

**SEYCHELLES TRADING COMPANY LIMITED**

**DIRECTORS' REPORT AND AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

---

<b>CONTENTS</b>	<b>PAGE</b>
Corporate Information	1
Directors' Report	2 - 3
Report of the Auditors	4 - 4 (c)
Statement of Financial Position	5
Statement of Comprehensive Income	6
Statement of Changes in Equity	7
Statement of Cash Flows	8
Notes to the Financial Statements	9 - 38
Economic value added statement	Appendix 1

CORPORATE INFORMATION

---

<b>DIRECTORS</b>	:	Rebecca Loustau-Lalanne - Chairperson Veronique Laporte - Chief Executive Officer Michael Nalletamby Veronique Herminie Rupert Simeon
<b>SECRETARY</b>	:	Vanessa Marie
<b>REGISTERED OFFICE</b>	:	P O Box 634, Latanier Road, Latanier House, Victoria, Mahé, Seychelles
<b>PRINCIPAL PLACE OF BUSINESS</b>	:	Latanier Road, Latanier House, Seychelles
<b>AUDITORS</b>	:	Baker Tilly Chartered Accountants Seychelles
<b>BANKERS</b>	:	1. The Mauritius Commercial Bank (Seychelles) Limited 2. Bank of Baroda Limited 3. Seychelles International Mercantile Banking Corporation Limited 4. Barclays Bank (Seychelles) Limited 5. Seychelles Commercial Bank Limited 6. Bank of Ceylon (Seychelles) Branch

**DIRECTORS' REPORT**

The Directors present their report together with the audited financial statements of the Company for the year ended December 31, 2016.

**PRINCIPAL ACTIVITIES**

The principal activities of the Company comprise importation, storage and distribution of essential commodities so as to ensure their continuous provision on the local market at most competitive prices.

**RESULTS**

SR

Profit before tax	29,135,277
Tax expense	(10,756,542)
Profit for the year	18,378,735
Retained earnings brought forward	137,413,482
<b>Retained earnings carried forward</b>	<b>155,792,217</b>

**DIVIDENDS**

The Directors did not propose any dividend for the financial year under review (2015 : Nil).

**PROPERTY, PLANT AND EQUIPMENT**

Additions to property, plant and equipment of SR. 11.8 million during the year comprised mainly buildings, plant and equipment and vehicles. Disposals comprised of plant and equipment and vehicles carried at NIL net book value.

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

**DIRECTORS AND DIRECTORS' INTERESTS**

The Directors of the Company since the date of the last report and the date of this report are:

<b>Chairperson</b>	Rebecca Loustau-Lalanne
<b>Chief Executive Officer</b>	Veronique Laporte
<b>Directors:</b>	Michael Nalletamby
	Veronique Herminie
	Rupert Simeon

None of the Directors held any interest in the shares of the Company during the financial year under review (2015 : Nil).

**Members' Report Continued****STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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

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

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

The Directors hereby confirm that they have not entered into any contracts or arrangements (other than service contracts with the Company) and did not make any profit from the operations of the Company for the financial year under review (2015 : Nil).

**AUDITORS**

The retiring auditors, Messers. Baker Tilly (Previously known as: Mathur Associates), being eligible offer themselves for re-appointment.

**BOARD APPROVAL**

**Rebecca Loustau-Lalanne**  
Director



**Veronique Laporte**  
Director



**Michael Nalletamby**  
Director



**Veronique Herminie**  
Director



**Rupert Simeon**  
Director

Dated: June 28, 2017  
Victoria, Seychelles



# BAKER TILLY

Assurance • Advisory • Taxation

202 Allied Plaza,  
Francis Rachel Street,  
P.O. Box 285, Mahé, Seychelles  
T: +248 4321306 | F: +248 4321307  
E-mail: seychelles@jfc.global

4

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

### SEYCHELLES TRADING COMPANY LIMITED

This report is made solely to the members of Seychelles Trading Company Limited, (the "Company"), as a body, in terms of our engagement to conduct the audit on his behalf. Our audit work has been undertaken so that we might state to the 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 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

##### Qualified Opinion

We have audited the attached financial statements of the Seychelles Trading Company Limited set out on pages 4 to 38 which comprise the Statement of Financial Position at December 31, 2016, and the Statement of 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, except for the financial effect, if any, as might have been determined to be necessary in respect of matters discussed in the Basis for qualified opinion paragraph below and those financial statement areas had we been able to obtain sufficient appropriate audit evidence, the financial statements set out on pages 4 to 38 give a true and fair view of the financial position of the Company at December 31, 2016 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with the Companies Act, 1972.

##### Basis for Qualified Opinion

###### Foreign exchange differences

We were unable to validate and ensure completeness of foreign exchange differences due to lack of supporting evidences as a result of limitation in the Company's IT system.

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



**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF**

**SEYCHELLES TRADING COMPANY LIMITED**

**Report on the Audit of the Financial Statements** *Continued*

**Other matter**

The financial statements of the Company for the year ended December 31, 2015 was audited by another auditor who expressed a qualified opinion on May 10, 2016.

**Other information**

Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of the Board for the Financial Statements**

The Board is responsible for the preparation of the financial statements in accordance with International Financial Reporting Standards ('IFRS') and in compliance with the Seychelles Companies Act, 1972 and for such internal control as Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF**

**SEYCHELLES TRADING COMPANY LIMITED**

**Report on the Audit of the Financial Statements *Continued***

**Auditors' 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 Company'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF**

**SEYCHELLES TRADING COMPANY LIMITED**

**Report on the Audit of the Financial Statements *Continued***

**Report on Other Legal Regulatory Requirements**

***Companies Act, 1972***

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

We have obtained all information and explanations we have required.

In our opinion, proper accounting records have been kept by the Company as far as it appears from our examination of those records and comply with the provisions of the Seychelles Companies Act, 1972.

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

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

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

  
**BAKER TILLY**  
*Chartered Accountants*



Victoria, Seychelles  
Dated: June 28, 2017






## STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2016


	Notes	2016 SR	2015 SR
<b>ASSETS</b>			
<b>Non Current assets:</b>			
Property, plant and equipment	5	79,255,187	79,874,920
Intangible assets	6	53,468	300,710
Investment in financial assets	7	25,000	25,000
		<u>79,333,655</u>	<u>80,200,630</u>
<b>Current assets:</b>			
Inventories	8	183,800,119	228,342,768
Trade and other receivables	9	27,020,157	30,216,273
Current tax asset	10 (a)	2,277,725	-
Cash and cash equivalents	11	94,824,240	47,766,447
		<u>307,922,241</u>	<u>306,325,488</u>
<b>Total Assets</b>		<u><b>387,255,896</b></u>	<u><b>386,526,118</b></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	12	10,000	10,000
Contributed capital	13	92,209,737	92,209,737
Retained earnings		155,792,217	137,413,482
<b>Total Equity</b>		<u><b>248,011,954</b></u>	<u><b>229,633,219</b></u>
<b>Non Current liabilities:</b>			
Borrowings	14	15,000,000	26,666,667
Deferred tax liabilities	15	4,462,095	4,398,205
Retirement benefit obligations	16	16,340,450	13,640,606
		<u>35,802,545</u>	<u>44,705,478</u>
<b>Current liabilities:</b>			
Borrowings	14	11,963,310	19,355,000
Trade and other payables	17	91,478,087	90,501,568
Current tax liability	10 (a)	-	2,330,853
		<u>103,441,397</u>	<u>112,187,421</u>
<b>Total Liabilities</b>		<u><b>139,243,942</b></u>	<u><b>156,892,899</b></u>
<b>Total Equity and Liabilities</b>		<u><b>387,255,896</b></u>	<u><b>386,526,118</b></u>

These financial statements were approved for issue by the Board of Directors on June 28, 2017

  
**Rebecca Loustau-Lalanne**  
 Director

  
**Veronique Herminie**  
 Director

  
**Veronique Laporte**  
 Director

  
**Rupert Simeon**  
 Director

  
**Michael Nalletamby**  
 Director

The notes on pages 9 to 38 form an integral part of these financial statements  
 Auditors' Report on pages 4 - 4 (c)

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2016

	Notes	2016 SR	2015 SR
Revenue	18	1,095,055,990	948,083,388
Cost of sales	19	(820,054,251)	(727,466,896)
Gross profit		275,001,739	220,616,492
Distribution expenses	19	(15,321,745)	(12,696,305)
Administrative expenses	19	(236,880,640)	(186,394,281)
Other income	21	6,699,485	5,979,619
Operating profit	22	29,498,839	27,505,525
Foreign exchange gain/(loss)		1,492,833	7,344,513
Finance income	23 (a)	323,200	297,903
Finance expense	23 (b)	(2,179,595)	(6,031,360)
<b>Profit before tax as previously stated</b>		29,135,277	29,116,581
Reclassification of CSR Tax from Administrative expenses		-	3,016,913
<b>Profit before tax as restated</b>		29,135,277	32,133,494
Tax expense as previously stated	10 (b)	(10,756,542)	(12,850,336)
Reversal of excess deferred tax provision in prior year		-	2,622,667
Reclassification of CSR Tax from Administrative expenses		-	(3,016,913)
<b>Tax expense as restated</b>		(10,756,542)	(13,244,582)
<b>Profit and total comprehensive income for the year</b>		18,378,735	18,888,912

The notes on pages 9 to 38 form an integral part of these financial statements  
Auditors' Report on pages 4 - 4 (c)

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2016

	Share Capital	Contributed capital	Retained earnings	Total
	SR	SR	SR	SR
Balance at January 1, 2016	10,000	92,209,737	137,413,482	229,633,219
Profit for the year	-	-	18,378,735	18,378,735
<b>Balance at December 31, 2016</b>	<b>10,000</b>	<b>92,209,737</b>	<b>155,792,217</b>	<b>248,011,954</b>
Balance at January 1, 2015	10,000	92,209,737	118,524,570	210,744,307
Profit for the year	-	-	16,266,245	16,266,245
<b>As previously stated</b>	10,000	92,209,737	134,790,815	227,010,552
Reversal of excess deferred tax provision	-	-	2,622,667	2,622,667
<b>Balance at December 31, 2015</b>	<b>10,000</b>	<b>92,209,737</b>	<b>137,413,482</b>	<b>229,633,219</b>

The notes on pages 9 to 38 form an integral part of these financial statements  
Auditors' Report on pages 4 - 4 (c)

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2016

	Notes	2016 SR	2015 SR
<b>OPERATING ACTIVITIES</b>			
Profit before taxation		29,135,277	32,133,494
Adjustments for:			
Depreciation	5	12,408,814	10,570,151
Amortisation of intangible assets	6	250,492	319,537
Retirement benefit obligations charge	16	7,314,181	4,828,200
Interest receivable	23 (a)	(323,200)	(297,903)
Interest payable	23 (b)	2,179,595	6,031,360
Increase in provision for credit impairment		379,967	-
Difference in exchange		518,747	1,611,739
Operating profit before working capital changes		51,863,873	55,196,578
<i>Changes in working capital</i>			
- Inventories		44,542,649	(44,096,630)
- Trade and other receivables		2,816,149	(48,249)
- Trade and other payables		976,519	37,073,762
Net cash generated from operations		100,199,190	48,125,461
Tax paid	10	(15,301,230)	(9,800,214)
Retirement benefit obligations paid	16	(4,614,337)	(1,765,058)
<b>Net cash inflow from operating activities</b>		<b>80,283,623</b>	<b>36,560,189</b>
<b>INVESTING ACTIVITIES</b>			
Additions to property, plant and equipment	5	(11,789,081)	(20,883,011)
Additions to intangible assets	6	(3,250)	-
Interest received		323,200	297,903
<b>Net cash outflow from investing activities</b>		<b>(11,469,131)</b>	<b>(20,585,108)</b>
<b>FINANCING ACTIVITIES</b>			
Repayment of bank borrowings	14	(4,000,000)	(4,000,000)
Repayment of Government borrowings	14	(10,000,000)	(10,000,000)
Interest paid		(7,237,952)	(676,360)
<b>Net cash inflow from financing activities</b>		<b>(21,237,952)</b>	<b>(14,676,360)</b>
<b>Net change in cash and cash equivalents</b>		<b>47,576,540</b>	<b>1,298,721</b>
<b>Movement in cash and cash equivalents:</b>			
At January 1,		47,766,447	48,079,465
Difference in exchange		(518,747)	(1,611,739)
Increase the year		47,576,540	1,298,721
<b>At December 31,</b>	11	<b>94,824,240</b>	<b>47,766,447</b>

The notes on pages 9 to 38 form an integral part of these financial statements  
Auditors' Report on pages 4 - 4 (c)



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

**1. GENERAL INFORMATION**

Seychelles Trading Company Limited is a limited liability company, incorporated and domiciled in the Republic of Seychelles with its registered office located at Latanier Road, Victoria, Seychelles. It started its activities on March 1, 2008 after taking over some of the activities and assets of the Seychelles Marketing Board (SMB). The Company was previously owned by Government of Seychelles until January 31, 2014 when it transferred its entire shareholding to its investment vehicle Société Seycheloise D'Investissement Limited (SSIL).

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**2.1 Basis of preparation**

The financial statements of Seychelles Trading Company Limited have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and comply with the Company Act, 1972. Where necessary, comparative figures have been amended to conform with change in presentation in the current year.

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

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

The accounting policies adopted are consistent with those used in the previous financial year, except for the following new standards and amendments to IFRS that are mandatorily effective for accounting periods beginning on or after January 1, 2016, except as indicated otherwise:

**New and amended standards**

- |                         |  |
|-------------------------|--|
| • Amendments to IFRS 5  | Non-current Assets Held for Sale and Discontinued Operations |
| • Amendments to IFRS 7  | Financial Instruments: Disclosures                           |
| • Amendments to IFRS 10 | Consolidated Financial Statements                            |
| • Amendments to IFRS 11 | Joint Arrangements   |
| • Amendments to IFRS 12 | Disclosures of Interests in Other Entities                   |
| • IFRS 14               | Regulatory Deferral Accounts                                 |
| • Amendments to IAS 1   | Presentation of Financial Statements                         |
| • Amendments to IAS 16  | Property, Plant and Equipment                                |
| • Amendments to IAS 19  | Employee Benefits  |
| • Amendments to IAS 27  | Separate Financial Statements                                |
| • Amendments to IAS 28  | Investments in Associates and Joint Ventures                 |
| • Amendments to IAS 34  | Interim Financial Reporting                                  |
| • Amendments to IAS 38  | Intangible Assets  |
| • Amendments to IAS 41  | Agriculture  |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *Continued***2.1 Basis of preparation** *Continued***Standards, amendments and interpretations in issue but not yet effective**

The following new and revised IFRSs are not mandatorily effective for the period ended 31 December 2016. However, they are available for early application. Paragraph 30 of IAS 8 requires entities to consider and disclose the potential impact of new and revised IFRSs that have been issued but are not yet effective.

- Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards (January 1, 2018)
- Amendments to IFRS 2 Share-based Payment (January 1, 2018)
- Amendments to IFRS 4 Insurance Contracts (January 1, 2018)
- Amendments to IFRS 9 Financial Instruments (January 1, 2018)
- Amendments to IFRS 12 Disclosures of Interests in Other Entities (January 1, 2017)
- IFRS 15 Revenue from Contracts with Customers (January 1, 2018)
- IFRS 16 Leases (January 1, 2019)
- Amendments to IAS 7 Statement of Cash Flows (January 1, 2017)
- Amendments to IAS 12 Income Taxes (January 1, 2017)
- Amendments to IAS 28 Investments in Associates and Joint Ventures (January 1, 2018)
- Amendments to IAS 39 Financial Instruments: Recognition and Measurement (January 1, 2018)
- Amendments to IAS 40 Investment Property (January 1, 2018)

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

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *Continued***2.2 Property, plant and equipment and depreciation** *Continued*

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

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

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

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

	<b>Years</b>
Buildings	25
Plant and machinery	10
Office equipment	5
Computer equipment	5
Furniture and fittings	10
Motor vehicles	4

Freehold land and construction work in progress are not depreciated.

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *Continued***2.3 Intangible assets**

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

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

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

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

**2.4 Foreign currencies*****Functional and presentation currency***

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

***Transactions and balances***

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

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Income Statement within 'finance income or cost'. All other foreign exchange gains and losses are presented in the Income Statement within 'other (losses)/gains - net'.

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

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

As at year end, the main exchange rates against Seychelles Rupees were as follows:

	<b>1 USD</b>	<b>1 EUR</b>	<b>1 GBP</b>
	<b>SR</b>	<b>SR</b>	<b>SR</b>
<b>2016</b>	13.3429	14.0448	16.3865
<b>2015</b>	12.9732	14.1797	19.2289



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

---

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *Continued***2.5 Financial instruments**

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

**2.5.1 Financial assets****(a) Classification**

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

**(b) Measurement*****Initial recognitions***

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

***Subsequent measurement***

Available-for-sale financial assets are subsequently carried at their fair values except for investments in equity instruments that do not have a quoted price in an active market and whose fair value cannot be reliably measured.

Unrealised gains and losses arising from changes in the fair value of financial assets classified as available-for-sale are recognised in equity. When financial assets classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the Income Statement.

Fair values of quoted investments are based on current bid prices. Fair values of unlisted and non-active securities are determined by the use of appropriate valuation technique. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flows analysis, and net assets basis.

***Derecognition***

Financial assets are derognised when the rights to receive cash flows from the asset have expired. or the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

---

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *Continued***2.5.1 Financial assets** *Continued***(c) 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 Company will not be able to collect all amounts due according to the original terms of receivables.

**(d) Held-to-maturity investments**

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

**(f) Impairment of financial assets**

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

---

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *Continued***2.5.2 Financial liabilities****(a) Classification**

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

**(b) Initial recognition and measurement**

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

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

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

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

**(d) Trade and other payables**

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

**(e) Loans and borrowings**

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

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

**(f) Offsetting**

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

---

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *Continued***2.6 Impairment of non-financial assets**

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

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

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

**2.7 Inventories**

Inventories of the Company comprise food, beverages, retailer products, building materials, spares and consumables.

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour and other direct costs and related production overheads (based on normal operating capacity) but excluding borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Provisions are made for obsolete inventories based on management's appraisal.

**2.8 Trade receivables**

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

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

A provision for impairment of trade receivables is established when there is objective evidence that the Company 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 Income statement.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

---

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *Continued***2.9 Cash and cash equivalents**

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

**2.10 Share capital**

Ordinary shares are classified as equity.

**2.11 Borrowings**

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

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

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

**2.12 Borrowing costs**

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

**2.13 Trade payables**

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

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

**2.14 Provisions**

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

---

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *Continued***2.15 Employee Benefits****(a) Defined contribution plans**

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

**(b) Defined benefit plans**

A defined benefit plan is a post employment benefit other than a defined contribution plan. The Company provides for a payment of gratuity to permanent employees. Gratuities are paid every five years (except in the case of early retirement) as from March 2008, 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 to be 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 Company 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.

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

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

**2.16 Revenue Recognition**

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

**(a) Sales and services revenue**

Revenue from sale of goods are recognised when goods are delivered and title has passed. Revenue from 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).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

---

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *Continued***2.16 Revenue Recognition** *Continued*

Revenue from 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.

**(b) Other revenue**

Other revenue earned by the Company are recognised on the following basis:

*Interest Income* - Interest income on a time-proportion basis using the effective interest method. When a receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised either as cash is collected or on a cost-recovery basis as conditions warrant.

**2.17 Customer loyalty programme**

The Company operates a loyalty programme where customers accumulate points for purchases made which entitle them to discounts on future purchases. The allocation of the consideration to the award is 3 cents for every 100 cents spent.

The reward points are recognised as a separate identifiable component of the initial sales transaction by allocating the fair value of the consideration received between the award points and other components of sales such that the reward points are initially recognised as deferred income at their fair value.

Revenue from the reward points is recognised when the points are redeemed and expire end of August each year effective calendar year 2017.

**2.18 Current and Deferred taxation**

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted at the balance

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- Where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss;
- In respect of taxable temporary differences, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- Deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

---

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *Continued***2.18 Current and Deferred taxation** *Continued*

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Income tax is charged or credited directly to equity if it relates to items that are credited or charged to equity. Otherwise income tax is recognised in the income statement.

**2.19 Leases**

The determination of whether an arrangement is a lease, or contains a lease, is based on the substance of the arrangement at the inception date and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset, even if that asset is not explicitly specified in an arrangement.

**Company as a lessee**

A Lease is classified as the inception date as a finance lease or an operating lease. Leases that do not transfer substantially all of the risks and rewards of ownership of an asset to the Company are classified as operating leases.

Operating lease payments are recognised as an expense in the Income statement on a straight line basis over the lease term.

**Company as a lessor**

Leases in which the Company does not transfer substantially all of the risks and rewards of ownership of an asset are classified as operating leases.

Rental income is recognised as revenue in the statement of profit or loss on a straight line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. Contingent rents are recognised as revenue in the period in which they are earned.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

## 3. FINANCIAL RISK MANAGEMENT

## 3.1 Financial risk factors

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

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

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

(a) *Currency Risk*

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company is exposed to currency risk arising from future commercial transactions and liabilities that are denominated in currencies other than the functional currency. The Company imports goods from foreign countries and is exposed to foreign exchange risk arising from various currency exposures. The currencies in which these transactions are primarily denominated are Euro ("EUR") and United States Dollar ("USD"). The Company aims to aggregate a net position for each currency so that natural hedging can be achieved.

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

	USD		Euro	
	2016	2015	2016	2015
	SR'000	SR'000	SR'000	SR'000
Impact on results:				
Trade and other receivables	-	-	-	-
Trade and other payables	± 680	± 690	± 1,103	± 1,549

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

3. **FINANCIAL RISK MANAGEMENT** *Continued*3.1 **Financial risk factors** *Continued*(b) **Cash flow and fair value interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company's income and operating cash flows are substantially independent of changes in market rates as the company has no significant interest bearing assets.

However, the Company's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the company to cash flow interest rate risk.

At December 31, 2016, if interest rates on floating rate borrowings had been 1% higher/lower with all other variables held constant, results for the year would have been as shown below, mainly as a result of higher/lower interest rate expense on loans.

	<u>2016</u>	<u>2015</u>
	SR	SR
<b>Bank borrowings</b>	<u><u>± 269,633</u></u>	<u><u>± 460,217</u></u>

(c) **Credit Risk**

The Company's credit risk arises when a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from trade and other receivables.

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

3. **FINANCIAL RISK MANAGEMENT** *Continued*3.1 **Financial risk factors** *Continued*(c) **Credit Risk** *Continued*

The company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers. The company has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history.

Cash transactions are limited to high credit quality financial institutions. The company has policies that limit the amount of credit exposure to any one financial position.

The credit concentration of the company at the end of the reporting period is summarised as follows:

	2016	2015
	%	%
10 major counterparties	38	38
Others (diversified risk)	62	62
	<b>100</b>	<b>100</b>

Management does not expect any losses from non-performance of these customers.

(d) **Liquidity Risk**

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

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

	Less than 1 year	Between 1 and 5 years	After 5 years	Total
	SR'000	SR'000	SR'000	SR'000
<b>At December 31, 2016</b>				
Borrowings				
- Government of Seychelles	10,297	15,000		25,297
- Bank loan	1,667	-	-	1,667
Trade and other payables	91,478	-	-	91,478
	<b>103,442</b>	<b>15,000</b>	<b>-</b>	<b>118,442</b>
<b>At December 31, 2015</b>				
Borrowings				
- Government of Seychelles	15,355	10,000	15,000	40,355
- Bank loan	4,000	1,667	-	5,667
Trade and other payables	90,502	-	-	90,502
	<b>109,857</b>	<b>11,667</b>	<b>15,000</b>	<b>136,524</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

3. FINANCIAL RISK MANAGEMENT *Continued*

## 3.2 Fair value estimation

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

## 3.3 Capital risk management

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

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

The Company sets the amount of capital in proportion to risk. The Company manages the capital structure and makes adjustments to it in the light of the changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

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

During the financial year ended December 31, 2016, the Company's strategy, which was unchanged from the financial year ended December 31, 2015, was to maintain the debt-to-adjusted capital ratio at a reasonable level in order to secure access to finance at a reasonable cost. The debt-to-adjusted capital ratio at December 31, 2016 were as follows:

	<b>2016</b>	2015
	<b>SR</b>	SR
Total debt	26,963,310	46,021,667
Less: Cash and cash equivalents	<u>(94,824,240)</u>	<u>(47,766,447)</u>
	<u>(67,860,930)</u>	<u>(1,744,780)</u>
Total equity	<u>248,011,954</u>	<u>229,633,219</u>
<b>Debt-to-adjusted capital ratio</b>	<u><b>27.36%</b></u>	<u>0.76%</u>

The change in debt-to-adjusted capital ratio is mainly due to low cash balances at the end of the previous reporting period.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

---

**4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS**

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

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

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

**4.1 *Impairment of property, plant and equipment***

Decline in the value of property, plant and equipment could have a significant effect on the amounts recognised in the financial statements. Management assesses the impairment of those property, plant and equipment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors considered important that could trigger an impairment review include the following:

- (i) Significant change in the useful life which would be expected from the passage of time or normal use.
- (ii) Evidence that the performance of the plant and equipment could have negative impact on the operating results. Hence the economic viability of the asset itself and where it is a component of a larger economic unit, the viability of that unit itself.

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

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

**4.3 *Depreciation policies***

Property, plant and equipment are depreciated to their residual value over their estimated useful lives. The residual values of an asset is the estimated net amount that the Company would currently obtain from its disposal, if the asset was 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 their expected values at the end of their expected useful lives.

**4.4 *Loyalty programme***

The Directors have estimated that the amount to be provided as breakage estimates is immaterial in view of the fact that this programme started in 2014 and are of similar opinion for 2016.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

---

**4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS** *Continued***4.5 Impairment losses on receivables**

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

**4.6 Employee benefit obligation**

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

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

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

**4.7 Functional currency**

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

**4.8 Limitation of sensitivity analysis**

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

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

## 5. PROPERTY, PLANT AND EQUIPMENT

	<u>Land</u>	<u>Freehold Buildings</u>	<u>Plant and Machinery</u>	<u>Office Equipment</u>	<u>Computer Equipment</u>	<u>Furniture &amp; Fittings</u>	<u>Motor Vehicles</u>	<u>Work In Progress</u>	<u>Total</u>
	SR	SR	SR	SR	SR	SR	SR	SR	
<u>COST</u>									
At January 1, 2016	3,076,323	32,173,928	23,587,538	11,573,593	9,994,848	23,279,719	20,111,636	6,435,291	130,232,876
Additions	-	-	3,136,445	1,145,275	361,193	1,066,267	4,440,319	1,639,582	11,789,081
Reclassification	-	272,368	860,211	204,507	-	45,000	-	(1,382,086)	-
<b>At December 31, 2016</b>	<b>3,076,323</b>	<b>32,446,296</b>	<b>27,584,194</b>	<b>12,923,375</b>	<b>10,356,041</b>	<b>24,390,986</b>	<b>24,551,955</b>	<b>6,692,787</b>	<b>142,021,957</b>
<u>ACCUMULATED DEPRECIATION</u>									
At January 1, 2016	-	7,618,316	8,787,922	7,275,270	3,802,903	8,440,873	14,432,672	-	50,357,956
Charge for the year	-	1,253,710	2,583,472	1,863,232	1,392,291	2,263,562	3,052,547	-	12,408,814
<b>At December 31, 2016</b>	<b>-</b>	<b>8,872,026</b>	<b>11,371,394</b>	<b>9,138,502</b>	<b>5,195,194</b>	<b>10,704,435</b>	<b>17,485,219</b>	<b>-</b>	<b>62,766,770</b>
<u>NET BOOK VALUE</u>									
<b>At December 31, 2016</b>	<b>3,076,323</b>	<b>23,574,270</b>	<b>16,212,800</b>	<b>3,784,873</b>	<b>5,160,847</b>	<b>13,686,551</b>	<b>7,066,736</b>	<b>6,692,787</b>	<b>79,255,187</b>
<u>COST</u>									
At January 1, 2015	3,076,323	30,323,308	18,361,747	9,156,572	4,810,781	18,426,457	17,582,536	7,464,118	109,201,842
Additions	-	92,531	4,744,400	2,479,046	4,974,019	4,853,262	2,529,100	1,210,653	20,883,011
Reclassification	-	1,758,089	481,391	-	-	-	-	(2,239,480)	-
<b>As previously stated</b>	<b>3,076,323</b>	<b>32,173,928</b>	<b>23,587,538</b>	<b>11,635,618</b>	<b>9,784,800</b>	<b>23,279,719</b>	<b>20,111,636</b>	<b>6,435,291</b>	<b>130,084,853</b>
Reclassification	-	-	-	(62,025)	62,025	-	-	-	-
Adjustment	-	-	-	-	148,023	-	-	-	148,023
<b>As Restated at December 31, 2015</b>	<b>3,076,323</b>	<b>32,173,928</b>	<b>23,587,538</b>	<b>11,573,593</b>	<b>9,994,848</b>	<b>23,279,719</b>	<b>20,111,636</b>	<b>6,435,291</b>	<b>130,232,876</b>
<u>ACCUMULATED DEPRECIATION</u>									
At January 1, 2015	-	6,369,145	6,573,021	5,608,269	2,846,825	6,279,654	11,962,868	-	39,639,782
Charge for the year	-	1,249,171	2,214,901	1,518,978	956,078	2,161,219	2,469,804	-	10,570,151
<b>As previously stated</b>	<b>-</b>	<b>7,618,316</b>	<b>8,787,922</b>	<b>7,127,247</b>	<b>3,802,903</b>	<b>8,440,873</b>	<b>14,432,672</b>	<b>-</b>	<b>50,209,933</b>
Adjustment	-	-	-	148,023	-	-	-	-	148,023
<b>As Restated at December 31, 2015</b>	<b>-</b>	<b>7,618,316</b>	<b>8,787,922</b>	<b>7,275,270</b>	<b>3,802,903</b>	<b>8,440,873</b>	<b>14,432,672</b>	<b>-</b>	<b>50,357,956</b>
<u>NET BOOK VALUE</u>									
<b>At December 31, 2015</b>	<b>3,076,323</b>	<b>24,555,612</b>	<b>14,799,616</b>	<b>4,298,323</b>	<b>6,191,945</b>	<b>14,838,846</b>	<b>5,678,964</b>	<b>6,435,291</b>	<b>79,874,920</b>



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

5. PROPERTY, PLANT AND EQUIPMENT *Continued*

- (a) Depreciation has been charged to the statement of profit or loss under the following headings:

	2016	2015
	SR	SR
Cost of Sales	4,412,544	3,996,122
Distribution expenses	511,790	751,188
Administrative expenses	7,484,480	5,822,841
	<b>12,408,814</b>	<b>10,570,151</b>

- (b) Property, plant and equipment have been pledged as security for bank borrowings.

## 6. INTANGIBLE ASSETS

## Computer software

	2016	2015
	SR	SR
<b>COST</b>		
At the beginning of the year	1,815,996	1,815,996
Addition during the year	3,250	-
<b>At December 31,</b>	<b>1,819,246</b>	<b>1,815,996</b>
<b>AMORTISATION</b>		
At the beginning of the year	1,515,286	1,195,749
Amortisation for the year	250,492	319,537
<b>At December 31,</b>	<b>1,765,778</b>	<b>1,515,286</b>
<b>Net book value December 31,</b>	<b>53,468</b>	<b>300,710</b>

- (a) Amortisation of
- SR. 250,492**
- (2015: SR. 319,537) has been charged to administrative expenses.

## 7. INVESTMENT IN FINANCIAL ASSETS

	2016	2015
	SR	SR
<b>Available for sale:</b>		
<i>Ordinary shares (unquoted) in:</i>		
Seychelles Commercial Bank Limited	<b>25,000</b>	<b>25,000</b>

- (a) The Directors consider the cost of the unquoted investment to represent its fair value at the end of the reporting period.
- (b) The financial instrument is classified under level 3, as there is no observable market data for the available-for-sale investments.
- (c) The investment is denominated in Seychelles Rupees and is neither past due nor impaired.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

## 8. INVENTORIES

	2016	2015
	SR	SR
Finished goods (at net realisable value)	153,009,552	160,650,986
Work in Progress (at cost)	71,687	71,687
Raw materials (at net realisable value)	8,934,429	9,021,119
Goods in transit (at cost)	21,784,451	58,598,976
	<b>183,800,119</b>	<b>228,342,768</b>

- (a) The Directors have estimated that no provision is required for obsolete inventories at December 31, 2016 (2015: Nil).
- (b) Inventories have been pledged as security for bank borrowings.
- (c) The cost of inventories recognised as expense and included in cost of sales for the year amounted to SR. 789,025,756 (2015: SR. 702,744,325).

## 9. TRADE AND OTHER RECEIVABLES

	2016	2015
	SR	SR
Gross Trade Receivables (notes (a) to (d))	11,687,498	11,341,416
Less : Provision for credit impairment (note (e))	<b>(2,781,208)</b>	<b>(2,431,094)</b>
Net Trade Receivables	8,906,290	8,910,322
Other receivables	5,062,983	3,125,183
Prepayments	13,050,884	18,180,768
	<b>27,020,157</b>	<b>30,216,273</b>

- (a) The carrying amount of 'trade and other receivables' approximate their fair value.
- (b) At December 31, 2016, trade receivables include **SR. 1,365,265** (2015 : SR. 2,203,546) were fully impaired. The individually impaired receivables relate to invoices due from customers whose recoverability are in doubt. The total amount is more than a year overdue.
- (c) At December 31, 2016, trade receivables include **SR. 998,438** (2015 : SR. 500,610) were past due but not impaired. These relate to number of independent customers for whom there is no recent history of default. The aged analysis of these trade receivables is as follows:

	2016	2015
	SR	SR
Less than 30 days	7,699,988	8,436,050
31 to 60 days	1,378,921	1,339,126
61 to 90 days	244,886	158,460
Over 90 days	2,363,703	1,407,780
	<b>11,687,498</b>	<b>11,341,416</b>

- (d) The carrying amount of the Company's trade and other receivables are denominated in Seychelles Rupees.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

9. TRADE AND OTHER RECEIVABLES *Continued*

- (e) The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Company does not hold any collaterals as securities. Movement in the provision for credit impairment of trade and other receivables is as follows:

	2016	2015
	SR	SR
At January 1,	2,431,094	2,431,094
Provision made during the year	379,967	-
	2,811,061	2,431,094
Bad debts recovered	(29,853)	-
<b>At December 31,</b>	<b>2,781,208</b>	<b>2,431,094</b>

- (f) The other classes within trade and other receivables do not contain impaired assets.

## 10. CURRENT TAX ASSET/ (LIABILITY)

	2016	2015
	SR	SR
(a) <b>Statement of financial position</b>		
At January 1,	(2,330,853)	1,065,649
Prior year tax paid	2,261,100	-
Charge to Income Statement (note (b))	(7,930,247)	(10,179,803)
Advance tax paid	10,277,725	6,783,301
<b>At December 31,</b>	<b>2,277,725</b>	<b>(2,330,853)</b>
(b) <b>Statement of profit or loss</b>		
Provision for current taxation	(7,930,247)	(10,179,803)
Provision for deferred tax (note (15 (b)))	(63,890)	(2,670,533)
Reversal of excess deferred tax provision	-	2,622,667
Corporate social responsibility tax	(2,762,405)	(3,016,913)
<b>At December 31,</b>	<b>(10,756,542)</b>	<b>(13,244,582)</b>

- (c) **Reconciliation between tax expense and accounting profit is as follows:**

Profit before taxation	29,135,277	32,133,494
Tax calculated at applicable tax rates (note 10 (d))	8,690,583	9,590,048
Expenses not deductible for tax purposes	(481,495)	181,625
Adjustment of provision for expenses	(574,348)	918,942
Adjustment for bad and doubtful debts	105,034	-
Excess of capital allowance over depreciation	(1,045,135)	(1,040,330)
Provision for tax contingency	1,305,361	529,518
	<b>8,000,000</b>	<b>10,179,803</b>

- (d) **Applicable tax rates are as follows:**

	2016	2015
Taxable income		
≤ SR. 1,000,000	25%	25%
> SR. 1,000,000	30%	30%

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

## 11. CASH AND CASH EQUIVALENTS

	2016	2015
	SR	SR
Balances with banks	87,705,218	41,027,635
Term deposits with banks	5,899,461	5,746,004
Cash on hand	1,219,561	992,808
	<u>94,824,240</u>	<u>47,766,447</u>

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

## 12. SHARE CAPITAL

	2016	2015
	SR	SR
<b>Issued and fully paid</b>		
100 ordinary shares of SR. 100 each	<u>10,000</u>	<u>10,000</u>

## 13. CONTRIBUTED CAPITAL

	2016	2015
	SR	SR
At January 1, and December 31,	<u>92,209,737</u>	<u>92,209,737</u>

(a) Contributed capital represents the carrying amounts of net assets taken over from Seychelles Marketing Board on March 1, 2008 and subsequent transfers in 2009. This is interest free and is recognised as quasi equity. Ministry of Finance is considering converting this into ordinary shares.

(b) Details of assets taken over from SMB were as follows:

	SR
Property, plant and equipment	40,555,653
Inventories	61,173,670
Cash floats taken over	19,900
	<u>101,749,223</u>
Less: Amount credited to share capital	<u>(10,000)</u>
Assets taken over on March 1, 2008	101,739,223
In 2009 :Transfer from property, plant and equipment	(6,837,477)
:Transfer from inventories	(2,692,009)
<b>Net contributed capital</b>	<u>92,209,737</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

## 14. BORROWINGS

	2016	2015
	SR	SR
Government of Seychelles (note (a))	25,296,643	40,355,000
Bank loan (note (b) and (c))	1,666,667	5,666,667
	<b>26,963,310</b>	<b>46,021,667</b>
<b>Analysed as:</b>		
Due beyond one year	15,000,000	26,666,667
Due within one year	11,963,310	19,355,000
	<b>26,963,310</b>	<b>46,021,667</b>

## The movement is as follows:

	2016	2015
	SR	SR
At January 1,	46,021,667	54,666,667
Repayment	(19,355,000)	(14,000,000)
Accrued interest	296,643	5,355,000
<b>At December 31,</b>	<b>26,963,310</b>	<b>46,021,667</b>

- (a) Borrowing of SR. 45 million from the Government of Seychelles is unsecured, repayable half yearly on the 30th April and 31 October of each year effective the year 2015 and is scheduled to be fully repaid by 30th April 2019. Rate of interest is charged on the basis of average interest rates of 365 days government treasury bills prevailing on the 30th April and 31st October each year preceding the due date of each instalment.
- (b) Borrowing of SR. 20 million from Barclays Bank (Seychelles) Limited in the year 2012, is secured by floating charges on the assets of the company including property, plant and equipment and inventories, bears interest at 9% per annum (2015: 9%) and is repayable in monthly instalment of SR. 333,333. The borrowing is scheduled to be fully repaid by May 2017.
- (c) The exposure of the Company's borrowings to interest-rate changes and maturity and the contractual repricing dates is shown under notes 3.1 (a) and 3.1(c) respectively.
- (d) The carrying amounts of the Company's borrowings are denominated in Seychelles Rupees.
- (e) The carrying amounts of the Company's borrowings approximate their amortised costs.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

## 15. DEFERRED TAX LIABILITIES

- (a) Deferred taxes are calculated on all temporary differences under the liability method at applicable rates as mentioned in note 10 (c).
- (b) There is a legally enforceable right to offset deferred tax assets and deferred tax liabilities when the deferred taxes relate to the same fiscal authority on the same entity.

The movement in deferred tax account and amounts shown in the Statement of Financial Position are follows:

	2016 SR	2015 SR
At January 1,	4,398,205	4,350,339
Charge to the statement of profit or loss (note 10(b))	63,890	2,670,533
<b>As previously stated</b>	<b>4,462,095</b>	7,020,872
Reversal of excess provision for deferred tax	-	(2,622,667)
<b>As restated at December 31,</b>	<b>4,462,095</b>	4,398,205

- (c) The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same fiscal authority on the same entity, is as follows:

## Deferred tax liability/(asset)

	Accelerated tax depreciation SR	Allowance for credit loss SR	Retirement benefit obligations SR	Total SR
At January 1, 2015	8,242,250	(718,672)	(3,173,239)	4,350,339
Charge/(Credit) for the year	3,589,476	-	(918,943)	2,670,533
<b>As previously stated</b>	11,831,726	(718,672)	(4,092,182)	7,020,872
Adjustments	(2,612,011)	(10,656)	-	(2,622,667)
<b>As restated at December 31, 2015</b>	<b>9,219,715</b>	<b>(729,328)</b>	<b>(4,092,182)</b>	<b>4,398,205</b>
Charge/(Credit) for the year	1,045,135	(171,292)	(809,953)	63,890
<b>At December 31, 2016</b>	<b>10,264,850</b>	<b>(900,620)</b>	<b>(4,902,135)</b>	<b>4,462,095</b>

## 16. RETIREMENT BENEFIT OBLIGATIONS

	2016 SR	2015 SR
At January 1,	13,640,606	10,577,464
Charge to Income Statement (note 20)	7,314,181	4,828,200
Paid during the year	(4,614,337)	(1,765,058)
<b>At December 31,</b>	<b>16,340,450</b>	13,640,606

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

## 17. TRADE AND OTHER PAYABLES

	2016	2015
	SR	SR
Trade payables	69,436,536	77,706,456
Accruals and other payables	16,107,905	8,670,656
Deferred Revenue	5,933,646	4,124,456
	<b>91,478,087</b>	<b>90,501,568</b>

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

Seychelles Rupee	52,948,057	33,622,459
Euro	22,066,056	30,965,014
US Dollar	13,598,074	13,799,881
Other currencies	2,865,900	12,114,214
	<b>91,478,087</b>	<b>90,501,568</b>

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

## 18. REVENUE

	2016	2015
	SR	SR
Gross revenue	1,104,954,845	954,393,175
Less: Reward point awarded (note 2.17)	(9,898,855)	(6,309,787)
	<b>1,095,055,990</b>	<b>948,083,388</b>

## 19. OPERATING AND OTHER EXPENSES

	2016	2015
	SR	SR
Cost of inventories (note 8)	789,025,756	702,744,325
Depreciation of property, plant and equipment (note 5)	12,408,814	10,570,151
Amortisation of intangible assets (note 6)	250,492	319,537
Electricity and water charges	27,864,130	24,456,306
Publicity and promotions	4,025,810	2,176,245
Transport and fuel expenses	7,314,706	7,153,042
Packing expenses	6,174,820	5,042,939
Rental expenses	48,349,386	28,041,589
Repairs and maintenance	8,620,463	7,960,155
Telephone and faxes	2,561,632	2,721,135
Employee benefits expenses (note 20)	125,162,969	102,123,688
Professional and other fees	1,130,526	1,555,624
Security expenses	6,300,326	4,323,478
Vehicle expenses	1,808,590	2,156,148
Other donations	1,131,532	605,416
CSR related donations	2,762,405	1,755,053
Corporate social responsibility tax (reclassified)	-	3,016,913
Other expenses	27,364,279	19,835,738
	<b>1,072,256,636</b>	<b>926,557,482</b>

Operating and other expenses include Hypermarket costs for 3 months in the year 2015 as compared to the full year operations in the year 2016.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

19. OPERATING AND OTHER EXPENSES *Continued**Summarised as follows:*

	2016	2015
	SR	SR
Cost of sales	820,054,251	727,466,896
Distribution expenses	15,321,745	12,696,305
Administrative expenses	236,880,640	186,394,281
	<u>1,072,256,636</u>	<u>926,557,482</u>

## 20. STAFF COST

	2016	2015
	SR	SR
Salaries	94,750,371	78,380,105
Performance bonus	7,868,501	9,005,093
13th month salary	5,798,000	3,519,401
Directors' emoluments (note (a) below)	1,206,511	948,036
Retirement benefits (note 16)	7,314,181	4,828,200
Employee benefits and related expenses (notes (b) to c))	5,368,711	2,232,812
Staff welfare	2,856,694	3,210,041
	<u>125,162,969</u>	<u>102,123,688</u>

(a) *Directors' emoluments:*

Rebecca Loustau-Lalanne	Chairperson (current)	50,560	-
Charlie Morin	Chairperson (previous)	25,280	70,588
Veronique Laporte	Chief Executive Officer (second term)	962,153	679,800
Steve Fanny		16,852	49,412
Annie Vidot		16,852	49,412
Ronny Brutus		16,852	49,412
Mike Laval		16,852	49,412
Veronique Herminie		33,703	-
Michael Nalletamby		33,703	-
Rupert Simeon		33,704	-
		<u>1,206,511</u>	<u>948,036</u>

- (b) An actuarial valuation is not performed on post employment and other benefits as the net impact of the discount rate and future salary and benefits level on the present value of the benefits obligation is not expected by management to be significant.
- (c) Employment benefit liability has been determined using the method suggested by the Seychelles Employment Act and the Management has estimated that the amount of liability provided will not be materially different had it been computed by an external Actuary.

## 21. OTHER INCOME

	2016	2015
	SR	SR
Rental income	4,743,411	5,271,054
Sundry income	1,956,074	708,565
	<u>6,699,485</u>	<u>5,979,619</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

## 22. OPERATING PROFIT

	2016	2015
	SR	SR
<b>This is arrived at, after charging:</b>		
Amortisation	250,492	319,537
Auditors' remuneration	600,000	613,500
Depreciation	12,408,814	10,570,151
Directors' remuneration (note 20(a))	1,206,511	948,036
Exchange gain	<u>(1,492,833)</u>	<u>(7,344,513)</u>

## 23. FINANCE INCOME AND EXPENSE

	2016	2015
	SR	SR
<b>(a) Finance income</b>		
Interest received on term deposits	<u>323,200</u>	<u>297,903</u>
<b>(b) Finance expense</b>		
Interest on Government loan	1,920,615	5,355,000
Interest on bank borrowings	258,980	676,360
	<u>2,179,595</u>	<u>6,031,360</u>

## 24. RELATED PARTY TRANSACTIONS

	2016	2015
	SR	SR
<b>Government of Seychelles</b>		
<i>Balances</i>		
Contributed capital (note 13)	92,209,737	92,209,737
Borrowing (note 14)	<u>25,296,643</u>	<u>40,355,000</u>
<i>Transactions</i>		
Interest on borrowings (note 23 (b))	<u>1,920,615</u>	<u>5,355,000</u>
<i>Directors</i>		
Directors remuneration and benefits (note 20(a))	<u>1,206,511</u>	<u>948,036</u>

- (a) Transactions with related parties are made at normal market prices.
- (b) Other terms and conditions have been included under the relevant notes.
- (c) Compensation to key management personnel

The Company considers only the Chief Executive Officer as its key management personnel as defined by IAS 24. The remuneration and benefits have been disclosed under note 20 (a).

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

## 25. CAPITAL COMMITMENTS

	<u>2016</u>	<u>2015</u>
	SR	SR
Major capital commitments for property, plant and equipment	<u>-</u>	<u>6,646,000</u>

## 26. CONTINGENT LIABILITIES

	<u>2016</u>	<u>2015</u>
	SR	SR
Bank guarantees for bonded warehouse	<u>10,000,000</u>	<u>10,000,000</u>

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

## 27. LEASE COMMITMENTS

The Company leases various premises under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewable rights. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	<u>2016</u>	<u>2015</u>
	SR'000	SR'000
Within one year	9,880	9,880
Above one year but not more than five years	39,520	39,520
More than five years	174,547	184,427
<b>Total operating lease rent receivable</b>	<u><b>223,947</b></u>	<u><b>233,827</b></u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

## 28. FIVE YEAR FINANCIAL SUMMARY

	2016	2015	2014	2013	2012
	SR'000	SR'000	SR'000	SR'000	SR'000
<b>Revenue</b>	<b>1,095,056</b>	948,083	851,486	786,995	957,466
Profit/(Loss) before tax	29,136	32,134	8,512	33,981	3,124
Tax charge	(10,757)	(13,245)	(3,116)	(10,656)	(1,263)
<b>Profit/(Loss) for the year</b>	<b>18,379</b>	18,889	5,396	23,325	1,861
Retained earnings brought forward	137,413	118,524	113,128	89,803	87,942
<b>Retained earnings carried forward</b>	<b>155,792</b>	137,413	118,524	113,128	89,803
<b>EQUITY</b>					
Share capital	10	10	10	10	10
Contributed capital	92,210	92,210	92,210	92,210	92,210
Retained earnings	155,792	137,413	118,524	113,128	89,803
	<b>248,012</b>	229,633	210,744	205,348	182,023

## ADDITIONAL INFORMATION

## SOCIAL BENEFIT TO CONSUMERS ON SUBSIDISED PRICES OF ESSENTIALS

	2016	2015	2014	2013	2012
	SR'000	SR'000	SR'000	SR'000	SR'000
<b>Revenue</b>					
Subsidised sales	232,422	265,751	280,475	260,097	255,132
Non-subsidised sales	862,634	682,332	571,011	526,898	702,334
	<b>1,095,056</b>	948,083	851,486	786,995	957,466
<b>Cost of Social Benefits:</b>					
Cost to the company	19,078	49,962	63,081	50,783	53,021
Tax impact	11,069	26,247	31,424	21,687	26,191
	<b>30,147</b>	76,209	94,505	72,470	79,212
Average exchange rates - CBS	13.50	13.50	12.93	12.21	13.90
Global food index - FAO	161.50	164.00	201.80	209.80	213.30

Social benefit cost is calculated based on the loss of revenue on the subsidised goods had the same mark up maintained in pricing and the tax effect at the effective tax rates.

**ECONOMIC VALUE ADDED STATEMENT - YEAR ENDED DECEMBER 31, 2016**

	<b>2016</b>		<b>2015</b>	
	<b>SR</b>	<b>%</b>	<b>SR</b>	<b>%</b>
<b>Economic value generated</b>				
Revenue	<b>1,095,055,990</b>		948,083,388	
Finance income	<b>323,200</b>		297,903	
Rental and other income	<b>6,699,485</b>		5,979,619	
	<b>1,102,078,675</b>		954,360,910	
Operating costs	<b>(927,491,696)</b>		<b>(799,147,580)</b>	
Economic value added	<b>174,586,979</b>		155,213,330	
<b>Economic value distributed</b>				
Employee wages and benefits				
- Salaries, wages and other benefits	<b>110,289,958</b>	63.2%	88,651,158	57.1%
- Performance bonus and 13th month salary	<b>13,666,501</b>	7.8%	12,524,494	8.1%
Payments to providers of funds				
- Interest on borrowings	<b>258,980</b>	0.1%	676,360	0.4%
Payments to Government				
- Government loan interest	<b>1,920,615</b>	1.1%	5,355,000	3.5%
- Government tax	<b>10,756,542</b>	6.2%	12,850,336	8.3%
Corporate social responsibility	<b>6,656,342</b>	3.8%	5,377,382	3.5%
	<b>143,548,938</b>		125,434,730	80.8%
<b>Economic value retained</b>				
Depreciation	<b>12,408,814</b>		10,570,151	
Amortisation	<b>250,492</b>		319,537	
Profit for the year	<b>18,378,735</b>		18,888,912	
Retained for reinvestment/growth	<b>31,038,041</b>	17.8%	29,778,600	19.2%
Total	<b>174,586,979</b>	100.0%	155,213,330	100.0%

This economic value added statement does not form part of the audited financial statements set out on pages 4 to page 38