SEYCHELLES TRADING COMPANY LIMITED

DIRECTORS' REPORT AND AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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CORPORATE INFORMATION

DIRECTORS	:	Guy Morel - Chairperson Gerard Adam Farida Camille Oliver Bastienne Ashik Hassan
CHIEF EXECUTIVE OFFICER	:	Christine Joubert
SECRETARY	:	Dorina Matombe
REGISTERED OFFICE	:	P O Box 634, Latanier Road, Latanier House, Victoria, Mahé, Seychelles
PRINCIPAL PLACE OF BUSINESS	:	Latanier Road, Latanier House, Seychelles
AUDITORS	:	Baker Tilly Chartered Accountants Seychelles
BANKERS	:	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

DIRECTORS' REPORT

The Directors present their report together with the audited financial statements of the Company for the year ended December 31, 2018.

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. These activities remain unchanged as compared to the prior financial years.

RESULTS

	SR
Profit before tax	**31,843,709**
Taxation	**(12,805,198)**
Profit for the year	**19,038,511**
Change in credit impairment provision on initial application of IFRS 9	**(682,668)**
Effect of IFRS 9 on deferred tax upon initial application	**204,800**
Retained earnings brought forward	**168,196,233**
Retained earnings carried forward	**186,756,876**

DIVIDENDS

The Directors did not propose any dividend for the financial year under review (2017 : Nil).

PROPERTY, PLANT AND EQUIPMENT

Additions to property, plant and equipment of SR. 6.9 million during the year comprised mainly work in progress, buildings, plant & machinery, equipment, furniture and fixtures. Disposals of SR. 1.1 million are from work in progress.

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:

Chairperson	Guy Morel
Directors:	Gerard Adam
	Farida Camille
	Oliver Bastienne
	Ashik Hassan

None of the Directors held any interest in the shares of the Company during the financial year under review (2017 : Nil).

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 is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards ('IFRS') and in compliance with the Seychelles Companies Act, 1972 and Public Enterprise Monitoring Commission Act, 2013. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances. The Directors have the general responsibility of safeguarding the assets, both owned by the 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 (2017 : Nil).

AUDITORS

The retiring auditors, Messers. Baker Tilly, Chartered Accountants, Seychelles being eligible offer themselves for re-appointment.

BOARD APPROVAL

Guy Morel
Director

Gerard Adam
Director

Farida Camille
Director

Oliver Bastienne
Director

Hassan

Ashik Hassan
Director

Dated: June 22, 2019
Victoria, Seychelles

bakertilly
Chartered Accountants

Suite 202/302, Allied Plaza
Francis Rachel Street
P.O. Box 285, Mahe
Republic of Seychelles
T: +248 432 1306 / F: +248 432 1307
E-mail: info@bakertillyjfc.com
URL: www.bakertillymkm.com

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 their 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 5 to 48 which comprise the Statement of Financial Position at December 31, 2018, 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 and explanatory notes.

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 5 to 48 give a true and fair view of the financial position of the Company at December 31, 2018 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 evidence 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 International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Seychelles, and we have fulfilled our other responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

SEYCHELLES TRADING COMPANY LIMITED

Report on the Audit of the Financial Statements *Continued*

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.

Baker Tilly
Chartered Accountants

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

BAKER TILLY
Chartered Accountants

BAKER TILLY
P.O. Box 285
Seychelles
CHARTERED ACCOUNTANTS

Victoria, Seychelles
Dated: June 22, 2019

STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2018

	Notes	2018	2017
		SR	SR
ASSETS			
Non Current assets:			
Property, plant and equipment	5	**72,733,846**	79,889,156
Intangible assets	6	**1,842**	2,492
Investment in financial assets	7	**25,000**	25,000
		72,760,688	79,916,648
Current assets:			
Inventories	8	**210,033,534**	200,022,744
Trade and other receivables	9	**17,477,780**	21,326,543
Current tax asset	10 (a)	**2,670,007**	3,866,825
Cash and cash equivalents	11	**103,350,647**	73,527,331
		333,531,968	298,743,443
Total Assets		**406,292,656**	378,660,091
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	12	**10,000**	10,000
Contributed capital	13	**92,209,737**	92,209,737
Retained earnings		**186,756,876**	168,196,233
Total Equity		**278,976,613**	260,415,970
Non Current liabilities:			
Borrowings	14	**5,000,000**	5,000,000
Deferred tax liabilities	15	**3,650,450**	4,687,106
Employee benefit obligation	16	**16,163,761**	15,519,855
		24,814,211	25,206,961
Current liabilities:			
Borrowings	14	**10,862,541**	10,102,366
Trade and other payables	17	**89,482,773**	79,293,298
Contract liabilities	17	**2,156,518**	3,641,496
		102,501,832	93,037,160
Total Liabilities		**127,316,043**	118,244,121
Total Equity and Liabilities		**406,292,656**	378,660,091

These financial statements were approved for issue by the Board of Directors on June 22, 2019

Guy Morel
Director

Gerard Adam
Director

Farida Camille
Director

Oliver Bastienne
Director

Hassan.

Ashik Hassan
Director

The notes on pages 9 to 48 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, 2018

	Notes	2018	2017
		SR	SR
Revenue from contracts with customers	18	**1,085,045,723**	**1,096,903,230**
Cost of sales	19	**(814,676,050)**	(816,963,984)
Gross profit		**270,369,673**	279,939,246
Distribution expenses	19	**(11,773,093)**	(16,001,100)
Administrative expenses	19	**(239,102,403)**	(247,195,959)
Other income	21	**9,875,423**	7,010,277
Operating profit		**29,369,600**	23,752,464
Foreign exchange gain		**2,801,959**	529,419
Finance income	22 (a)	**715,740**	568,807
Finance expense	22 (b)	**(1,043,590)**	(1,261,594)
Profit before tax		**31,843,709**	23,589,096
Tax expense	10 (b)	**(12,805,198)**	(9,839,994)
Profit and total comprehensive income for the year		**19,038,511**	13,749,102

The notes on pages 9 to 48 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, 2018

	Share Capital	Contributed capital	Retained earnings	Total
	SR	SR	SR	SR
Balance at January 1, 2018	**10,000**	**92,209,737**	**168,196,233**	**260,415,970**
Effect of change in measurement on initial application of IFRS 9	**-**	**-**	**(682,668)**	**(682,668)**
Effect of IFRS 9 on Deferred tax	**-**	**-**	**204,800**	**204,800**
Profit for the year	**-**	**-**	**19,038,511**	**19,038,511**
Balance at December 31, 2018	**10,000**	**92,209,737**	**186,756,876**	**278,976,613**
Balance at January 1, 2017	10,000	92,209,737	154,447,131	246,666,868
Profit for the year	-	-	13,749,102	13,749,102
As Restated at December 31, 2017	10,000	92,209,737	168,196,233	260,415,970

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2018

	Notes	2018	2017
		SR	SR
OPERATING ACTIVITIES			
Profit before tax		**31,843,709**	23,589,096
Adjustments for:			
Depreciation	5	**12,541,173**	12,738,786
Amortisation of intangible assets	6	**650**	50,976
Increase in Employee benefit obligation provision	16	**3,699,682**	4,771,061
Interest receivable	23 (a)	**(715,740)**	(568,807)
Interest payable	23 (b)	**1,043,590**	1,261,594
Increase in provision for credit impairment	9 (e)	**(308,739)**	515,016
Loss on disposal of equipment	19	**1,184,158**	-
Difference in exchange		**146,980**	47,591
Operating profit before working capital changes		**49,435,463**	42,405,313
Changes in working capital			
- Inventories		**(10,010,789)**	(17,567,711)
- Trade and other receivables		**4,157,501**	5,178,599
- Trade and other payables and contract liabilities		**8,704,496**	(7,508,727)
Net cash generated from operations		**52,286,671**	22,507,474
Tax paid	10	**(12,440,236)**	(11,204,083)
Employee benefit obligations paid	16	**(3,055,776)**	(5,591,656)
Net cash inflow from operating activities		**36,790,659**	5,711,735
INVESTING ACTIVITIES			
Additions to property, plant and equipment	5	**(6,865,343)**	(13,372,755)
Interest received		**715,740**	568,807
Net cash outflow from investing activities		**(6,149,603)**	(12,803,948)
FINANCING ACTIVITIES			
Repayment of bank borrowings	14	**-**	(1,666,667)
Repayment of Government borrowings	14	**760,175**	(10,000,000)
Interest paid		**(788,778)**	(1,455,872)
Net cash outflow from financing activities		**(28,603)**	(13,122,539)
Net change in cash and cash equivalents		**30,612,453**	(20,214,752)
Movement in cash and cash equivalents:			
At January 1,		**73,527,331**	94,824,240
Difference in exchange		(789,137)	(1,082,157)
Increase/(Decrease)		**30,612,453**	(20,214,752)
At December 31,	11	**103,350,647**	73,527,331

The notes on pages 9 to 48 form an integral part of these financial statements
Auditors' Report on pages 4 - 4 (c)

1. GENERAL INFORMATION

Seychelles Trading Company Limited ('STCL') 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 Seychelloise D'Invéstissement 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, 2018, except as indicated otherwise:

New and amended standards

- IFRS 9 — Financial Instruments
- IFRS 15 — Revenue from Contracts with Customers
- Amendments to IAS 28 — Investments in Associates and Joint Ventures
- Amendments to IAS 40 — Transfers of Investment Property
- IFRIC 22 — Foreign Currency Transactions and Advance Consideration
- Amendments to IFRS 2 — Share-based Payment

Changes in accounting policies

The Company applied IFRS 15, IFRS 9 and IFRIC 22 for the first time from January 1, 2018. The nature and effect of these changes as a result of the adoption of these new standards are described below. Other than the changes described below, the accounting policies adopted are consistent with those of the previous financial year.

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

2.1 **Basis of preparation** *Continued*

Changes in accounting policies *Continued*

Several other amendments and interpretations applied for the first time in 2018, but did not have an impact on the financial statements of the Company. The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

IFRS 9 Financial Instruments

The Company's financial assets include cash and short-term deposits, trade and other receivables, loans and other receivables.

The Company has adopted IFRS 9 as issued by the IASB in July 2014 with a date of transition of January 1, 2018 which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements. The Company did not early adopt IFRS 9 in previous periods.

As permitted by the transitional provisions of IFRS 9, the Company elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening retained earnings and other reserves of the current period. There was no impact on hedging as the Company does not apply hedge accounting.

Consequently, for notes disclosures, the consequential amendments to IFRS 7 Financial Instruments: Disclosures have also only been applied to the current period. Disclosures related to financial instruments presented in comparative figures under IAS 39 is given in Note 2.5 for better understanding.

The effects of adopting IFRS 9 are set out below.

(a) ***Classification and measurement***

Under IFRS 9, there is a change in the classification and measurement requirements relating to financial assets. Previously, there were four categories of financial assets: loans and receivables, fair value through profit or loss, held to maturity and available for sale. Under IFRS 9, financial assets are either classified as amortised cost, fair value through profit or loss or fair value through other comprehensive income.

For debt instruments, the classification is based on two criteria: the Company's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' (SPPI) on the principal amount outstanding. A financial asset can only be measured at amortised cost if both of the following are satisfied:

- Business model: the objective of the business model is to hold the financial asset for the collection of the contractual cash flows.

- Contractual cash flows: the contractual cash flows under the instrument relate solely to payments of principal and interest.

The assessment of the Company's business model was made as of the date of initial application. The assessment of whether contractual cash flows on debt instruments are SPPI was made based on the facts and circumstances as at the initial recognition of the assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *Continued*

2.1 Basis of preparation *Continued*

Changes in accounting policies *Continued*

(a) ***Classification and measurement*** *Continued*

The classification and measurement requirements of IFRS 9 did not have a significant impact on the Company. The Company continued measuring at fair value all financial assets previously held at fair value under IAS 39. The following are the changes in the classification of the Company's financial assets:

- Trade receivables and other non-current financial assets previously classified as Loans and receivables are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are now classified and measured as Debt instruments at amortised cost.

- Equity investments in non-listed companies previously classified as AFS financial assets are now classified and measured as Equity instruments designated at fair value through OCI. The Company elected to classify irrevocably its non-listed equity investments under this category as it intends to hold these investments for the foreseeable future. There were no impairment losses recognised in profit or loss for these investments in prior periods.

The Company has not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement for the Company's financial liabilities.

(i) Set out below are disclosures relating to the impact of the adoption of IFRS 9 on the Company.

	Measurement Category	IAS 39 Carrying amount	IFRS 9 Carrying amount
		SR' 000	SR' 000
Financial assets			
Investment in Financial Assets	Amortised cost	11,117	11,117
Trade and other receivables	Amortised cost	21,327	20,644
Cash and cash equivalents	Amortised cost	62,410	62,410

There were no changes to the measurement of financial instruments upon transition to IFRS 9 on January 1, 2018.

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

2.1 **Basis of preparation** *Continued*

Changes in accounting policies *Continued*

(b) ***Impairment***

The adoption of IFRS 9 has changed the Company's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Company to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets in the scope of IFRS 15.

As all of the Company's trade receivables and other current receivables which the Company measures at amortised cost are short term (i.e., less than 12 months) and the Company's credit rating and risk management policies in place.

Upon the adoption of IFRS 9, the Company elected to apply the simplified approach as prescribed by the standard for measuring impairment losses for financial assets.

Reconciliation of statement of financial position balances from IAS 39 to IFRS 9

The Company performed a detailed analysis of its business models for managing financial assets and analysis of their cash flow characteristics. The following table reconciles the carrying amounts of financial assets, from their previous measurement category in accordance with IAS 39 to their new measurement categories upon transition to IFRS 9 on January 1, 2018:

	IAS 39 Carrying amount 31 Dec 2017	Reclassifi-cations	Remeasure-ments	IFRS 9 Carrying amount 1 Jan 2018
	SR' 000	SR' 000	SR' 000	SR' 000
AMORTISED COST:				
Trade and other receivables	21,327	-	(683)	20,644
Cash and cash equivalents	62,410	-	-	62,410
Total	83,737	-	(683)	83,054
Retained earnings effect on January 1, 2018				(683)

(c) ***Hedge accounting***

The Company has elected to adopt the new general hedge accounting model in IFRS 9. However, the changes introduced by IFRS 9 relating to hedge accounting currently have no impact, as the Company does not apply hedge accounting.

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

2.1 **Basis of preparation** *Continued*

Changes in accounting policies *Continued*

IFRS 15 Revenue from Contracts with Customers

IFRS 15 replaces all existing revenue requirements in IFRS and applies to all revenue arising from contracts with customers, unless the contracts are in the scope of other standards, such as IAS 17 (or IFRS 16 Leases, once applied). Its requirements also provide a model for the recognition and measurement of gains and losses on disposal of certain non-financial assets, including property, plant and equipment and intangible assets.

The standard outlines the principles an entity must apply to measure and recognise revenue. The core principle is that an entity will recognise revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS is applied using a five step model.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. Application guidance is provided in IFRS 15 to assist entities in applying its requirements to certain common arrangements, including licenses of intellectual property, warranties, rights of return, principal-versus-agent considerations, options for additional goods or services and breakage.

The effects of adopting IFRS 15 are set out below.

The Company’s revenue from contracts with customers comprises two main streams being the sale of goods in retail and wholesale. The Company undertook a comprehensive analysis of the impact of the new revenue standard based on a review of the contractual terms of its principal revenue streams with the primary focus being to understand whether the timing and amount of revenue recognised could differ under IFRS 15.

- Sale of goods - wholesale

  The Company sells a range of products in the wholesale market. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer’s acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

  A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

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

2.1 **Basis of preparation** *Continued*

Changes in accounting policies *Continued*

IFRS 15 Revenue from Contracts with Customers *Continued*

- Sale of goods - retail

  The Company operates a chain of retail stores that sell general goods, building materials and travel retail goods. Revenue from the sale of goods is recognised when a Company's entity sells a product to the customer. Payment of the transaction price is due immediately when the customer purchases the goods and takes delivery in store. It is the Company's policy to sell its products to the end customer with no right of return. Therefore, no refund liability (included in trade and other payables) and a right to the returned goods (included in other current assets) are recognized.

  The Company's obligation to repair or replace faulty products under the standard warranty terms is not recognised as provision since the supplier takes the responsibility of repair and responsibility under the terms of arrangement from the supplier for the sale of these products.

- Sale of goods - customer loyalty programme

  The Company operates a loyalty scheme at retail outlets that sell general goods where retail customers accumulate points for purchases made which entitle them to discount on future purchases except travel retail and building materials retail. Revenue is recognized upon satisfaction of a performance obligation. The revenue recognition occurs at a point in time when control of the asset is transferred to the customer, which is generally upon delivery of the goods. The output method will provide a faithful depiction in recognizing revenue. Customers who purchase from outlets may enter the entity's customer loyalty scheme and earn points that are redeemable against future purchases of the entity's products. The entity will allocate a portion of the transaction price to the loyalty scheme based on relative standalone selling price.

Amendments to IAS 28 included in the 2014-2016 Annual Improvements Cycle

The 2014-2016 Annual Improvements Cycle includes amendments to a number of IFRSs, one of which is effective for annual periods beginning on or after January 1, 2018. The amendments to IAS 28 clarify that the option for a venture capital organisation and other similar entities to measure investments in associates and joint ventures at FVTPL is available separately for each associate or joint venture, and that election should be made at initial recognition. In respect of the option for an entity that is not an investment entity (IE) to retain the fair value measurement applied by its associates and joint ventures that are IEs when applying the equity method, the amendments make a similar clarification that this choice is available for each IE associate or IE joint venture. *This amendment is not expected to have any impact on the Company's financial statements.*

Amendments to IAS 40 Transfers of Investment Property

The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by observable evidence that a change in use has occurred. The amendments further clarify that the situations listed in IAS 40 are not exhaustive and that a change in use is possible for properties under construction (i.e. a change in use is not limited to completed properties). *This new standard is not expected to have any impact on the Company's financial statements.*

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

2.1 **Basis of preparation** *Continued*

Changes in accounting policies *Continued*

IFRIC 22 Foreign Currency Transactions and Advance Consideration

IFRIC 22 addresses how to determine the 'date of transaction' for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or non-monetary liability (for example, a non-refundable deposit or deferred revenue).

The Interpretation specifies that the date of transaction is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the Interpretation requires an entity to determine the date of transaction for each payment or receipt of advance consideration.

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

The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. *This amendment is not expected to have any impact on the Company's financial statements.*

Standards, amendments and interpretations in issue but not yet effective

The following new and revised IFRSs and interpretations are not mandatorily effective for the year ended December 31, 2018. 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 and interpretations that have been issued but are not yet effective.

• IFRS 16	Leases (January 1, 2019)
• Amendments to IFRS 17	Insurance Contracts (January 1, 2021)
• Amendments to IFRS 9	Financial Instruments- Prepayments Features with Negative Compensation
• Amendments to IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (January 1, 2019)
• Annual improvements to IFRS Standards 2015–2017	Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs
• Amendments to IAS 19 Employee Benefits	Plan Amendment, Curtailment or Settlement
• IFRIC 23	Uncertainty over Income Tax Treatments (January 1, 2019)

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

2.1 **Basis of preparation** *Continued*

Standards, amendments and interpretations in issue but not yet effective *Continued*

Management anticipates that amendments to IFRS 9, IFRS 17; IAS 28 and IFRIC 23 which are in issue but not yet effective 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 judgment in the process of applying appropriate accounting policies. The areas involving a high degree of judgment 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.

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from current accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases. IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

Transition to IFRS 16

IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs. The Company plans to adopt IFRS 16 using the modified retrospective approach, which means it will apply the standard from 1 January 2019, the cumulative impact of adoption will be recognised as at January 1, 2019 and comparatives will not be restated. The Company will elect to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low-value.

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

2.1 **Basis of preparation** *Continued*

Standards, amendments and interpretations in issue but not yet effective *Continued*

Transition to IFRS 16 *Continued*

In 2018, the Company continued to progress its detailed impact assessment and implementation project of IFRS 16. Much of the early part of 2018 was spent focusing on reviewing contracts, aggregating data to support the evaluation of the accounting impacts and identifying where key policy decisions were required. The Company will implement a new lease accounting system which will be used for the majority of the Company's leases. Work is currently underway to configure the system, to gather and load the data required and to test the system. Further work on process improvements and reaching conclusions on the Company's accounting interpretations is continuing. In addition, the Company is aware that implementation activities of other corporates continues and practical application of the new standard will continue to develop and emerge. Given this, the Company will closely monitor these developments and assess whether there is any impact on the positions taken.

Impact on the statement of financial position (increase/(decrease)) as at 1 January 2019:

	SR' 000
Assets	
Property, plant and equipment (right-of-use assets)	**155,100**
Liabilities	
Lease liabilities	**(155,100)**
Net impact on equity	**-**

The Company will apply the standard from its mandatory adoption date of January 1, 2019. The Company intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

The Company expects that net profit after tax will decrease by approximately SR 1.4 million for 2019 financial year as a result of adopting the new rules. Operating cash flows will increase and financing cash flows decrease by approximately SR. 13.6 million as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities. The Company's activities as a lessor are not material and hence the Company does not expect any significant impact on the financial statements.

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

2.1 **Basis of preparation** *Continued*

Standards, amendments and interpretations in issue but not yet effective *Continued*

Amendments to IFRS 9 Prepayment Features with Negative Compensation

The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the SPPI condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, prepayment features with negative compensation do not automatically fail SPPI.

The amendment applies to annual periods beginning on or after January 1, 2019 with earlier application permitted. There are specific transition provisions depending on when the amendments are first applied, relative to the initial application of IFRS 9.

The amendment is not likely to have an impact on the Company's financial statements. The Company will adopt the standard upon the effective date.

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

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value recognised at the date of acquisition. 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.

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.

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 Statement of profit or loss. The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of respective assets only if the recognition criteria for provision is met.

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

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

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

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

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 Statement of profit or loss.

The assets residual values, useful lives and methods of depreciation are reviewed periodically and adjusted prospectively, if appropriate.

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

2.3 **Intangible assets**

An Intangible asset is recognised if it is probable that future economic benefits associated with the asset will flow to the Company and the cost of the asset can be reliably measured.

Intangible assets comprise of software which have a finite economic life. intangible assets 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 Statement of profit or loss when incurred.

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

Intangible assets are derecognised on disposal or when no future economic benefits are expected from its use. 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 Statement of profit or loss 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.

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

2.4 **Foreign currencies** *Continued*

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the transactions dates. 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 profit or loss. Exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the profit or loss within 'Finance income or cost'. All other exchange gains and losses are presented in the profit or loss 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. Whereas 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. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively). As at year end, the main exchange rates against Seychelles Rupees were as follows:

	1 USD	**1 EUR**	**1 GBP**
	SR	**SR**	**SR**
2018	**13.8104**	**15.7965**	**17.5251**
2017	13.6643	16.3231	18.3880

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**

The policy applicable from 1 January 2018 (due to application of IFRS 9) is described in note 2.1. Below is the policy applicable under IAS 39.

(a) **Classification**

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

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

2.5.1 **Financial assets** *Continued*

(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, available for sale 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 Statement of profit or loss.

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 derecognised 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.

(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 and other 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 carrying amount of receivables and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of provision is recognised in the Statement of profit or loss.

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

2.5.1 **Financial assets** *Continued*

(d) **Impairment of financial assets**

The Company assesses periodically to check whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group 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 group 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.

(e) **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 Statement of profit or loss. 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 Statement of profit or loss. 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.

2.5.2 **Financial liabilities**

(a) **Classification**

The Company classifies its financial liabilities within the scope of IFRS 9 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.

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

2.5.2 **Financial liabilities** *Continued*

(b) **Measurement**

Initial recognitions

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

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.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Company has not designated any financial liability as at fair value through profit or loss.

Loans and borrowings

This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the 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 as finance costs in the statement of profit or loss.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

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

2.5.2 **Financial liabilities** *Continued*

(c) **Financial Guarantee Contracts**

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contract liabilities are measured initially at their fair values and, if not designated as at FVTPL and do not arise from a transfer of an asset, are measured subsequently at the higher of:

- the amount of the loss allowance determined in accordance with IFRS 9; and
- the amount recognised initially less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

(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 through profit or loss 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 profit or loss.

(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.

2.6 **Impairment of non-financial assets**

The Company assesses periodically to check 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 Statement of profit or loss in those expense categories consistent with the function of the impaired asset.

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

2.6 **Impairment of non-financial assets** *Continued*

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 Statement of profit or loss.

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 with respect to wholesale division and last purchase price for retail outlets. 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 **Cash and cash equivalents**

In the Statement of Cash Flows, cash and cash equivalents includes cash in hand, balances with banks, 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.

2.9 **Share capital**

Ordinary shares are classified as equity.

2.10 **Borrowings**

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

Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Statement of profit or loss 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. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *Continued*

2.11 **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.

2.12 **Employee Benefits**

Employment Benefits

Employment Benefits are consisted of Short Term Employment Benefits, Long Term Employment Benefits, and Post-Employment Benefits. Accounting policies followed for each of these benefits are as follow as:

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 recognized 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.

Long Term Employment Benefits

In terms of Circular No 2 of 2016 issued by Department of Public Administration, Employees in a parastatal are entitled for gratuity on completion of 5 years in services and each 5 years anniversary dates during the terms of the circular at the rates defined in the circular. At the end of the each reporting period, accumulated long term employment benefits are measured in line with the applicable regulations for completeness. Shortfall, if any, is provided by charge to the Statement of profit or loss.

Post Employment Benefits

Post-Employment benefits are consisted of defined contribution plans and defined benefit plans.

(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 recognized as an employee benefit expense in the Statement of profit or loss 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. Provision for post-employment benefits with respect to long service compensation commences and recognized as soon as the employees meet the eligibility criteria specified under the Seychelles Employment Act with respect to completion of 5 years of continuous employment. The provision is made at one day for each completed month of service after completion of 5 years of continuous employment. The employees under fixed term contracts are eligible for End of Contract gratuity payable to employees under Fixed Term Contracts at the rates between 5-15% applied on total remuneration earned during the contractual term. For the provisioning requirement highest rate of 15% is applied.

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

2.12 **Employee Benefits** *Continued*

(b) **Defined benefit plans** *Continued*

At the end of the each reporting period, accumulated postemployment benefits are measured in line with the applicable regulations for completeness. Shortfall, if any, is provided by charge to the Statement of profit or loss. Further provision is required for past services in the year there is an increase in basic salary since the effect of increased salary would impact existing provision. Provision is reversed to Statement of profit or loss when an employee defaults the eligibility criteria at the time or before termination of his employment. The liability recognized in the balance sheet is the present value of the defined obligation at the reporting date.

2.13 **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 Statement of profit or loss net of any reimbursement.

2.14 **Fair value**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or

- In the absence of a principal market, in the most advantageous market for the asset or liability, the principal or the most advantageous market must be accessible by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

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

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

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

2.14 **Fair value** *Continued*

Due to limitation of all assets and liabilities for which fair value is measured or disclosed in the financial statements is based on level 3 Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable and has been disclosed in relevant places where accounting policies and notes are referred to.

The Company determines the policies and procedures for both recurring fair value measurement, such as and unquoted equity instruments, and for non-recurring measurement.

For the purpose of fair value disclosures, the Company has determined classes of assets on the basis of the nature, characteristics and risks of the asset and the level of the fair value hierarchy as explained above.

2.15 **Revenue Recognition**

The Company operates in wholesale and Retail industry. The revenue is recognised based on the identified performance obligation. The transaction price is determined taking into account of variable considerations. The transaction price is allocated to performance obligations and recognised the revenue either over the time of the contract or point in time upon analysis of each sale of goods under separate divisions. The revenue is recognized at the point of risk and reward of the goods has been transferred to customer which is the point of dispatch / collection by the customer on sales.

(a) **Sales and services revenue**

Revenue from sale of goods are recognized when goods are delivered and title has passed Revenue from services is recognized as the services are provided. Revenue from service contracts that cover period of greater than 12 months is recognised in the profit and loss in proportion to the service delivered at a reporting date. In respect of services invoiced in advance amounts are deferred until provision of the service.

(b) **Interest income**

Interest income is recognised in profit or loss as it accrues and is calculated by using the effective interest rate method.

(c) **Rental income**

Rental income arising from operating leases on investment properties or renting out of premises are recognised as revenue on a straight-line basis over the term of the lease or agreement.

(b) **Other revenue**

Other income is recognized on an accrual basis. Net gains and losses on the disposal of property, plant & equipment and other noncurrent assets including investments have been accounted for in profit or loss, having deducted from proceeds on disposal, the carrying amount of the assets and related selling expenses. Breakage income arising from loyalty points not redeemed are accounted under other income.

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

2.16 **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 the calendar year 2017.

2.17 **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 sheet date.

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.

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.

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

2.17 **Current and Deferred taxation** *Continued*

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 Statement of profit or loss.

2.18 **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 Statement of profit or loss 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.

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' 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**	
	2018	2017	**2018**	2017
	SR'000	SR'000	**SR'000**	SR'000
Impact on results:				
Trade and other receivables	-	-	-	-
Trade and other payables	± 1372	± 346	± 1265	± 1485

(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.

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

3.1 **Financial risk factors** *Continued*

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

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, 2018, 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.

	2018	2017
	SR	SR
Bank borrowings	**± 158,625**	± 151,024

(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.

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:

	2018	2017
	SR	SR
10 major counterparties	**39**	38
Others (diversified risk)	**61**	62
	100	100

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

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

3.1 **Financial risk factors** *Continued*

(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 & 5 years	After 5 years	Total
	SR'000	SR'000	SR'000	SR'000
At December 31, 2018				
Borrowings				
- Government of Seychelles	10,863	5,000	-	15,863
Trade and other payables	89,483	-	-	89,483
	100,346	5,000	-	105,346
At December 31, 2017				
Borrowings				
- Government of Seychelles	10,102	5,000	-	15,102
Trade and other payables	82,935	-	-	82,935
	93,037	5,000	-	98,037

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.

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

3.3 **Capital risk management** *Continued*

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, 2018, the Company's strategy, which was unchanged from the financial year ended December 31, 2017, 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, 2018 were as follows:

	2018	2017
	SR	SR
Total debt	**15,862,541**	15,102,366
Less: Cash and cash equivalents	(103,350,647)	(73,527,331)
	(87,488,106)	(58,424,965)
Total equity	**278,976,613**	260,415,970
Debt-to-adjusted capital ratio	**31.36%**	22.44%

The change in debt-to-adjusted capital ratio is mainly due reduction in the loan balance as compared to previous financial year.

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 judgments are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. 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. **SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS** *Continued*

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 need to be re-adjusted in line with the current circumstances. The Directors are due to review the residual values and useful lives of major items of property, plant and equipment and determine 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 judgment 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***

At the end of each financial year, the Directors estimate the amount to be provided for unused point that expire at the end of the period as a percentage of the loyalty points liability based on previous years experience on the value of unredeemed points.

4.5 ***Provision for expected credit losses of trade receivables***

The Company uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns. The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

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; 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.

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

4.6 ***Employee benefit obligation*** *Continued*

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 in terms of Circular 2 of 2016 issued by Department of Public Administration. 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 ***Inventory valuation***

Current inventory software used by the Company is set to use last purchase price of the items as the basis of valuation of inventories held at retail outlets. Turnaround of inventories held at retail outlets is very high as they are either purchased in smaller lots from the Company's wholesale division. Inventories purchased locally comprise of perishables and fast moving items. As such the last purchase price does not vary materially as compared to the weighted average used for wholesale and other inventories. The management is of the view that the current valuation of inventories at retail outlets does not vary materially as compared to the valuation based on IAS 2.

4.8 ***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.

4.9 ***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.

5. **PROPERTY, PLANT AND EQUIPMENT**

	Land	Freehold Buildings	Plant & Machinery	Office Equipment	Computer Equipment	Furniture & Fixtures	Motor Vehicles	Work in Progress	Total
	SR	SR	SR	SR	SR	SR	SR	SR	SR
COST									
At January 1, 2018	3,076,323	36,580,425	29,434,218	13,793,795	11,257,060	25,165,987	27,262,752	8,824,152	155,394,712
Additions	-	-	614,363	816,065	780,597	257,023	-	4,397,295	6,865,343
Disposals	-	-	-	-	-	-	-	(1,184,158)	(1,184,158)
Reclassified to expenses								(295,322)	(295,322)
Reclassification	-	1,944,613	4,706,909	-	-	226,760	-	(6,878,282)	-
At December 31, 2018	**3,076,323**	**38,525,038**	**34,755,490**	**14,609,860**	**12,037,657**	**25,649,770**	**27,262,752**	**4,863,685**	**160,780,575**
ACCUMULATED DEPRECIATION									
At January 1, 2018	-	10,152,754	14,171,311	10,707,183	6,612,537	12,991,511	20,870,260	-	75,505,556
Charge for the year	-	1,447,076	2,982,436	1,613,601	1,414,572	2,213,395	2,870,093	-	12,541,173
At December 31, 2018	**-**	**11,599,830**	**17,153,747**	**12,320,784**	**8,027,109**	**15,204,906**	**23,740,353**	**-**	**88,046,729**
NET BOOK VALUE									
At December 31, 2018	**3,076,323**	**26,925,208**	**17,601,743**	**2,289,076**	**4,010,548**	**10,444,864**	**3,522,399**	**4,863,685**	**72,733,846**
COST									
At January 1, 2017	3,076,323	32,446,296	27,584,194	12,923,375	10,356,041	24,390,986	24,551,955	6,692,787	142,021,957
Additions	-	3,358,327	1,850,024	870,420	901,019	775,001	2,710,797	2,907,167	13,372,755
Reclassification	-	775,802	-	-	-	-	-	(775,802)	-
At December 31, 2017	3,076,323	36,580,425	29,434,218	13,793,795	11,257,060	25,165,987	27,262,752	8,824,152	155,394,712
ACCUMULATED DEPRECIATION									
At January 1, 2017	-	8,872,026	11,371,394	9,138,502	5,195,194	10,704,435	17,485,219	-	62,766,770
Charge for the year	-	1,280,728	2,799,917	1,568,681	1,417,343	2,287,076	3,385,041	-	12,738,786
At December 31, 2017	-	10,152,754	14,171,311	10,707,183	6,612,537	12,991,511	20,870,260	-	75,505,556
NET BOOK VALUE									
At December 31, 2017	3,076,323	26,427,671	15,262,907	3,086,612	4,644,523	12,174,476	6,392,492	8,824,152	79,889,156

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

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

	2018	2017
	SR	SR
Cost of Sales	**4,824,655**	4,661,832
Distribution expenses	**439,255**	559,059
Administrative expenses	**7,277,263**	7,517,895
	12,541,173	12,738,786

(b) Property, plant and equipment have been pledged as security for bank borrowings; a primary floating charge with Barclays Bank (Seychelles) Limited for short term loan facility of USD 5 million and bank guarantee facility of SR. 10 million; and a secondary floating charge with Mauritius Commercial Bank (Seychelles) Limited for short term facility of SR. 50 million.

6. **INTANGIBLE ASSETS**

	2018	2017
	SR	SR
Computer software		
COST		
At the beginning of the year	**1,819,246**	1,819,246
Addition during the year	**-**	-
At December 31,	**1,819,246**	1,819,246
AMORTISATION		
At the beginning of the year	**1,816,754**	1,765,778
Amortisation for the year	**650**	50,976
At December 31,	**1,817,404**	1,816,754
Net book value December 31,	**1,842**	2,492

(a) Amortisation of **SR. 650** (2017: SR. 50,976) has been charged to administrative expenses.

7. **INVESTMENT IN FINANCIAL ASSETS**

	2018	2017
	SR	SR
Available for sale:		
Ordinary shares (unquoted) in:		
Seychelles Commercial Bank Limited	**25,000**	25,000
Directors valuation of unquoted shares	**64,435**	61,492

(a) The financial instrument is classified under level 3, as there is no observable market data for the available-for-sale investments.

(b) The investment is denominated in Seychelles Rupees and is neither past due nor impaired.

8. INVENTORIES

	2018	2017
	SR	SR
Finished goods (at cost)	**102,203,099**	106,025,563
Finished goods (at net realisable value)	**58,596,532**	50,549,450
Raw materials (at cost)	**7,219,211**	10,079,447
Goods in transit (at cost)	**42,014,692**	33,368,284
As restated	**210,033,534**	200,022,744

(a) The Directors are of the opinion that provision required for obsolete inventories is not material and does not require adjustment to the amount carried in the balance sheet at December 31, 2018 (2017: 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. 785,029,194 (2017: SR. 780,870,931).

9. TRADE AND OTHER RECEIVABLES

	2018	2017
	SR	SR
Gross Trade Receivables (notes (a) to (d))	**11,992,534**	11,212,813
Less : Provision for credit impairment (note (e))	**(3,576,306)**	(3,202,377)
Net Trade Receivables	**8,416,228**	8,010,436
Other receivables	**4,605,030**	4,667,421
Prepayments	**4,456,522**	8,648,686
	17,477,780	21,326,543

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

(b) At December 31, 2018, trade receivables include **SR. 1,659,055** (2017 : SR. 1,547,633) 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, 2018, trade receivables include **SR. 2,514,983** (2017 : SR. 1,580,458) 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:

	2018	2017
	SR	SR
Less than 30 days	**7,239,674**	6,321,696
31 to 60 days	**1,804,380**	1,628,708
61 to 90 days	**419,782**	134,318
Over 90 days	**2,528,698**	3,128,091
	11,992,534	11,212,813

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

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:

	2018	2017
	SR	SR
At January 1,	3,202,377	2,781,208
Effect on initial application of IFRS 9	682,668	-
Provision (reversed)/made during the year	(308,739)	515,016
	3,576,306	3,296,224
Bad debts recovered	-	(93,847)
At December 31,	3,576,306	3,202,377

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

10. **CURRENT TAX ASSET**

	2018	2017
	SR	SR
(a) **Statement of financial position**		
At January 1,	3,866,825	2,277,725
Charge to Income Statement (note (b))	(10,900,000)	(6,872,724)
Advance tax paid	9,703,182	8,461,824
At December 31,	2,670,007	3,866,825
(b) **Charge to Income Statement**		
Provision for current taxation based on the profit for the year	(10,900,000)	(7,200,000)
Over provision in prior year	-	327,276
Income tax expense	(10,900,000)	(6,872,724)
Release/(Provision) for deferred tax (note (15 (b))	831,856	(225,011)
Corporate social responsibility tax	(2,737,054)	(2,742,259)
	(12,805,198)	(9,839,994)

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

	2018	2017
Profit before tax	31,843,709	23,589,096
Tax calculated at applicable tax rates (note 10 (d))	9,503,113	7,026,729
Expenses not deductible for tax purposes	187,077	204,168
Adjustment of provision for expenses	193,172	(246,178)
Adjustment for bad and doubtful debts	112,179	126,351
Difference of capital allowance over depreciation	751,039	(38,927)
Provision for tax contingency	153,420	127,857
Provision for current tax based on the profit for the year	10,900,000	7,200,000

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

	2018	2017
Taxable income		
≤ SR. 1,000,000	25%	25%
> SR. 1,000,000	30%	30%

11. CASH AND CASH EQUIVALENTS

	2018	2017
	SR	SR
Balances with banks	**90,598,483**	61,198,267
Term deposits with banks	**11,501,870**	11,116,996
Cash on hand	**1,250,294**	1,212,068
	103,350,647	73,527,331

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

	2018	2017
	SR	SR
Issued and fully paid		
100 ordinary shares of SR. 100 each	**10,000**	10,000

13. CONTRIBUTED CAPITAL

	2018	2017
	SR	SR
At January 1, and December 31,	**92,209,737**	92,209,737

(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
	101,749,223
Less: Amount credited to share capital	(10,000)
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)
Net contributed capital	**92,209,737**

14. BORROWINGS

	2018	2017
	SR	SR
Government of Seychelles loan (note (a))	**15,862,541**	15,102,366
Analysed as:		
Due beyond one year	**5,000,000**	5,000,000
Due within one year	**10,862,541**	10,102,366
	15,862,541	15,102,366

Movement during the year is analysed below:

	2018	2017
	SR	SR
At January 1,	**15,102,366**	26,963,310
Repayment	**-**	(11,963,310)
Accrued interest	**760,175**	102,366
At December 31,	**15,862,541**	15,102,366

(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 2020. Rate of interest is charged on the basis of average interest rates of 365 days government treasury bills prevailing on the 30th April and 31th October each year preceding the due date of each instalment.

(b) 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.

(c) The carrying amounts of the Company's borrowings are denominated in Seychelles Rupees.

(d) The carrying amounts of the Company's borrowings approximate their amortised costs.

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 (d).

(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:

	2018	2017
	SR	SR
At January 1,	**4,687,106**	4,462,095
Credit to Retained earnings	**(204,800)**	-
(Credit)/Charge to Income Statement (note 10(b))	**(831,856)**	225,011
As December 31,	**3,650,450**	4,687,106

15. **DEFERRED TAX LIABILITIES** *Continued*

(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:

	Accelerated tax depreciation	Allowance for credit loss	Retirement benefit obligations	Total
	SR	SR	SR	SR
At January 1, 2017	10,264,850	(900,620)	(4,902,135)	4,462,095
Charge/(Credit) for the year	38,925	(60,093)	246,179	225,011
At December 31, 2017	10,303,775	(960,713)	(4,655,956)	4,687,106
Effect of IFRS 9 adoption	-	**(204,800)**	-	**(204,800)**
Charge/(Credit) for the year	**(731,305)**	**92,621**	**(193,172)**	**(831,856)**
At December 31, 2018	**9,572,470**	**(1,072,892)**	**(4,849,128)**	**3,650,450**

16. **EMPLOYEE BENEFIT OBLIGATION**

	2018	2017
	SR	SR
Retirement benefit obligations	**13,087,742**	11,368,677
Long term employee benefit obligation	**3,076,019**	4,151,178
	16,163,761	15,519,855

Movement in Employee Benefit obligation:		
At January 1,	**15,519,855**	16,340,450
Charge to Income Statement (note 20)	**3,699,682**	4,771,061
Paid during the year	**(3,055,776)**	(5,591,656)
At December 31,	**16,163,761**	15,519,855

(a) The Company recognised and provided for employee benefit obligation arising on account of gratuity based on the regulations applicable to parastatal organisations and length of service severance compensation based on the provisions of Seychelles Employment Act, and end of contract gratuity payable to employees on contractual terms. The Company proposes to meet these liabilities as and when they fall due, out of its working capital and not funded externally.

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

17. TRADE AND OTHER PAYABLES

	2018	2017
	SR	SR
Trade payables	**78,734,590**	66,745,517
Accruals and other payables	**10,748,183**	12,547,781
Deferred revenue	**2,156,518**	3,641,496
As previously reported	**91,639,291**	82,934,794
Deferred revenue separately reported as contract liabilities (IFRS 15)	**(2,156,518)**	(3,641,496)
As currently reported	**89,482,773**	79,293,298
Contract liabilities – customer loyalty programme	**2,156,518**	3,641,496

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

	2018	2017
Seychelles Rupee	**37,228,587**	36,179,169
Euro	**25,304,107**	29,705,879
US Dollar	**27,439,966**	6,919,225
Other currencies	**1,666,631**	10,130,521
	91,639,291	82,934,794

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

18. REVENUE FROM CONTRACTS WITH CUSTOMERS

Set out below is the disaggregation of the Company's revenue from contracts with customers:

	2018	2017
	SR	SR
Type of goods :		
Sale of goods - retail	**718,685,586**	704,734,836
Less: Reward point awarded (note 2.17)	**(9,775,955)**	(9,742,137)
	708,909,631	694,992,699
Sale of goods - wholesale	**376,136,092**	401,910,531
Total revenue from contracts with customers	**1,085,045,723**	1,096,903,230
Timing of revenue recognition:		
Goods transferred at a point in time	**1,085,045,723**	1,096,903,230
Goods transferred over time	**-**	-
Total revenue from contracts with customers	**1,085,045,723**	1,096,903,230

18. **REVENUE FROM CONTRACTS WITH CUSTOMERS** *Continued*

The Directors have estimated that the amount to be recognised as breakages, the amount attributable to a customer unexercised rights to future goods and services is 12.61% (2017: 6.22%) of the loyalty points liability outstanding at the end of the financial year.

19. **OPERATING AND OTHER EXPENSES**

	2018	2017
	SR	SR
Cost of inventories (note 8)	**785,562,693**	789,870,931
Depreciation of property, plant and equipment (note 5)	**12,541,173**	12,738,786
Amortisation of intangible assets (note 6)	**650**	50,976
Electricity and water charges	**29,147,106**	27,812,201
Publicity and promotions	**1,981,442**	3,889,140
Transport and fuel expenses	**6,008,585**	6,530,421
Packing expenses	**5,611,018**	5,477,280
Rental expenses	**44,497,468**	49,111,657
Repairs and maintenance	**8,193,141**	9,923,843
Telephone and faxes	**2,066,518**	2,175,019
Employee benefits expenses (note 20)	**123,803,177**	126,721,038
Professional and other fees	**1,705,888**	1,382,900
Security expenses	**7,230,483**	7,515,566
Vehicle expenses	**1,738,904**	2,323,827
Other donations	**328,269**	459,899
CSR related donations	**2,737,054**	2,742,258
Container rental	**2,916,153**	2,521,423
Loss on disposal of asset	**1,184,158**	-
Other expenses	**28,297,666**	28,913,878
	1,065,551,546	1,080,161,043

Summarised as follows:

Cost of sales	**814,676,050**	816,963,984
Distribution expenses	**11,773,093**	16,001,100
Administrative expenses	**239,102,403**	247,195,959
	1,065,551,546	1,080,161,043

20. **STAFF COST**

	2018	2017
	SR	SR
Salaries and wages	**100,282,139**	101,969,230
Performance bonus	**6,183,060**	4,093,937
13th month salary	**5,828,617**	6,566,767
Directors' emoluments (note (a) below)	**1,144,939**	1,031,760
Retirement and other long term benefits (note 16)	**3,699,682**	4,771,061
Employee benefits and related expenses (notes (b to c))	**4,650,856**	5,299,006
Staff welfare	**2,013,884**	2,989,277
	123,803,177	126,721,038

20. **STAFF COST** *Continued*

		2018	2017
		SR	SR
(a) ***Directors' emoluments:***			
Guy Morel	Chairperson (current)	**88,560**	18,960
Rebecca Loustau Lalanne	Chairperson (previous)	**-**	56,880
Veronique Laporte	Chief Executive Officer (previous)	**-**	721,616
Farida Camille		**63,704**	12,639
Oliver Bastienne		**63,704**	12,639
Ashik Hassan		**63,704**	12,639
Gerard Adam		**63,704**	12,639
Veronique Herminie		**-**	37,916
Michael Nalletamby		**-**	37,916
Rupert Simeon		**-**	37,916
Total Directors' emoluments		**343,376**	961,760
Other emoluments:			
Christine Joubert	Chief Executive Officer (current)	**801,563**	70,000
		1,144,939	1,031,760

(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**

	2018	2017
	SR	SR
Rental income	**4,347,757**	4,026,106
Sundry income	**5,527,666**	2,984,171
	9,875,423	7,010,277

22. **FINANCE INCOME AND EXPENSE**

	2018	2017
	SR	SR
(a) **Finance income**		
Interest received on term deposits	**715,740**	568,807
(b) **Finance expense**		
Interest on Government loan	**760,175**	1,233,444
Interest on bank borrowings	**283,415**	28,150
	1,043,590	1,261,594

23. RELATED PARTY TRANSACTIONS

	2018	2017
	SR	SR
Government of Seychelles		
Balances		
Contributed capital (note 13)	**92,209,737**	92,209,737
Borrowing (note 14)	**15,862,541**	15,102,366
Transactions		
Interest on borrowings (note 23 (b))	**760,175**	1,233,444
Directors		
Directors remuneration and benefits (note 20(a))	**1,144,939**	1,031,760

(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).

24. CAPITAL COMMITMENTS

	2018	2017
	SR	SR
Approved and contracted for property, plant and equipment	**188,000**	-
Approved but not contracted for property, plant and equipment	**36,136,000**	6,050,000

25. CONTINGENT LIABILITIES

	2018	2017
	SR	SR
Bank guarantees for bonded warehouse	**10,000,000**	10,000,000
Corporate guarantees for employee loans	**400,000**	-
	10,400,000	10,000,000

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.

26. 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:

	2018	2017
	SR'000	SR'000
Within one year	**142**	10,022
Above one year but not more than five years	**494**	49,894
More than five years	**1,715**	156,502
Total operating lease rent payable	**2,351**	216,418

27. SUBSEQUENT EVENTS

Subsequent to the financial year under review the Company has agreed to purchase the property of the currently rented Building Material premises including the leases land. The financial effect of this transaction has not been recognised in these financial statements as at December 31, 2018, as the lease agreements is yet to be finalised and that the consideration payment was completed in May 2019.

28. FIVE YEAR FINANCIAL SUMMARY

	2018	2017	2016	2015	2014
	SR'000	SR'000	SR'000	SR'000	SR'000
Revenue	**1,085,046**	1,096,903	1,095,056	948,083	851,486
Profit before tax	**31,844**	23,589	27,791	32,134	8,512
Tax expense	**(12,805)**	(9,840)	(10,757)	(13,245)	(3,116)
Profit for the year	**19,039**	13,749	17,034	18,889	5,396
Retained earnings brought forward	**168,196**	154,447	137,413	118,524	113,128
Effect of implementation of IFRS 9	**(478)**	-	-	-	-
Retained earnings carried forward	**186,757**	168,196	154,447	137,413	118,524
EQUITY					
Share capital	**10**	10	10	10	10
Contributed capital	**92,210**	92,210	92,210	92,210	92,210
Retained earnings	**186,757**	168,196	154,447	137,413	118,524
	278,977	260,416	246,667	229,633	210,744

ADDITIONAL INFORMATION

SOCIAL BENEFIT TO CONSUMERS ON SUBSIDISED PRICES OF ESSENTIALS

	2018	2017	2016	2015	2014
	SR'000	SR'000	SR'000	SR'000	SR'000
Revenue					
Subsidised sales	**196,686**	211,400	232,422	265,751	280,475
Non-subsidised sales	**898,136**	885,503	862,634	682,332	571,011
	1,094,822	1,096,903	1,095,056	948,083	851,486
Cost of Social Benefits:					
Cost to the company	**24,864**	22,252	19,078	49,962	63,081
Tax impact	**12,141**	9,717	11,069	26,247	31,424
	37,005	31,969	30,147	76,209	94,505
Average exchange rates - CBS	14.07	13.84	13.50	13.50	12.21
Global food index - FAO	168.67	178.60	161.50	164.00	209.80

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, 2018

	2018		2017	
	SR	%	SR	%
Economic value generated				
Revenue	**1,085,045,723**		1,096,903,230	
Finance income	**715,740**		568,807	
Rental and other income	**9,875,423**		7,010,277	
	1,095,636,886		1,104,482,314	
Operating costs	**(921,747,149)**		(935,208,168)	
Economic value added	**173,889,737**		169,274,146	
Economic value distributed				
Employee wages and benefits				
- Salaries, wages and other benefits	**110,646,561**	63.6%	115,028,574	68.0%
- Performance bonus and 13th month salary	**12,011,677**	6.9%	10,660,704	6.3%
Payments to providers of funds				
- Interest on borrowings	**283,415**	0.2%	28,150	0.0%
Payments to Government				
- Government loan interest	**760,175**	0.4%	1,233,444	0.7%
- Government tax	**12,805,198**	7.4%	9,839,994	5.8%
Corporate social responsibility	**5,802,377**	3.3%	5,944,416	3.5%
	142,309,403	81.8%	142,735,282	84.3%
Economic value retained				
Depreciation	**12,541,173**		12,738,786	
Amortisation	**650**		50,976	
Profit for the year	**19,038,511**		13,749,102	
Retained for reinvestment/growth	**31,580,334**	18.2%	26,538,864	15.7%
Total	**173,889,737**	100.0%	169,274,146	100.0%

This economic value added statement does not form part of the audited financial statements set out on pages 5 to page 48