of provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of provision is recognised in the Statement of Profit or Loss.

(iii) *Cash and cash equivalents*

Cash comprises of cash in hand and at bank. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value, against which bank overdrafts, if any, are deducted. The cash flow statement is prepared using the indirect method.

(iv) 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 statement of comprehensive income over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve month after the date of the reporting period.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**(d) Financial instruments (cont'd)****(v) Trade and other payables**

Trade and other payables are stated at fair value and subsequently measured at amortised cost using the effective interest method.

Derecognition

A financial asset is derecognised when the rights to receive cash flows have expired or the Corporation has transferred its rights to receive cash flows from the asset.

Impairment of financial assets

The Corporation assesses at the end of each reporting period whether there is objective evidence that a financial asset or a Corporation of financial assets is impaired. The carrying amount of the asset is reduced and the amount of loss is recognised in the Statement of Profit or Loss.

(e) Retirement benefit obligations***Defined benefit plans***

The Corporation provides for a payment of gratuity to permanent employees. Gratuities are paid every five years (except in the case of early retirement) as from January 2007, for continuous service. The amount provisioned every year is based on the number of years the employee has worked after the last payment date. This type of employee benefits has the characteristics of a defined benefit plan. The liability recognised in the Statement of Financial Position in respect of the defined benefit plan is the present value of the defined obligation at the reporting date less fair value of plan assets together with adjustments for unrecognised actuarial gains and losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability.

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

(f) Foreign currencies**(i) 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 Corporation are presented in Seychelles Rupees, which is the Corporation's functional and presentation currency.

(f) Foreign currencies (cont'd)**(ii) 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. 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.

(g) Grants**(i) Capital grant**

Grants related to assets from the Government of Seychelles for acquisition of property and equipment received in form of donations is treated as deferred income by crediting capital grant, classified under equity in the Statement of Financial Position.

Depreciation calculated on such assets is released from grants and credited to depreciation charge in the Statement of Profit or Loss until those assets are fully depreciated.

In the event that property and equipment acquired from grants are disposed of before they are fully depreciated, the carrying amount of such asset is reversed to the grant and gain or loss, if any, are recognised to the Statement of Profit or Loss.

(ii) Revenue grant

Grants related to income also received from the Government of Seychelles are presented as part of profit or loss under other income in the Statement of Profit or Loss.

(h) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are Corporationed at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**(i) Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably. Revenue is measured at the fair value of consideration received.

Sale of services are recognised in the year in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of total services to be provided.

(j) Business tax

The Corporation is exempt from tax as per paragraph 1 of the Second Schedule to Business Tax Act, 2009.

(l) Provisions

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

3. FINANCIAL RISK MANAGEMENT**3.1 Financial risk factors**

The Corporation's activity exposes it to a variety of financial risks, including: credit risk, liquidity risk, currency risk and interest rate risk.

A description of the significant risk factors is given below together with the risk management policies applicable.

(a) Credit risk

The Corporation's credit risk is primarily attributable to its trade receivables and other receivables. The amounts presented in the Statement of Financial Position are net of allowances for doubtful receivables, estimated by the Corporation's management based on experience and the current economic environment.

The Corporation's sales are mostly on a cash basis and credit sales are made to customers with an appropriate credit history. Credit risk is therefore considered to be low.

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2017

3. FINANCIAL RISK MANAGEMENT (CONT'D)**3.1 Financial risk factors (Cont'd)****(b) Liquidity risk**

The Corporation manages liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of credit facilities as applicable. Liquidity risk is considered as low.

(c) Currency risk

The Corporation is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to GB Pound Sterling, ZAR and US Dollar. Foreign exchange risk arises from commercial transactions and assets denominated in currencies other than the functional currency.

At December 31, 2017, if the Seychelles Rupee had weakened/strengthened by 5% against US Dollar with all variables held constant, profit for the year would have been **SR 73,492** (2016: SR 239,546) higher/lower, mainly as a result of foreign exchange losses/gains on translation of foreign currency monetary assets and liabilities as depicted in the table below:

	US Dollar	
	2017	2016
	SR	SR
Investment in financial assets	-	264,346
Trade and other payables	(73,492)	(24,800)
	<u>(73,492)</u>	<u>239,546</u>

(d) Interest rate risk

The Corporation have significant interest-bearing assets and income and operating cash flows from these assets are dependent of changes in market interest rates. As at December 31, 2017, had interest rates weakened/strengthened by 5%, loss for the year of the Corporation would have been higher/lower by **SR 6,946** (2016: SR 11,864) higher/lower.

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.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)**4.1 Critical accounting estimates and assumptions**

The Corporation makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. However, in the financial statements, 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 overleaf.

(a) *Held-to-maturity investments*

The Corporation follows the guidance of International Accounting Standard 39 - Recognition and Measurement" on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. In making their judgement for classification, the Corporation evaluates its intention and ability to hold such investments to maturity.

If the Corporation fails to keep these investments to maturity other than for specific circumstances explained in IAS 39, it will be required to reclassify the whole class as available-for-sale. The investments would therefore be measured at fair value and not amortised cost.

(b) *Impairment of assets*

Property and equipment are considered for impairment if there is a reason to believe that impairment may be necessary. Factors taken into consideration in reaching such a decision include the economic viability of the asset itself and where it is a component of a larger economic unit, the viability of that unit itself.

Future cash flows expected to be generated by the assets or cash-generating units are projected, taking into account market conditions and the expected useful lives of the assets. The present value of these cash flows, determined using an appropriate discount rate, is compared to the current net asset value and, if lower, the assets are impaired to the present value.

(c) *Retirement benefit obligations*

The cost of defined benefit pension plans has been determined using the method as per the Seychelles Employment Act, 1995 and the Directors have estimated that the amount of liability provided will not be materially different had it been computed by an external Actuary.

(d) *Asset lives and residual values*

Future cash flows expected to be generated by the assets or cash-generating units are projected, taking into account market conditions and the expected useful lives of the assets. The present value of these cash flows, determined using an appropriate discount rate, is compared to the current net asset value and, if lower, the assets are impaired to the present value.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)**4.1 Critical accounting estimates and assumptions (Cont'd)****(e) *Depreciation policies***

Property and equipment are depreciated to their residual values over their estimated useful lives. The residual value of an asset is the estimated net amount that the Corporation would currently obtain from the disposal of the asset, if the asset were already of the age and in condition expected at the end of its useful life.

The Directors therefore make estimates based on historical experience and use best judgement to assess the useful lives of assets and to forecast the expected residual values of the asset at the end of their expected useful lives.

(f) *Functional currency*

The Board of Directors have determined the Seychelles Rupees to be the functional currency of the Corporation.

(g) *Limitation of sensitivity analysis*

Sensitivity analysis in respect of market risk demonstrates 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.

Sensitivity analysis does not 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 near-term market changes that cannot be predicted with any certainty.

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2017

5. PROPERTY AND EQUIPMENT

(a) COST	Freehold	Buildings	Vehicles and	Furniture,	Capital work	Total
	land	on leasehold	engines	fittings and	in progress	
	SR	land	SR	equipment	SR	SR
At January 1, 2016	75,000	48,347,890	139,484,748	36,917,209	2,033,441	226,858,288
Additions	-	518,830	23,706,149	328,175	3,355,743	27,908,897
Transfers	-	-	874,467	-	(874,467)	-
Assets scrapped	-	-	(17,538,508)	(4,118,211)	-	(21,656,719)
Disposals	-	-	(831,401)	-	-	(831,401)
At December 31, 2016	75,000	48,866,720	145,695,455	33,127,173	4,514,717	232,279,065
Additions	-	100,126	870,000	1,701,789	2,775,538	5,447,453
Reclassification	-	-	-	757,134	(757,134)	-
Disposals	-	-	(558,971)	-	-	(558,971)
At December 31, 2017	75,000	48,966,846	146,006,484	35,586,096	6,533,121	237,167,547
DEPRECIATION						
At January 1, 2016	-	22,200,799	103,697,696	20,972,581	-	146,871,076
Charge for the year	-	1,537,647	18,124,693	552,392	-	20,214,732
Scrapped adjustment	-	-	(15,896,880)	(4,039,073)	-	(19,935,953)
Disposals adjustment	-	-	(821,420)	-	-	(821,420)
At December 31, 2016	-	23,738,446	105,104,089	17,485,900	-	146,328,435
Charge for the year	-	1,502,031	15,198,884	2,873,161	-	19,574,076
Disposals adjustment	-	-	(506,650)	-	-	(506,650)
At December 31, 2017	-	25,240,477	119,796,323	20,359,061	-	165,395,861
NET BOOK VALUE						
At December 31, 2017	75,000	23,726,369	26,210,161	15,227,035	6,533,121	71,771,686
At December 31, 2016	75,000	25,128,274	40,591,366	15,641,273	4,514,717	85,950,630

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2017

5. PROPERTY AND EQUIPMENT

- (b) Out of the additions for the year 2017, an amount of **SR 3,191,447** was funded through Government Grant, (2016: SR 26,771,391) (note 10). Therefore additions through the Corporation's funds were **SR 2,256,006** for 2017 (2016: SR 1,137,506).
- (c) Depreciation has been charged to operating expenses (note 14).

6. INVENTORIES

	2017	2016
	SR	SR
Vehicle spares	15,824,787	14,007,435
Consumables, loose tools and operating supplies	8,467,856	7,306,543
	<u>24,292,643</u>	<u>21,313,978</u>

- (a) The cost of inventories recognised as expense and included in cost of sales amounted to **SR 46,722,204** (2016: SR 51,833,279) (note 14).
- (b) The Directors have estimated that no impairment is required in respect of inventories and no spares are required to be recognised as equipment as per the requirements of IAS 16.

7. INVESTMENT IN FINANCIAL ASSETS

	2017	2016
	SR	SR
Current		
Seychelles Commercial bank - Fixed deposits at cost	4,669,924	4,667,389
Bank of Baroda - Fixed deposits at cost	-	5,286,696
Barclays (Seychelles) Ltd - Fixed deposits at cost	513,262	513,553
At December 31,	<u>5,183,186</u>	<u>10,467,638</u>

- (a) The movement in Held-to-Maturity investments is as follows:

	2017	2016
	SR	SR
At January 1,	10,467,638	12,879,188
Additions during the year	5,706,771	11,691,020
Redemptions during the year	(10,931,845)	(14,304,323)
Loss on exchange	(205,428)	(35,533)
Interest accrued	146,050	237,286
At December 31,	<u>5,183,186</u>	<u>10,467,638</u>

- (b) Held-to-Maturity investments are made up as follows:

	Maturity date	2017	2016
	2018	SR	SR
Term deposit (note 9(a))	Jan - March	3,137,219	3,149,625
Term deposit	April onwards	2,045,967	7,318,013
		<u>5,183,186</u>	<u>10,467,638</u>

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2017

7. INVESTMENT IN FINANCIAL ASSETS (CONT'D)

They are expected to mature in less than one year and has therefore been classified as current assets.

(c) Interest on held-to-maturity investments are as follows:

	2017	2016
	SR	SR
Seychelles Commercial bank - Maturing on February 17, 2018	5.25%	5.25%
Seychelles Commercial bank - Maturing on April 27, 2018	4.75%	3.75%
Barclays (Seychelles) Ltd - Maturing on December 17, 2018	0.91%	1.25%
Bank of Baroda - Forfeited prior maturity	-	0.91%

(d) Held-to-maturity financial assets are denominated in the following currencies:

	2017	2016
	SR	SR
Seychelles Rupee	5,183,186	5,180,712
US Dollar	-	5,286,926
	<u>5,183,186</u>	<u>10,467,638</u>

8. TRADE AND OTHER RECEIVABLES

	2017	2016
	SR	SR
Trade receivables	5,138,367	3,318,516
Prepayments	3,291,131	3,640,601
Deposits and advances	1,720,683	2,032,591
Receivables in respect of cash defalcation	426,744	432,764
	<u>10,576,925</u>	<u>9,424,472</u>
Provision for credit impairment (note 8(b))	<u>(2,709,718)</u>	<u>(2,675,177)</u>
	<u>7,867,207</u>	<u>6,749,295</u>

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

(b) The movement on the provision for credit impairment is as follows:

	2017	2016
	SR	SR
At January 1,	2,675,177	2,367,134
Charge for the year (note 14)	34,541	308,043
At December 31,	<u>2,709,718</u>	<u>2,675,177</u>

(c) At December 31, 2017, trade receivables of SR 2,709,718 (2016: SR 2,675,177) were fully impaired. The impaired receivable relates to invoices due from customers whose recoverability are in doubt. The total amount is more than a year overdue.

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2017

8. TRADE AND OTHER RECEIVABLES (CONT'D)

- (d) At December 31, 2017, trade receivables of **SR 249,253** (2016: SR 606,277) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	<u>2017</u>	<u>2016</u>
	SR	SR
Between 3 and 6 months	91,282	3,588
Over 6 months	157,970	602,689
	<u>249,253</u>	<u>606,277</u>

- (e) The other classes within trade and other receivables did not contain impaired assets.
- (f) The carrying amounts of trade and other receivables are denominated in Seychelles Rupee.
- (g) The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above.
- (h) The Company does not hold any collateral as security.

9. CASH AND CASH EQUIVALENTS

	<u>2017</u>	<u>2016</u>
	SR	SR
Cash in hand	18,000	18,000
Cash at bank	13,976,632	4,616,600
	<u>13,994,632</u>	<u>4,634,600</u>

- (a) For the purpose of statement of cash flows, cash and cash equivalents comprise of the following at the end of the reporting period:

	<u>2017</u>	<u>2016</u>
	SR	SR
Cash and bank balances	13,994,632	4,634,600
Short term Deposit (note 7(b))	3,130,358	3,149,625
	<u>17,124,990</u>	<u>7,784,225</u>
Bank overdraft (note 12)	-	(524,133)
	<u>17,124,990</u>	<u>7,260,092</u>

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2017

10. CAPITAL GRANTS

	2017	2016
	SR	SR
<u>Grants related to assets:</u>		
At January 1,	57,202,791	48,266,151
Grant received during the year		
- Money received for future usage	5,264,826	-
- assets purchase in 2017 (note 5(a) and 20)	3,191,447	-
- assets purchase in 2016 (note 5(a) and 20)	-	26,771,391
- assets purchase in 2015 (note 20)	-	1,315,545
Release to statement of profit or loss		
- Depreciation charge (note 14)	(8,867,377)	(12,133,797)
- Assets scrapped (note 14)	-	(7,016,499)
At December 31,	56,791,687	57,202,791

11. RETIREMENT BENEFIT OBLIGATIONS

(a) Other post retirement benefits

Other post retirement benefits comprised mainly retirement gratuity and compensation payable under the Employment Act. Movement during the year was as follows:

	2017	2016
	SR	SR
At January 1,	22,274,637	17,616,732
Charge for the year (note 14(a))	4,236,436	6,811,324
Paid during the year	(2,348,546)	(2,153,419)
At December 31,	24,162,527	22,274,637

12. BORROWING

	2017	2016
	SR	SR
Bank overdraft	-	524,133

The above overdraft was unsecured and was from the Seychelles Commercial Bank.

13. TRADE AND OTHER PAYABLES

	2017	2016
	SR	SR
Trade payables	5,046,198	3,796,173
Amount received in advance	14,012,913	919,589
Other payables and accruals	6,511,506	6,579,091
	25,570,617	11,294,853

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

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2017

13. TRADE AND OTHER PAYABLES (CONT'D)

(b) The carrying amounts of trade and other payables are denominated in the following currencies:

	2017	2016
	SR	SR
Seychelles Rupee	23,773,284	10,662,003
US Dollar	1,469,841	496,001
Others	327,492	136,849
	<u>25,570,617</u>	<u>11,294,853</u>

14. EXPENSES BY NATURE

	2017	2016
	SR	SR
Assets scrapped	-	1,720,764
Cost of inventories recognised as expense (note 6(a))	46,722,204	51,833,279
Depreciation (note 5)	19,574,076	20,214,732
Electricity and water expenses	3,237,462	3,186,099
Employee benefit expenses (note 15)	111,109,192	120,405,664
Insurance and licence costs	3,947,360	3,406,709
Other expenses	840,319	1,826,456
Premises and equipment maintenance	6,233,986	5,332,157
Directors' remuneration	121,147	209,067
Professional fees	718,175	1,028,764
Provision for obsolete inventories (note 6(b))	-	(283,990)
Release of capital grant (note 10)		
- Depreciation charge	(8,867,377)	(12,133,797)
- Assets scrapped	-	(7,016,499)
Provision for credit impairment (note 8(b))	34,541	308,043
Security expenses	3,095,282	1,397,488
Special project trimming of trees:		
- Cost	-	6,258,000
- Grant received	-	(4,194,292)
Telephone charges	1,986,147	2,394,824
	<u>188,752,514</u>	<u>195,893,468</u>

Analysed as:

	2017	2016
	SR	SR
- Operating expenses	56,636,965	48,703,864
- Administrative expenses	132,115,549	147,189,604
	<u>188,752,514</u>	<u>195,893,468</u>

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2017

15. EMPLOYEE BENEFIT EXPENSES

	2017	2016
	SR	SR
Wages and salaries	99,841,826	108,822,739
Provision for retirement benefit obligations (note 11)	4,236,436	6,811,324
Pension costs	1,704,956	1,654,500
Other staff costs	5,325,974	3,117,101
	<u>111,109,192</u>	<u>120,405,664</u>

16. OTHER INCOME

	2017	2016
	SR	SR
Rental income	354,000	350,000
Gain from sale of motor vehicle	182,679	346,919
Advertising income	247,775	259,267
Income from repairs	441,585	384,366
Grant received from Government of Seychelles (note 20)	47,523,582	45,547,518
Accruals written back	-	2,752,827
Sundry income	1,334,332	766,826
	<u>50,083,953</u>	<u>50,407,723</u>

17. LOSS FOR THE YEAR

Loss for the year is arrived at after (crediting) and charging the following:

	2017	2016
	SR	SR
<i>crediting:</i>		
Interest Income	158,051	288,241
Rental income	354,000	350,000
<i>and charging:</i>		
Depreciation on property and equipment (note 5)	19,574,076	20,214,732
Release of capital grants (note 10)		
- Depreciation charge	(8,867,377)	(12,133,797)
Directors' remuneration (note 17(a))	121,147	209,067
Auditors' remuneration	224,250	195,000
Rental of office premises	915,500	773,182
	<u>19,574,076</u>	<u>20,214,732</u>

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2017

	2017	2016
	SR	SR
(a) Directors' remuneration:		
Andy Moncherry	28,320	-
Alone Edmond	18,880	-
Noemi Woodcock	18,880	-
Marilyn Reginald	18,880	-
Cecily Derjacques	18,880	-
Steve Fanny	4,720	54,400
Veronique Laporte	3,147	38,667
Patrick André	3,147	38,667
Hans Aglaé	3,147	38,667
Geffy Zialor	-	7,200
Raymond St. Ange	3,147	31,467
	<u>121,147</u>	<u>209,067</u>

18. COMMITMENTS

(a) Capital commitments

Capital expenditure contracted for at the end of the reporting period but not yet incurred is as follows:

	2017	2016
	SR'000	SR'000
Property development	8,330	5,000
Equipment	290	1,000
Buses and vehicles	-	16,408
	<u>8,620</u>	<u>22,408</u>

19. CONTINGENT LIABILITIES

There were no contingent liabilities as at DECEMBER 31, 2017 (2016: Nil).

20. RELATED PARTY TRANSACTIONS

	2017	2016
	SR	SR
Directors' remuneration	121,147	209,067
Grant received from the Government of Seychelles		
- Capital grant (note 10)	8,456,273	28,086,936
- Revenue grant (note 16)	47,523,582	45,547,518
	<u>47,999,999</u>	<u>73,641,521</u>

The above transactions have been made at arm's length, on normal commercial terms and in the ordinary course of business.

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2017

20. RELATED PARTY TRANSACTIONS (CONT'D)

(a) Outstanding balances at year-end are unsecured, interest free and settlement occurs in cash. There has been no guarantees provided for any related party payables.

(b) Key management personnel compensation

	<u>2017</u>	<u>2016</u>
	SR	SR
(c) Salaries and short term benefits	<u>794,894</u>	<u>1,002,159</u>