

**PROPERTY MANAGEMENT CORPORATION**

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

PROPERTY MANAGEMENT CORPORATION

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CORPORATE INFORMATION

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**DIRECTORS**

Mr. Lenny Lebon

**: Appointed effective April 24, 2017**

: Mr. Gilbert Madeleine

Ms. Sitna Cesar

Mr. Ronny Palmyre

Ms. Roma Edmond

Mr. Denis Barbe

Mr. Michel Bistoquet

**: Appointed effective March 1, 2018**

Ms. Evelina Anthat

**: Retired effective April 24, 2017**

: Yves Choppy

Marie-Celine Vidot

Marcus Simeon

Elizabeth Agathine

Linda William-Melanie

**: Retired effective February 28, 2018**

Mr. Lenny Lebon

**SECRETARY**

: Mrs. Irene Moosa

**REGISTERED OFFICE**

: Ocean gate House

P.O Box 1161

Mahé, Seychelles

**PRINCIPAL PLACE OF BUSINESS**

: Ocean gate House

P.O Box 1161

Mahé, Seychelles

**AUDITORS**

: BDO Associates

Chartered Accountants

Seychelles

**BANKERS**

Habib Bank Limited

Bank of Baroda

The Mauritius Commercial Bank (Seychelles) Limited

Seychelles Commercial Bank Limited

Barclays Bank (Seychelles) Ltd

## DIRECTORS' REPORT

The Directors have pleasure in submitting their report together with the audited financial statements of Property Management Corporation for the year ended December 31, 2017.

## PRINCIPAL ACTIVITIES

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

## CURRENT YEAR EVENT

**First-time adoption of International Reporting Standards (IFRS)**

The Corporation adopted International Financial Reporting Standards (IFRS) for the first time in 2017. As per the requirements of IFRS 1, 'First-time adoption of International Financial Reporting Standards', comparatives include three Statements of Financial Position, two Statements of Profit or Loss and Other Comprehensive Income, two Statements of Cash Flows and two Statements of Changes in Equity and related notes including comparative information for all statements presented.

**Grants**

The Corporation received a grant of SR 12.4m from the Ministry of Finance, Trade and Blue Economy during the year 2017, to cater for major repairs and maintenance. Of the SR 12.4m received, a total amount of SR 7.3m was utilised, and the remaining SR 5.1m was deferred into 2018 financial year (2016: Nil)

**Investment properties and Leases**

Additions to Investment properties worth SR 12m were made during the year under review (2016: SR 1.9m) and disposals amounted to SR 1m (2016: SR 2.9m). During prior years, the Corporation had properties which were not capitalised and a sum of SR 79m was recognised as relating to those prior year investments. The respective depreciation was computed and recognised accordingly.

Property Management Corporation (PMC) and Turnkey Solution signed an Agreement on 30<sup>th</sup> November 2017 for the construction of 36 residential units under a "self-financing scheme". The contract sum of SR 21m includes execution and completion of the work and the remedying of defects.

**Property and equipment**

Additions to equipment of SR 315k during the year comprised furniture & equipment (2016: SR 1.8m). Disposals consisted of furniture and equipment and motor vehicles amounting to SR 400k (2016: SR 34k).

## RESULTS

	2017
	SR' 000
Profit for the year	4,087,089
Revenue deficit brought forward	(8,433,850)
Revenue deficit carried forward	<u>(4,346,761)</u>



DIRECTORS' REPORT (CONT'D)

DIRECTORS AND DIRECTORS' INTEREST

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

**Appointed effective April 24, 2017**

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

**Retired effective April 24, 2017**

Yves Choppy  
Marie-Celine Vidot  
Marcus Simeon  
Elizabeth Agathine  
Linda William-Melanie

**Appointed effective March 1, 2018**

Ms. Evelina Anthat

**Retired effective February 28, 2018**

Mr. Lenny Lebon

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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


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

The Directors consider that they have met their aforesaid responsibilities.


AUDITOR GENERAL


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


BOARD APPROVAL


  
Mr. Gilbert Madeleine  
Director

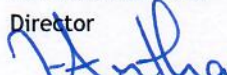
  
Ms. Sitna Cesar  
Director

  
Mr. Ronny Palmyre  
Director

  
Ms. Roma Edmond  
Director

  
Mr. Denis Barbe  
Director

  
Mr. Michel Bistoquet  
Director

  
Ms. Evelina Anthat  
Director

Dated: 11 JUN 2018  
Victoria, Seychelles



## Office of the Auditor General

3rd Floor, Block C, Unity House

Victoria, Republic of Seychelles

Telephone: 248-4672500 Email: [auditgen@oag.sc](mailto:auditgen@oag.sc)

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Please address all correspondence to the Auditor General

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### **OPINION OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF THE PROPERTY MANAGEMENT CORPORATION**

#### **Opinion**

The accompanying financial statements of the Property Management Corporation, set out on pages 5 to 26, which comprise of the Statement of Financial Position as at 31 December 2017, the Statement of Profit or Loss and Other Comprehensive Income, the Statement of Changes in Equity and Statement of Cash Flows and notes to the financial statements for the year then ended, including a summary of significant accounting policies have been audited on my behalf by BDO Associates, appointed under section 19 of the Auditor General Act, 2010 read with Section 21 of the Property Management Corporation Act, 2004 and the Public Enterprise Monitoring Commission Act, 2013. As per the agreement with the auditors, they have reported to me the results of their audit and on the basis of their report, I am satisfied that all information and explanations which, to the best of my knowledge and belief, where necessary for the purpose of the audit have been obtained.

Accordingly, in my opinion,

- (a) proper accounting records have been kept by the Corporation as far as it appeared from examination of those records; and
- (b) the financial statements on pages 5 to 26 present fairly, in all material aspects, the financial position of the Corporation as at 31 December 2017 and of its financial performance and its cash flows for the year then ended, in accordance with the applicable International Financial Reporting Standards and comply with the Property Management Corporation Act, 2004 and the Public Enterprise Monitoring Commission Act, 2013.

#### **Basis for Opinion**

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

**Responsibilities of the Management of those Charged with Governance for the Financial Statements**

The Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards and in compliance with the requirements of the Property Management Corporation Act, 2004 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 Management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management either intends to liquidate the Corporation or cease operations, or has no realistic alternative to do so.

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

**Responsibilities of the Auditor General**

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

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

- Identifies and assesses that risk of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtains audit evidence that is sufficient and appropriate to provide a basis for the opinion. The risk of not detecting material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omission or misrepresentation, or the override of internal control;
- obtains an understanding of the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control;

- evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management;
- concludes on the appropriateness of the Management's use of going concern basis of accounting and, based on the audit evidence obtained, concludes whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If the auditor concludes that a material uncertainty exists, the auditor is required to draw attention in the auditor's report to the related disclosures in the financial statements or if such disclosures are inadequate, to modify the opinion. My conclusions are based on audit evidence obtained to the date of my auditor's report. However, future unforeseeable events or conditions may cause the Corporation to cease to continue as a going concern;
- evaluates the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- communicates 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 are identified during the audit.



Gamini Herath  
Auditor General

29 June 2018  
Victoria, Seychelles







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

## PROPERTY MANAGEMENT CORPORATION

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### INDEPENDENT AUDITORS' REPORT TO THE AUDITOR GENERAL

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

#### Report on the audit of the Financial Statements

##### Opinion

We have audited the financial statements of **Property Management Corporation** set out on pages 5 to 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 5 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 Property Management Corporation Act, 2004 and Public Enterprise Monitoring Commission Act, 2013.

##### Basis for Opinion

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

#### Responsibilities of Management and Those Charged with Governance for the Financial Statements

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



## PROPERTY MANAGEMENT CORPORATION

4(a)

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

#### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

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

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

#### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's 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.



PROPERTY MANAGEMENT CORPORATION

4(b)

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

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

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

**Report on Other Legal Regulatory Requirements**

***Property Management Corporation Act, 2004***

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

We have obtained all information and explanations we have required.

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

***Public Enterprise Monitoring Commission Act, 2013***

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

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

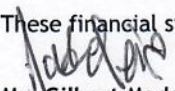
Dated: 11 JUN 2018  
Victoria, Seychelles

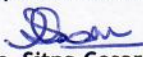
  
BDO ASSOCIATES  
Chartered Accountants


## STATEMENT OF FINANCIAL POSITION - DECEMBER 31, 2017

	Notes	Re-stated		
		December 31 2017	December 31 2016	January 1 2016
		SR	SR	SR
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property and equipment	5	1,463,429	2,445,742	1,764,217
Investment properties	6	198,050,983	197,995,045	205,698,385
Finance lease receivables	7	429,812,668	399,952,753	523,353,634
		<u>629,327,080</u>	<u>600,393,540</u>	<u>730,816,236</u>
<b>Current assets</b>				
Finance lease receivables	7	21,597,162	20,055,221	30,011,969
Inventory	8	471,190	2,080,309	15,723,960
Trade and other receivables	9	43,824,729	41,764,243	19,191,141
Cash and bank balances	18	21,767,857	9,816,579	19,496,179
		<u>87,660,938</u>	<u>73,716,352</u>	<u>84,423,249</u>
<b>TOTAL ASSETS</b>		<u><b>716,988,018</b></u>	<u><b>674,109,892</b></u>	<u><b>815,239,485</b></u>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Capital reserve	10	62,286,356	62,286,356	54,501,835
Revenue deficit		(4,346,761)	(8,433,850)	(2,193,721)
		<u>57,939,595</u>	<u>53,852,506</u>	<u>52,308,114</u>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Deferred revenue	11	605,129,036	578,758,711	725,406,206
Retirement benefit obligations	12	501,016	786,693	385,201
		<u>605,630,052</u>	<u>579,545,404</u>	<u>725,791,407</u>
<b>Current liabilities</b>				
Deferred revenue	11	44,783,177	39,705,893	34,211,702
Trade and other payables	13	8,635,194	1,006,089	2,928,262
		<u>53,418,371</u>	<u>40,711,982</u>	<u>37,139,964</u>
<b>Total liabilities</b>		<u><b>659,048,423</b></u>	<u><b>620,257,386</b></u>	<u><b>762,931,371</b></u>
<b>Total equity and liabilities</b>		<u><b>716,988,018</b></u>	<u><b>674,109,892</b></u>	<u><b>815,239,485</b></u>

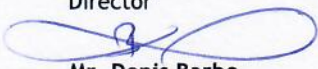
These financial statements have been approved for issue by the Board of Directors on 11 JUN 2018

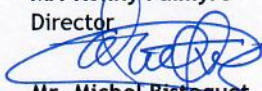
  
Mr. Gilbert Madeleine  
Director

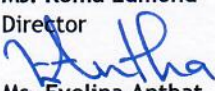
  
Ms. Sitna Cesar  
Director

  
Mr. Ronny Palmyre  
Director

Ms. Roma Edmond  
Director

  
Mr. Denis Barbe  
Director

  
Mr. Michel Bistoquet  
Director

  
Ms. Evelina Anthath  
Director



The notes on pages 9 to 26 form an integral part of these financial statements  
Auditors' Report on pages 4 to 4(b)

PROPERTY MANAGEMENT CORPORATION

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

	Notes	2017 SR	2016 SR
Revenue	14	58,530,317	85,949,617
Operating expenses	15(a)	(62,888,102)	(96,658,413)
Administrative expenses	15(a)	(14,750,391)	(11,602,455)
Other income	16	23,195,265	16,071,122
<b>Total profit/(loss) and Other Comprehensive income/(expense) for the year</b>		<b>4,087,089</b>	<b>(6,240,129)</b>



The notes on pages 9 to 26 form an integral part of these financial statements  
Auditors' Report on pages 4 to 4(b)

## PROPERTY MANAGEMENT CORPORATION

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## STATEMENT OF CHANGES IN EQUITY - YEAR ENDED DECEMBER 31, 2017

	Notes	Capital reserve	Revenue deficit	Total
		SR	SR	SR
Balance at January 1, 2017		62,286,356	(8,433,850)	53,852,506
Total comprehensive income for the year		-	4,087,089	4,087,089
Balance at December 31, 2017		62,286,356	(4,346,761)	57,939,595
At January 1, 2016				
- As previously reported	10	791,154,764	(2,193,721)	788,961,043
- Restatement of Investment property	6(a)	22,964,979	-	22,964,979
- Effect of adopting IAS 20	11	(759,617,908)	-	(759,617,908)
As restated		54,501,835	(2,193,721)	52,308,114
Total comprehensive expense for the year		-	(6,240,129)	(6,240,129)
Movements during the year	10	7,784,521	-	7,784,521
Balance at December 31, 2016		62,286,356	(8,433,850)	53,852,506



The notes on pages 9 to 26 form an integral part of these financial statements  
Auditors' Report on pages 4 to 4(b)

## STATEMENT OF CASH FLOWS - YEAR ENDED DECEMBER 31, 2017

	Notes	2017 SR	Re-stated 2016 SR
<b>Cash generated from operations</b>			
Profit/(Loss) for the year		4,087,089	(6,240,129)
<i>Adjustments for non-cash items:</i>			
Depreciation of property and equipment	5	933,802	1,039,933
Depreciation of investment properties	6	12,546,013	9,693,924
Finance income	14	(14,657,609)	(16,033,407)
Movement in allowance for credit impairment	15	912,294	608,586
Movement in capital reserve	10	-	7,784,521
Movement in retirement benefit obligations	12	419,956	608,540
Loss/(profit) on disposal of property and equipment	16	93,891	(3,313,947)
Profit on disposal of investment properties	16	(1,702,500)	-
		<u>2,632,936</u>	<u>(5,851,979)</u>
<i>Changes in working capital</i>			
- Decrease in inventory	8	1,609,119	13,643,651
- Increase in trade and other receivables	9	(2,982,965)	(23,274,023)
- Increase/(decrease) in trade and other payables	13	2,551,061	(1,922,173)
Cash generated from operations		<u>3,810,151</u>	<u>(17,404,524)</u>
Retirement obligations paid	12	(705,633)	(207,048)
<b>Net cash inflow/(outflow) from operating activities</b>		<u>3,104,518</u>	<u>(17,611,572)</u>
<b>Cash flows from investing activities</b>			
Additions to property and equipment	5	(315,380)	(1,753,610)
Additions to investment properties	6	(12,601,951)	(1,990,584)
Proceeds from disposal of properties and equipment		1,972,500	3,346,099
Finance income received	14	14,657,609	16,033,407
<b>Net cash used in investing activities</b>		<u>3,712,778</u>	<u>15,635,312</u>
<b>Cash flows from financing activities</b>			
Finance leases granted	7	(63,628,835)	(62,973,332)
Net receipts from finance leases	7	32,237,164	30,011,969
Movement in deferred revenue	11	31,447,609	25,258,023
Grants received from Ministry of Finance		12,419,000	12,300,000
Grants utilised during the year	16	(7,340,956)	(12,300,000)
<b>Net cash generated from/(used) in financing activities</b>		<u>5,133,982</u>	<u>(7,703,340)</u>
<b>Net movement in cash and cash equivalents</b>		<u>11,951,278</u>	<u>(9,679,600)</u>
<b>Movements in cash and cash equivalents</b>			
At January 1		9,816,579	19,496,179
Increase/(decrease)		11,951,278	(9,679,600)
<b>At December 31,</b>	18	<u>21,767,857</u>	<u>9,816,579</u>

The notes on pages 9 to 26 form an integral part of these financial statements  
Auditors' Report on pages 4 to 4(b)



**1. GENERAL INFORMATION**

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

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

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

**2. SIGNIFICANT ACCOUNTING POLICIES**

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

**(a) Basis of preparation**

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

IFRS 1, "First-time adoption of IFRS" has been applied in the preparation of these financial statements. The Corporation has adopted International Financial Reporting Standards for the first time for the year ended December 31, 2017 while previously the financial statements were prepared under Seychelles Generally Accepted Accounting Principles (GAAP). Where necessary, comparative figures have been amended to conform with change in presentation in current year. The Corporation's transition date is January 1, 2016.

The preparation of financial statements in compliance with adopted IFRS requires the use of certain critical accounting estimates. It also requires Corporation's management to exercise judgment in applying the Corporation's accounting policies. The areas where significant judgments and estimates have been made in preparing the financial statements and their effect are disclosed in note 4.

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

- (i) Relevant financial assets are stated at their fair value and;
- (ii) Relevant financial liabilities are stated at their amortised cost.

***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.*



**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(a) Basis of preparation (Cont'd)**

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.*

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

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

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

Furniture and equipment	3-5 years
Motor vehicle	3 years
Land is not depreciated.	

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

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

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

**(c) Investment properties**

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

Investment properties are depreciated on straight line over 25 years.

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

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

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

**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(d) Inventory**

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

**(e) Financial instruments**

Financial assets and liabilities are recognised on the Corporation's Balance sheet 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.

**(i) Finance lease receivables**

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

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

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

**(ii) Trade and other receivables**

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

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 the 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.

The carrying amount of trade and other receivables approximate their fair value.

**(iii) Cash and cash equivalents**

Cash and cash equivalents include cash in hand and cash at banks. 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.

**2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(e) Financial instruments (Cont'd)***(iv) Trade and other payables*

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

*(v) Offsetting financial instruments*

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

*(vi) Derecognition*

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

**(f) Capital reserve**

The stated capital originates from the contra credit entries to net assets transferred from HFC transferred to the Corporation at nil consideration in 2013. Subsequent movements represent further additions to properties transferred from the Government of Seychelles also at nil consideration. It also includes revaluations by Directors of assets previously transferred. Releases from capital reserve to the Statement of Profit or Loss are of the amortisation charged to Statement of Profit and Loss. Upon adoption of IFRS, only capital grants and donations are now recognised as Capital Reserve.

**(g) Retirement benefit obligation**

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

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

**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(h) Impairment of non financial assets**

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

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

**(i) Revenue recognition**

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

**Interest income from self financing lease**

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

**Rental income**

Rental income is accounted on accrual basis.

**Other income****Deferred income**

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

**Government grants**

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

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

**(j) Provisions**

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

**(k) Tax**

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

### 3. FINANCIAL RISK MANAGEMENT

#### 3.1 Financial risk factors

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

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

##### (a) Credit risk

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Corporation is mainly exposed to credit risk from lessees. It is the Corporation's policy to assess the credit risk of new customers before entering into contracts in order to determine what the customer can afford to repay.

Credit risk also arises from cash and cash equivalents and deposits with banks. To manage this risk, the Corporation only places funds with financially sound banks.

##### (b) Interest rate risk

The Corporation does not have any interest-bearing borrowings. The Corporation is exposed to interest rate risk on finance leases. Although the interest rate on the finance lease contracts is fixed, it can change based on changes in government policy which have a potential of affecting existing contracts.

##### (c) Liquidity risk

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

##### (d) Currency risk

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

#### 3.2 Fair value estimation

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

**3. FINANCIAL RISK MANAGEMENT (CONT'D)****3.3 Capital risk management**

The Corporation's objectives when managing capital are:

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

The Corporation has no Share Capital and is debt free (2016: same).

**4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

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

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

*(a) Provision for credit impairment*

At the end of each reporting period, management reviews and assesses the carrying amounts of other assets and where relevant writes them down to their recoverable amounts based on their best estimates and experience.

*(b) Valuation of investment properties*

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

*(c) Inventory*

At the end of the reporting period, the Corporation did not engage a valuer to determine the stage of completion and value of the inventory of buildings under construction which were initially transferred from the Ministry of Land Use and Habitat.

*(d) Useful lives and residual values*

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

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

## (e) Retirement benefit obligations

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

## (f) Capital reserve

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

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

## (g) Deferred revenue

The stated Deferred Revenue originates from the adoption of IFRS whereby the outstanding balance on finance lease receivable before impairment and investment property at year end was transferred from Capital Reserve to Deferred Revenue. This is broken down as follows at January 1, 2016:

	SR
Finance lease receivable	553,919,523
Investment properties	205,698,385
	<u>759,617,908</u>

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





## NOTES TO THE FINANCIAL STATEMENT - YEAR ENDED DECEMBER 31, 2017

## 5. PROPERTY AND EQUIPMENT

COST	Land	Furniture & Equipment	Vehicles	Total
	SR	SR	SR	SR
At January 1, 2016	60,000	2,505,866	1,274,960	3,840,826
Additions	-	681,589	1,072,021	1,753,610
Disposals	-	(34,753)	-	(34,753)
At December 31, 2016	60,000	3,152,702	2,346,981	5,559,683
Additions	-	315,380	-	315,380
Disposals	-	(20,730)	(380,000)	(400,730)
At December 31, 2017	60,000	3,447,352	1,966,981	5,474,333
<b>DEPRECIATION</b>				
At January 1, 2016	-	1,480,261	596,348	2,076,609
Charge for the year	-	497,807	542,126	1,039,933
Disposal adjustment	-	(2,601)	-	(2,601)
At December 31, 2016	-	1,975,467	1,138,474	3,113,941
Charge for the year	-	538,787	395,015	933,802
Disposal adjustment	-	(5,175)	(31,664)	(36,839)
At December 31, 2017	-	2,509,079	1,501,825	4,010,904
<b>NET BOOK VALUES</b>				
At December 31, 2017	60,000	938,273	465,156	1,463,429
At December 31, 2016	60,000	1,177,235	1,208,507	2,445,742

## 6. INVESTMENT PROPERTIES

COSTS / DEEMED COSTS	2017	2016
	SR	SR
At January 1,		
- As previously reported	322,269,867	243,842,399
- Restatement of Investment property (Note 6(a))	-	79,334,084
As restated	322,269,867	323,176,483
Additions (Note 11)	12,601,951	1,990,584
Disposals	(1,013,460)	(2,897,200)
At December 31,	333,858,358	322,269,867
<b>DEPRECIATION</b>		
At January 1,		
- As previously reported	124,274,822	61,108,993
- Restatement of Investment property (Note 6(a))	-	56,369,105
As restated	124,274,822	117,478,098
Charge for the year (Note 11)	12,546,013	9,693,924
Disposal adjustment	(1,013,460)	(2,897,200)
At December 31,	135,807,375	124,274,822
<b>NET BOOK VALUE</b>		
At December 31,	198,050,983	197,995,045



## NOTES TO THE FINANCIAL STATEMENT - YEAR ENDED DECEMBER 31, 2017

**6. INVESTMENT PROPERTIES (CONT'D)**

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

**6 (a) PRIOR PERIOD ADJUSTMENTS**

The adjustments relate to properties that were unrecognised in prior years. The related costs have been determined using costs of other properties within the same district, and where such information was unavailable, estimates were used. The comparative amounts have been adjusted accordingly. The effect of these adjustments on the results of 2016 is as follows:

	2016
	SR
Increase in Investment Property	79,334,084
Increase in accumulated depreciation	(56,369,105)
Increase in assets and Net impact on equity	<u>22,964,979</u>

**7. FINANCE LEASE RECEIVABLES**

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

	2017	2016
	SR	SR
At January 1,		
- As previously reported	420,469,559	553,919,523
- Effect of adopting IAS 17 (Note (a))	197,727,761	213,761,168
<b>As restated at January 1,</b>	<b>618,197,320</b>	<b>767,680,691</b>
Leases granted during the year (Note 11)	63,628,835	62,973,332
Repayments received: Principal amount (Note 11)	(32,237,164)	(30,011,969)
Finance income (Note 14)	(14,657,609)	(16,033,407)
Discounts granted on house purchased	-	(166,411,327)
<b>Total gross investment in finance lease at December 31,</b>	<b>634,931,382</b>	<b>618,197,320</b>
- Not later than one year	30,981,468	30,164,930
- Later than one year but not later than five years	123,925,871	120,659,718
- Later than five years	480,024,043	467,372,672
Unearned finance income	(183,070,152)	(197,727,761)
<b>Net investment in finance lease</b>	<b>451,861,230</b>	<b>420,469,559</b>
<b>Represented by:</b>		
Present value of minimum lease instalments	451,861,230	420,469,559
- Not later than one year	22,048,562	20,516,806
- Later than one year but not later than five years	88,194,249	82,067,225
- Later than five years	341,618,418	317,885,528
Provision for credit impairment (Note 7(b))	(451,400)	(461,585)
<b>At December 31,</b>	<b>451,409,830</b>	<b>420,007,974</b>
<b>Analysed as:</b>		
Non-current	429,812,668	399,952,753
Current	21,597,162	20,055,221
	<u>451,409,830</u>	<u>420,007,974</u>



## NOTES TO THE FINANCIAL STATEMENT - YEAR ENDED DECEMBER 31, 2017

## 7. FINANCE LEASE RECEIVABLES (CONT'D)

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

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

- (b) The carrying amounts of finance lease receivables approximate their fair value.
- (c) Movement in provision for credit impairment is as follows:

	2017	2016
	SR	SR
At January 1,	461,585	553,920
Reversal for the year	(10,185)	(92,335)
At December 31,	<u>451,400</u>	<u>461,585</u>

Reversal in allowance for credit losses is included in Statement of Profit and Loss under administration expenses.

## 8. INVENTORY

	2017	2016
	SR	SR
Houses under construction	<u>471,190</u>	<u>2,080,309</u>

## 9. TRADE AND OTHER RECEIVABLES

	2017	2016
	SR	SR
Trade receivables	39,461,527	37,855,129
Loans and other receivables	1,299,869	1,280,284
Less: provision for impairment (Note 9(d))	(3,115,272)	(2,192,793)
Trade receivables - net	<u>37,646,124</u>	<u>36,942,620</u>
Insurance paid on house purchase	4,897,273	4,195,294
Deposit receivable	15,679	15,679
<b>Total financial assets</b>	<u>42,559,076</u>	<u>41,153,593</u>
Prepayments	610,650	610,650
Insurance prepaid and other receivables	655,003	-
	<u>43,824,729</u>	<u>41,764,243</u>

- (a) The carrying value of trade and other receivables classified as loans and receivables approximates fair value.
- (b) Other classes of financial assets included within trade and other receivables do not contain impaired assets.



## NOTES TO THE FINANCIAL STATEMENT - YEAR ENDED DECEMBER 31, 2017

## 9. TRADE AND OTHER RECEIVABLES (CONT'D)

- (c) As at 31 December 2017 trade receivables of SR 16.6m (2016: 17m) were past due but not impaired. They relate to the customers with no default history. The ageing analysis of these receivables is as follows:

	2017	2016
	SR	SR
Up to 3 months	765,515	2,017,215
3 to 6 months	6,335,450	6,007,805
6 to 12 months	9,503,176	9,011,708
	<u>16,604,141</u>	<u>17,036,728</u>

- (d) As at 31 December 2017 trade receivables of SR 3.1m (2016: SR 2.2m) were past due and fully impaired.

Movement in provision for credit impairment is as follows:

	2017	2016
	SR	SR
At January 1	2,192,793	1,491,872
Charge to the Statement of Profit or Loss (Note 15)	922,479	700,921
At December 31,	<u>3,115,272</u>	<u>2,192,793</u>

The movement in allowance for credit losses is included in expenses.

- (e) Loans and receivables comprise staff loans.
- (f) The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Authority does not hold any collaterals as securities.
- (g) The other classes within trade and other receivables do not contain impaired assets and the Corporation does not hold any collateral as security.

## 10. CAPITAL RESERVE

	2017	2016
	SR	SR
At January 1		
- As previously reported	62,286,356	791,154,764
- Restatement of Investment property (Note 6(a))	-	22,964,979
- Effect of adopting IAS 20 (Note 10(a))	-	(759,617,908)
As restated	<u>62,286,356</u>	54,501,835
Other adjustments	-	7,784,521
At December 31,	<u>62,286,356</u>	<u>62,286,356</u>

- (a) The effecting of adopting International Accounting Standard (IAS) 20 which is "accounting for Government Grants and disclosure of Government Assistance" was to de-recognise an amount of SR 759.6m relating to Investment Property and Finance leases. This amount has now been recognised as Deferred Revenue (Note 11). Therefore the remaining balance retained in Capital Reserve represent only Grants and Donations from the Government of Seychelles.



## NOTES TO THE FINANCIAL STATEMENT - YEAR ENDED DECEMBER 31, 2017

## 11. DEFERRED REVENUE

	2017	2016
	SR	SR
At January 1	-	-
- As previously reported	-	-
- Effect of adopting IAS 20 (Note 10(a))	618,464,604	759,617,908
As Restated	618,464,604	759,617,908
Additions for the year:		
Lease receivables (Note 7)	63,628,835	62,973,332
Investment property (Note 6)	12,601,951	1,990,584
Discounts granted on house purchased (Note 7)	-	(166,411,327)
Amortisation for the year:		
Lease receivables (Note 7)	(32,237,164)	(30,011,969)
Investment property (Note 6)	(12,546,013)	(9,693,924)
	<u>649,912,213</u>	<u>618,464,604</u>
<b>Analysed as:</b>		
Non-current	605,129,036	578,758,711
Current	44,783,177	39,705,893
	<u>649,912,213</u>	<u>618,464,604</u>

## 12. RETIREMENT BENEFIT OBLIGATIONS

	2017	2016
	SR	SR
At January 1,	786,693	385,201
Paid during the year	(705,633)	(207,048)
Charge for the year (Note 17)	419,956	608,540
At December 31,	<u>501,016</u>	<u>786,693</u>

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

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

## 13. TRADE AND OTHER PAYABLES

	2017	2016
	SR	SR
Trade payables	1,754,282	534,147
Deferred Government Grant	5,078,044	-
Other creditors and accrued expenses	1,802,868	471,942
	<u>8,635,194</u>	<u>1,006,089</u>

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

## 14. REVENUE

	2017	2016
	SR	SR
Rental income	40,871,824	39,478,047
Finance income on finance lease (Note 7)	14,657,609	16,033,407
Other finance income	987,935	-
Revenue from Self-financing construction scheme	2,012,949	30,438,163
	<u>58,530,317</u>	<u>85,949,617</u>



## 15. EXPENSES

	2017	2016
	SR	SR
Employee benefit expense (Note 17)	8,390,226	7,817,410
Audit fees	161,000	161,000
Depreciation on property and equipment (Note 5)	933,802	1,039,933
Depreciation on investment properties (Note 6)	12,546,013	9,693,924
Repairs and maintenance expense	41,896,908	60,668,420
Insurance expense	1,277,268	1,667,493
Legal and professional fees	393,900	260,971
Net provisions for credit impairment (Notes 7(b) and 9(d))	912,294	608,586
Rental expense	6,234,111	4,086,523
Self financing construction expenditure	1,129,094	19,502,120
Other expenses	3,763,877	2,754,488
<b>Total operating and administrative expenses</b>	<b>77,638,493</b>	<b>108,260,868</b>

## (a) Analysed as:

	2017	2016
	SR	SR
Operating expenses	62,888,102	96,658,413
Administrative expenses	14,750,391	11,602,455
	<b>77,638,493</b>	<b>108,260,868</b>

## 16. OTHER INCOME

	2017	2016
	SR	SR
Insurance claims received	1,311,731	137,000
Other income	387,956	320,175
Funds from Ministry of Finance, Trade & Economic planning	7,340,956	12,300,000
Government grant-Investment properties	12,546,013	-
Loss/(profit) on disposal of property and equipment	(93,891)	416,747
Profit on disposal of investment properties	1,702,500	2,897,200
	<b>23,195,265</b>	<b>16,071,122</b>

## 17. EMPLOYEE BENEFIT EXPENSE

	2017	2016
	SR	SR
Salaries and wages	7,182,316	6,485,107
Directors remuneration (Note 17(a))	227,283	221,918
Pension contributions	135,205	122,819
Gratuity provision (Note 12)	419,956	608,540
Other staff costs	425,466	379,026
	<b>8,390,226</b>	<b>7,817,410</b>



**17. EMPLOYEE BENEFIT EXPENSE (CONT'D)***(a) Directors' remuneration*

	2017	2016
	SR	SR
<b>Directors' fees:</b>		
Yves Choppy	-	47,133
Timothe Sinon	-	4,000
Ronny Palmyre	-	31,421
Marie-Celine Vidot	-	31,421
Linda William-Melanie	-	31,421
Elizabeth Agathine	-	31,421
Marcus Simeon	-	31,421
Imelda Anette Aglae	-	13,680
Gilbert Madeleine	48,144	-
Sitna Cesar	38,515	-
Ronny Palmyre	32,096	-
Roma Edmond	32,096	-
Denis Barbe	32,096	-
Michel Bistoquet	32,096	-
Irene Moosa (Corporation Secretary)	12,240	-
	<u>227,283</u>	<u>221,918</u>

**18. CASH AND CASH EQUIVALENTS**

	2017	2016
	SR	SR
Cash at bank	21,757,857	9,806,579
Cash in hand	10,000	10,000
	<u>21,767,857</u>	<u>9,816,579</u>

**19. CAPITAL COMMITMENTS**

Capital commitments as at December 31, 2017 amounted to SR 865k (2016: 204k).

**20. CONTINGENT LIABILITIES**

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

**21 RELATED PARTY TRANSACTIONS AND BALANCES**

	2017	2016
	SR	SR
<b>Transactions</b>		
Directors remuneration (17(a))	227,283	221,918
<b>Balances</b>		
Ministry of Finance, Trade and Blue Economy	5,078,044	-
Housing Finance Corporation	12,010,784	-
	<u>17,088,828</u>	<u>-</u>



**21 RELATED PARTY TRANSACTIONS AND BALANCES (CONT'D)**

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

(b) **Key management personnel**

	<u>2017</u>	<u>2016</u>
	SR	SR
Salaries and other benefits	439,200	392,704
Pension costs	10,980	7,856
	<u>450,180</u>	<u>400,560</u>





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

## 21. FIVE YEAR FINANCIAL SUMMARY

	Restated				
	Year	Year	Year	Year	Year
	2017	2016	2015	2014	2013
	SR	SR	SR	SR	SR
Profit/(loss) for the year	4,087,089	(6,240,129)	(6,388,496)	778,317	(2,694,065)
(Revenue deficit)/ retained earnings brought forward	(8,433,850)	(2,193,721)	4,194,775	3,416,458	6,110,523
(Revenue deficit)/retained earnings carried forward	(4,346,761)	(8,433,850)	(2,193,721)	4,194,775	3,416,458
<b>EQUITY</b>					
(Revenue deficit)/Retained earnings	(4,346,761)	(8,433,850)	(2,193,721)	4,194,775	3,416,458
Capital reserve	62,286,356	62,286,356	54,501,835	754,488,568	695,759,650
<b>Total equity</b>	<b>57,939,595</b>	<b>53,852,506</b>	<b>52,308,114</b>	<b>758,683,343</b>	<b>699,176,108</b>

Figures for years 2014 and 2013 have not been restated to comply with the requirement of adoption of IFRS due to impracticability and costs out of proportion to the benefit of Stakeholders.

## 22. RECONCILIATION OF CHANGES FROM REPORTING UNDER SEYCHELLES GAAP TO IFRS

## (a) Reconciliation of Statements of Financial Position and Statements of Profit or Loss from Seychelles GAAP to IFRS

The following table reconciles the relevant items of the statement of financial position and the statement of profit or loss reported under Seychelles GAAP to the amounts reported under IFRS as at the Transition Date of January 1, 2017. Adjustments impact total equity and total comprehensive income.

	December 31, 2016			December 31, 2015		
	Balance reported under Seychelles GAAP	Impact of IFRS	Balance reported under IFRS	Balance reported under Seychelles GAAP	Impact of IFRS	Balance reported under IFRS
	SR	SR	SR	SR	SR	SR
Statement of financial position						
Investment property	175,030,066	22,964,979	197,995,045	182,733,406	22,964,979	205,698,385
Capital reserve	657,785,981	(595,499,625)	62,286,356	791,154,764	(736,652,929)	54,501,835
Deferred revenue	-	578,758,711	578,758,711	-	725,406,206	725,406,206
Notes						
	6 (a)					
	10					
	11					

