SEYCHELLES TRADING COMPANY LIMITED

DIRECTORS' REPORT AND AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

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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, Victoria, Mahé, Seychelles
AUDITOR	:	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. ABSA 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 Seychelles Trading Company Limited, ("the Company") for the year ended December 31, 2019.

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.

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

RESULTS

	SR
Profit before tax	**37,947,601**
Taxation	**(14,290,083)**
Profit for the year	**23,657,518**
Retained earnings brought forward	**186,756,876**
Retained earnings carried forward	**210,414,394**

DIVIDENDS

The Directors did not propose any dividend for the financial year under review (2018 : SR. nil).

PROPERTY, PLANT AND EQUIPMENT

Additions to property, plant and equipment of SR. 23.9 million during the year comprised mainly of leasehold land and buildings, work in progress, plant & machinery, equipment, motor vehicles, furniture and fixtures. Disposals from plant & machinery and motor vehicles were carried at net book value of SR. 34,434.

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 approximates its 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 (2018 : nil).

STATEMENT OF BOARD OF DIRECTORS' RESPONSIBILITIES

The Board of 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. 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 Board has 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 have been prepared and presented in accordance with the International Financial Reporting Standards which have been supported by reasonable and prudent judgments and estimates and is in compliance with the Seychelles Companies Act, 1972. The Directors also confirm that they are of the view that they have discharged their responsibilities as set out in aforesaid statement to the best of their knowledge and ability.

The Board of 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 (2018 : SR. nil).

GOING CONCERN

In determining the basis of preparing the financial statements for the year ended 31 December 2019, based on available information, the management has assessed the existing and anticipated economic and operational effects brought about by the COVID-19 pandemic on the company and the appropriateness of the use of the going concern basis.

In March 2020, the company evaluated the resilience of its businesses considering a wide range of factors under multiple stress tested scenarios , relating to expected revenue streams, cost management, profitability, the ability to defer non-essential capital expenditure, debt repayment schedules, if any, cash reserves and potential sources of financing facilities, if required, and the ability to continue providing goods and services to ensure businesses continue as least impacted as possible. Having presented the outlook to the Board and after due consideration of the range and likelihood of outcomes, the Directors are satisfied that the Company, have adequate resources including assistance and guarantee of Government of the Seychelles continue to support operations of the company for the foreseeable future and continue to adopt the going concern basis in preparing and presenting these financial statements.

AUDITORS

The retiring auditor, Messers. Baker Tilly, Chartered Accountants, Seychelles being eligible offer themselves for reappointment.

Guy Morel Director	**Gerard Adam** Director	**Farida Camille** Director
Oliver Bastienne Director	Hassan **Ashik Hassan** Director	

Dated: August 31, 2020
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 AUDITOR'S 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 Auditor's 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

Opinion

We have audited the financial statements of Seychelles Trading Company Limited set out on pages 6 to 50 which comprise the statement of financial position at December 31, 2019, the related statements of profit or loss and other comprehensive income, cash flows and changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") and comply with the Seychelles Companies Act, 1972.

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 other ethical requirements that are relevant to our audit of the financial statements in Seychelles, and we have fulfilled our other ethical responsibilities.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

SEYCHELLES TRADING COMPANY LIMITED *Continued*

Emphasis of Matter - Effects of COVID-19 pandemic

We draw attention to Note 27 (a) of the financial statements which describes a material uncertainty regarding the COVID-19 pandemic which is affecting Seychelles severely. Actions adopted by countries such as closing borders, grounding flights and discouraging people from travelling abroad are impacting heavily on all industries thereby raising a significant uncertainty on the going concern of the Company.

The management together with the Board have considered the impact of the COVID-19 pandemic and ascertained that the going concern of the Company shall not get affected although the sales demand has been considerably reduced.

Our opinion is not qualified in respect of the above.

Other information

Management is responsible for the other information. The other information comprises the Directors' Report, which we obtained prior to the date of this auditor's report. 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 audit 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 and fair presentation 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 the 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, the 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 the 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 AUDITOR'S REPORT TO THE MEMBERS OF

SEYCHELLES TRADING COMPANY LIMITED *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 controls;

- 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; and

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

SEYCHELLES TRADING COMPANY LIMITED *Continued*

Auditors' Responsibilities for the Audit of the Financial Statements *Continued*

We also provide management with a statement that we have compiled with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with management, we determine if there are any matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We have determined that there are no key audit matters to communicate in our report.

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: August 31, 2020

STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2019

	Notes	2019	2018
		SR	SR
ASSETS			
Non current assets:			
Property, plant and equipment	5	**84,231,301**	72,733,846
Intangible assets	6	**153,343**	1,842
Right-of-use assets	18 (a)	**142,400,799**	-
Investment in financial assets	7	**25,000**	25,000
		226,810,443	72,760,688
Current assets:			
Inventories	8	**172,273,587**	210,033,534
Trade and other receivables	9	**15,474,917**	17,477,780
Current tax asset	10 (a)	**-**	2,670,007
Cash and cash equivalents	11	**137,335,231**	103,350,647
		325,083,735	333,531,968
Total assets		**551,894,178**	406,292,656
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	12	**10,000**	10,000
Contributed capital	13	**92,209,737**	92,209,737
Retained earnings		**210,414,394**	186,756,876
Total equity		**302,634,131**	278,976,613
Non current liabilities:			
Borrowings	14	**-**	5,000,000
Lease liabilities	18 (b)	**130,131,327**	-
Deferred tax liabilities	15	**1,575,301**	3,650,450
Employee benefit obligations	16	**19,401,903**	16,163,761
		151,108,531	24,814,211
Current liabilities:			
Borrowings	14	**10,476,544**	10,862,541
Lease liabilities	18 (b)	**14,527,176**	-
Trade and other payables	17	**69,279,878**	89,482,773
Contract liabilities	17	**2,557,620**	2,156,518
Current tax liability	10 (a)	**1,310,298**	-
		98,151,516	102,501,832
Total liabilities		**249,260,047**	127,316,043
Total equity and liabilities		**551,894,178**	406,292,656

These financial statements were approved for issue by the Board of Directors on August 31, 2020

Guy Morel
Director

Gerard Adam
Director

Farida Camille
Director

Oliver Bastienne
Director

Ashik Hassan
Director

The notes on pages 10 to 50 form an integral part of these financial statements

Independent Auditor's Report on pages 5 to 5 (c)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2019

	Notes	**2019**	2018
		SR	SR
Revenue from contracts with customers	19	**1,137,622,260**	1,089,287,245
Cost of sales	20	**(853,435,198)**	(814,676,050)
Gross profit		**284,187,062**	274,611,195
Distribution expenses	20	**(12,108,053)**	(11,773,093)
Administrative expenses	20	**(228,364,553)**	(239,102,403)
Other income	22	**4,389,201**	5,633,901
Operating profit		**48,103,657**	29,369,600
Foreign exchange gains		**1,268,741**	2,801,959
Finance income	23 (a)	**930,246**	715,740
Finance costs	23 (b)	**(12,355,043)**	(1,043,590)
Profit before tax		**37,947,601**	31,843,709
Tax expense	10 (b)	**(14,290,083)**	(12,805,198)
Profit and total comprehensive income for the year		**23,657,518**	19,038,511

The notes on pages 10 to 50 form an integral part of these financial statements
Independent Auditor's Report on pages 5 to 5 (c)

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2019

	Share capital	Contributed capital	Retained earnings	Total
	SR	SR	SR	SR
Balance at January 1, 2019	**10,000**	**92,209,737**	**186,756,876**	**278,976,613**
Profit for the year	**-**	**-**	**23,657,518**	**23,657,518**
Balance at December 31, 2019	**10,000**	**92,209,737**	**210,414,394**	**302,634,131**
Balance at January 1, 2018	10,000	92,209,737	167,718,365	259,938,102
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

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2019

	Notes	2019	2018
		SR	SR
OPERATING ACTIVITIES			
Profit before tax		**37,947,601**	31,843,709
Adjustments for:			
Depreciation of property, plant and equipment	5	**12,345,683**	12,541,173
Amortisation of intangible assets	6	**37,372**	650
Depreciation of right-of-use-assets	18 (a)	**15,584,431**	-
Increase in employee benefit obligations provision	16	**5,322,601**	3,699,682
Interest receivable	23 (a)	**(930,246)**	(715,740)
Interest payable	23 (b)	**839,296**	1,043,590
Interest on lease liabilities	18 (c)	**11,515,747**	-
Provision/(reversal) for credit impairment	9 (e)	**744,774**	(308,739)
Loss on disposal of property, plant and equipment	20	**35,434**	1,184,158
Net foreign exchange differences		**59,068**	146,980
Operating profit before working capital changes		**83,501,761**	49,435,463
Changes in working capital			
- Inventories		**37,759,947**	(10,010,789)
- Trade and other receivables		**1,258,089**	4,157,501
- Trade and other payables and contract liabilities		**(19,801,793)**	8,704,496
Net cash generated from operations		**102,718,004**	52,286,671
Tax paid	10	**(12,384,927)**	(12,440,236)
Employee benefit obligations paid	16	**(2,084,459)**	(3,055,776)
Net cash inflow from operating activities		**88,248,618**	36,790,659
INVESTING ACTIVITIES			
Additions to property, plant and equipment	5	**(24,108,643)**	(6,865,343)
Interest received		**930,246**	715,740
Net cash outflow from investing activities		**(23,178,397)**	(6,149,603)
FINANCING ACTIVITIES			
Receipt of loan	14	**5,000,000**	760,175
Repayment of borrowings		**(10,000,000)**	-
Interest paid on borrowings		**(1,225,293)**	(788,778)
Lease payments	18 (b)	**(24,842,474)**	-
Net cash outflow from financing activities		**(31,067,767)**	(28,603)
Net change in cash and cash equivalents		**34,002,454**	30,612,453
Movement in cash and cash equivalents:			
At January 1,		**103,350,647**	73,527,331
Net foreign exchange difference		**(17,870)**	(789,137)
Increase		**34,002,454**	30,612,453
At December 31,	11	**137,335,231**	103,350,647

The notes on pages 10 to 50 form an integral part of these financial statements
Independent Auditor's Report on pages 5 to 5 (c)

1. GENERAL INFORMATION

Seychelles Trading Company Limited ('STCL') is a limited liability company, incorporated and domiciled in the Republic of 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 owned by the Government of Seychelles until January 31, 2014 when it transferred its entire shareholding to its investment vehicle Société Seychelloise D'Invéstissement Limited (SSIL).

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. The registered office the Company is located at Latanier Road, Victoria, Seychelles which is also its principal place of business.

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

A summary of the significant accounting policies, which have been applied consistently (subject to para 2.1 (d)), are set out below:

2.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with IFRS issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the International Financial Reporting Standards ("IFRS") Interpretations Committee (the “Committee”), and comply with the Seychelles Companies Act, 1972.

(a) Accounting convention

These financial statements have been prepared in accordance with the historical cost convention and the accruals basis.

(b) Reporting and functional currency

The reporting and functional currency of the Company is Seychelles Rupees (“SR”), as most of the transactions are effected in that currency.

(c) Comparative information

Comparative information including quantitative, narrative and descriptive information is disclosed in respect of the previous period in the Financial Statements in order to enhance the understanding of the current period’s Financial Statements and to enhance the inter period comparability. The presentation and classification of the Financial Statements of the previous year are amended, where relevant for better presentation and to be comparable with those of the current year. The Company has not restated the comparative information for contracts within the scope of International Financial Reporting Standard – IFRS 16 “Leases”. Therefore, the comparative information is reported under International Accounting Standard – IAS 17 “Leases” and is not comparable with the information presented for the year 2019.

Effective the year 2019, Revenues from event management and breakages pertaining to loyalty points were reclassified from 'Other Income' to 'Revenue from Contract with Customers' (notes 19 and 22); and certain items of 'Other expenses' that increased substantially are presented separately in 'Operating and other expenses' (note 20). Prior year figures have been reclassified to conform to the current year presentation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *Continued*

(d) **Changes in accounting policies**

The accounting policies are consistent with those used in the previous financial year, except for the following amendments to IFRS that are mandatorily effective for accounting years beginning on or after January 1, 2019:

(i) **New standards, improvements, interpretations and amendments issued**

• Amendments to IAS 19	Employee Benefits
• Amendments to IAS 28	Investments in Associates and Joint Ventures
• Amendments to IFRS 9	Financial Instruments
• IFRS 16	Leases
• IFRIC 23	Uncertainty over Income Tax Treatments
• Annual improvements	IFRS Standards 2015-2017 Cycle • IAS 12 Income Taxes • IAS 23 Borrowing Costs • IFRS 3 Business Combinations • IFRS 11 Joint Arrangements

The adoption of these new standards, improvements, interpretations and amendments and their impact on the Company for the year ended December 31, 2019 are discussed in detail below.

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to determine the current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to re-measure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event. An entity is also required to determine the net interest for the remainder of the period after the plan amendment, curtailment or settlement using the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event, and the discount rate used to remeasure that net defined benefit liability (asset). *The amendments had no impact on the financial statements of the Company as it did not have any plan amendments, curtailments, or settlements during the period.*

Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests. The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures. *These amendments had no impact on the financial statements as the Company does not have any long term interests in a joint venture.*

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *Continued*

(d) **Changes in accounting policies** *Continued*

Amendments to IFRS 9: Prepayment Features with Negative Compensation

Under IFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of an event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. *These amendments had no major impact on the financial statements of the Company.*

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 like 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 recognize 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 recognize 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 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. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach (simplified). The standard's transition provisions permit certain reliefs. The Company adopted IFRS 16 using the modified retrospective approach (simplified), which means it applied the standard from January 1, 2019 and the comparatives are not restated. The Company uses 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.

The Company adopted IFRS 16 using the modified retrospective approach (simplified) with the date of initial application of January 1, 2019. Further, in accordance with the exemptions available as per the transitional provisions of IFRS 16, the comparative figures have not been restated, and there was no impact on the current year's opening retained earnings.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *Continued*

IFRS 16 Leases *Continued*

The effect of adoption IFRS 16 on the balance sheet as at January 1, 2019 was as follows:

	SR
Assets	
Right-of-use assets	157,985,230
Liabilities	
Lease liabilities	157,985,230

The lease contracts of the Company comprise mainly land and buildings. Before the adoption of IFRS 16, the Company classified each of its leases (as lessee) at the inception date as operating leases (Refer to Note 2.4 Leases for the accounting policy prior to January 1, 2019). Upon adoption of IFRS 16, the Company applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets (Refer to Note 2.4 Leases for the accounting policy beginning January 1, 2019). The standard provides specific transition requirements and practical expedients, which have been applied by the Company.

Leases previously accounted for as operating leases

The Company recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Company also applied the available practical expedients wherein it:

- Relied on its assessment of whether leases are onerous immediately before the date of initial application.
- Applied the short-term leases exemptions to leases with lease terms that end within 12 months of the date of initial application.
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease.
- Used discount rates to a portfolio of leases with reasonably similar characteristics. The discount rates depended mainly on the term of the lease.

  Discount rates used based on the terms of the lease are as follows:

Term	Lease term	Discount rate used
Long term	30 to 60 years	5%
Medium term	5 to 15 years	7%
Short term	2 to 5 years	12%

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *Continued*

IFRS 16 Leases *Continued*

The lease liabilities as at January 1, 2019 can be reconciled to the operating lease commitments as of December 31, 2018, as follows:

	SR
Operating lease liabilities as at December 31, 2018 (non-cancellable)	2,351,790
Cancellable operating leases not included	247,139,395
Excluded short-term leases	-
Excluded low value assets	-
The effect of discounting using the incremental borrowing rate at January 1, 2019	(91,505,955)
Lease liabilities as at January 1, 2019	157,985,230
Current portion	13,326,727
Non-current portion	144,658,503
	157,985,230

Policy applicable after January 1, 2019

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. Further, leases with variable lease payments linked to future sales other than based on a market index are excluded. These leases with variable lease payments are recognised in the period in which the event or condition that triggers those payments occurs and charged to statement of profit and loss account. The Company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i. **Right-of-use assets**

The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term or the useful life of the asset whichever is earlier. The right-of-use assets are presented within Note 2.4 and are subject to impairment in line with the Company's policy as described in Note 2.8 Impairment of non-financial assets.

ii. **Lease Liabilities**

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. Present value of future lease rentals were ascertained through the incremental borrowing rate of the Company as the interest rate implicit in the lease is not readily determinable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *Continued*

IFRS 16 Leases *Continued*

iii. **Estimating the incremental borrowing rate**

As the Company cannot readily determine the interest rate implicit in the lease, it uses its incremental borrowing rate ("IBR") to measure the lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company "would have to pay'', which requires estimation when no observable rates are available (or when they need to be adjusted to reflect the terms and conditions of the lease). The Company estimates the IBR using observable input when available and is required to make certain entity-specific adjustments.

Company as a lessor

Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. 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 basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

IFRIC 23 Uncertainty over Income Tax Treatments

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately.
- The assumptions an entity makes about the examination of tax treatments by taxation authorities.
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates.
- How an entity considers changes in facts and circumstances.

The Company determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that best predicts the resolution of the uncertainty. The Company applies significant judgment in identifying uncertainties over income tax treatments. The Company assessed whether the Interpretation had an impact on its financial statements. The Company determined, based on its tax compliance and transfer pricing study that it is probable that its tax will be accepted by the taxation authorities. *The Interpretation did not have an impact on the financial statements of the Company.*

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *Continued*

(d) **Changes in accounting policies** *Continued*

Annual Improvements 2015-2017 Cycle

IAS 12 Income Taxes

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where it originally recognised those past transactions or events. An entity applies the amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted. When the entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period. *Since the Company's current practice is in line with these amendments, this had no impact on the financial statements of the Company.*

IAS 23 Borrowing Costs

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all the activities necessary to prepare that asset for its intended use or sale are complete. The entity applies the amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted. *Since the Company has no borrowing arrangements currently to finance assets that takes a substantial period, this had no impact on the financial statements of the Company.*

IFRS 3 Business Combinations

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer re-measures its entire previously held interest in the joint operation. An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted. *These amendments had no impact on the financial statements of the Company as there is no transaction where joint control is obtained.*

IFRS 11 Joint Arrangements

An entity that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not re-measured. An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted. *These amendments had no impact on the financial statements of the Company.*

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *Continued*

(d) **Changes in accounting policies** *Continued*

(ii) **New standards, improvements, interpretations and amendments issued but not yet effective**

The following new accounting standards, improvements, interpretations and amendments have been issued, but are not mandatory and hence have not been early adopted by the Company in preparing the financial statements for the year ended December 31, 2019.

• Amendments to IAS 1	Presentation of Financial Statements (January 1, 2020 and January 1, 2022)
• Amendments to IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors (January 1, 2020)
• Amendments to IAS 39	Financial Instruments: Recognition and Measurement (January 1, 2020)
• Amendments to IFRS 3	Business Combinations (January 1, 2020)
• Amendments to IFRS 7	Financial Instruments: Disclosures (January 1, 2020)
• Amendments to IFRS 9	Financial Instruments (January 1, 2020)
• IFRS 17	Insurance Contracts (January 1, 2023)

- Amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update those pronouncements with regard to references to and quotes from the framework or to indicate where they refer to a different version of the Conceptual Framework (January 1, 2020).

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

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 its working condition for its intended use. Such cost also includes 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 are recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repairs 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *Continued*

2.2 Property, plant and equipment and depreciation *Continued*

Depreciation of 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

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 following 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 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 the 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 3 to 5 years. Intangible assets' residual values, useful lives 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *Continued*

2.4 Leases and right-of-use assets

The Company assesses whether a contract is or contains a lease at inception of the contract, that is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. Lease payments for short-term leases and leases of low value assets are recognised as an expense on a straight-line basis over the lease terms.

Right of use assets

The Company recognises right-of-use assets using the modified retrospective approach (simplified) as at January 1, 2019. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Depreciation of right-of-use assets is calculated on a straight-line basis to allocate their cost over their remaining lease terms.

Leases liabilities

The lease liability is initially measured at the present value of the lease payments to be made over the remaining lease term and that are not paid at the commencement date, discounted by using the incremental borrowing rate as the interest rate implicit in the lease is not readily determinable.

After the initial measurement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Right-of-use assets and lease liabilities are presented as separate line items in the statement of financial position. Depreciation related to right-of-use assets and interest costs on lease liabilities are charged to administrative expenses and finance costs respectively.

2.5 Financial instruments - initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

2.5.1 Financial assets

Initial recognition and measurement

Financial assets are recognised when the Company becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *Continued*

2.5.1 Financial assets *Continued*

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortised cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI).

The above classification is determined by both:

i. the Company's business model for managing the financial asset.
ii. the contractual cash flow characteristics of the financial asset.

Income and expenses relating to financial assets are recognised in the statement of profit or loss and included as finance costs or interest income, except for expected credit loss allowance against trade receivables which is presented within general and administrative expenses.

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect their contractual cash flows; and

- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent measurement

After initial recognition, these are measured at amortised cost using the effective interest method. The Company's cash and cash equivalents, trade receivables, other current assets (excluding prepaid expenses and advances), and due from related parties are classified as financial assets at amortised cost.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *Continued*

2.5.2 **Financial liabilities**

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.

Initial recognition and measurement

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 recognized 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 statement of 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 recognized 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.

Derecognition

A financial liability is derecognized 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 recognized in the statement of profit or loss.

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 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 recognized initially less, where appropriate, cumulative amortization recognized in accordance with the revenue recognition policies.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *Continued*

2.5.2 Financial liabilities *Continued*

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 amounts of trade and other payables approximate their amortized cost.

Loans and borrowings

This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the Effective Interest Rate (" EIR") method. Gains and losses are recognized in statement of profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized 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 amortization is included as finance costs in the statement of profit or loss.

2.6 Impairment of financial assets

IFRS 9’s impairment requirements use forward-looking information to recognise expected credit losses – the expected credit loss (“ECL”) model. The Company considers a broad range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, and reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk (“Stage 1”);
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is now low (“Stage 2”); and
- “Stage 3” which covers financial assets that have objective evidence of impairment at the reporting date.

“12-month expected credit losses” are recognised for the first category while "lifetime expected credit losses" are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

2.7 Offsetting of financial assets and liabilities

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

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

2.8 **Impairment of non-financial assets**

The Company assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's 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 groups of assets, in which case the cash-generating unit to which the asset belongs is used. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

2.9 **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 a weighted average method with respect to the wholesale division and last purchase price for retail outlets. Net realisable value is based on estimated selling price less any further costs expected to be incurred on completion and disposal.

The cost of finished goods and work in progress comprises design costs, raw materials, direct labour and other direct costs but excluding borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Goods in transit is included in closing inventories at cost only when the risks and rewards of such goods have been transferred to the Company.

The Company reviews the carrying amount of inventories on a regular basis and provision is made for obsolescence if there is any change in usage pattern and physical form of inventories based on Management's appraisal.

2.10 **Trade and other receivables**

Trade receivables are stated at original invoice amount less provision as per the expected credit loss model. Bad debts are written off when there is no possibility of recovery.

The Company makes use of a simplified approach in accounting for trade receivables and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating the provision, the Company uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Company assesses impairment of trade receivables on a collective basis as they possess shared credit risk characteristics and they have been grouped based on the days past due (refer to note 9 for a detailed analysis of how the impairment requirements of IFRS 9 are applied).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *Continued*

2.11 Other current assets

Other current assets include fixed deposits, prepaid expenses, advances to suppliers, and other deposits and advances which are carried at amounts recoverable through collection of monies or receipt of goods or services. Prepaid expenses pertain mainly to rent and medical insurance. Other deposits pertain to security deposits and advances pertain to staff advances.

2.12 Related parties

The Company enters into transactions with companies and entities that fall within the definition of a related party as contained in IFRS. Related parties comprise companies and entities under joint or common management or control, their partners and key management personnel, subsidiaries, joint ventures, parent, associates and other related parties.

2.13 Cash and cash equivalents

Cash and cash equivalents include cash in hand and balances with banks. For statement of cash flows purposes, cash and cash equivalents include bank overdrafts.

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 at the date of inception and bank overdrafts, if any. In the statement of financial position, bank overdrafts are shown within borrowings in current liabilities.

2.14 Borrowings and borrowings costs

Borrowings are classified as current liabilities unless there is a formal agreement in place to defer repayment for a period in excess of 12 months, in which case the amount repayable after 12 months at the reporting date is classified as non-current liabilities.

All borrowings costs are expensed in the period they occur and consist of interest and other costs that the Company incurs in connection with the borrowing of funds.

2.15 Trade and other payables

Liabilities are recognised for amounts to be paid in the future for goods or services received and advance received from customers, whether claimed by the supplier or not.

Monies received in advance for goods or services to be provided subsequent to the year end are recognised as advances from customers in current liabilities.

The carrying amount of trade and other payables approximate their amortised cost.

2.16 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, 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. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

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

2.17 **Employee benefits obligations**

Provision is made for the end of service benefits due to employees in accordance with current applicable Labour Laws for their periods of service up to the reporting date. The provision for the end of service benefits is calculated annually based on their current basic remuneration.

Employment benefits

Employment benefits consist of short term employment benefits, long term employment benefits, and post-employment benefits. Accounting policies followed for each of these benefits are as follows:

Short term employment benefits

Short term employment 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 bonuses 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 the Department of Public Administration whereby employees in a parastatal organisation are entitled to a gratuity on completion of 5 years in service and each 5 years anniversary dates during the terms of the circular at the rates defined in the circular. At the end of 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 consist of defined contribution plans and defined benefit plans.

(i) **Defined contribution plans**

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions to the Seychelles Pension Fund and the Company has 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.

(ii) **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 is 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 rates between 5-15% applied to the total remuneration earned during the contractual term. For the provisioning requirement the highest rate of 15% is applied.

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

2.17 **Employee benefits obligations** *Continued*

At the end of the each reporting period, accumulated post-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. Further provision is required for past services in the year if there is an increase in basic salary since the effect of increased salary would impact the existing provision. Provision is reversed to the 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 statement of financial position is the present value of the defined obligation at the reporting date.

2.18 **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 Company operates ("functional currency"). The financial statements of the Company are presented in Seychelles Rupees, which is the Company's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the transactions dates. Exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss. Exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of profit or loss within 'Finance income or cost'. All other exchange gains and losses are presented in the statement of 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 statement of profit or loss are also recognised in other comprehensive income or statement of 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
2019	**13.8569**	**15.5168**	**18.1705**
2018	13.8104	15.7965	17.5251

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *Continued*

2.19 Contingent liabilities

A contingent liability is disclosed when the Company has a possible obligation as a result of past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events, not wholly within the control of the Company; or when the Company has a present legal or constructive obligation, that arises from past events, but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

2.20 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, 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 Company 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.

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

2.21 **Revenue recognition**

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

Revenue is recognised at a point in time when the Company satisfies performance obligation by transferring the promised goods to its customers.

The Company recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as advances from customers in trade and other payables in these financial statements. Similarly, if the Company satisfies a performance obligation before it receives the consideration, the Company recognises a receivable in its statement of financial position, where only the passage of time is required before the consideration is due.

Revenue from the sale of products for a fixed price is recognised when or as the Company transfers control of the products to the customer. Invoices for goods transferred are due upon delivery to the customers.

(i) **Sales and services revenue**

Revenue from the sale of goods is recognized when the goods are delivered and title is passed and revenue from services is recognized as the services are provided. In respect of services invoiced in advance, amounts are deferred until provision of the service.

(ii) **Interest income**

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

(iii) **Rental income**

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

(iv) **Other income**

Other income is recognized on the accrual basis. Net gains and losses on the disposal of property, plant & equipment and in other non-current assets including investments is accounted for in the statement of profit or loss, after deducting from proceeds on disposals, the carrying amount of the assets and related selling expenses. Breakage income arising from loyalty points not redeemed is accounted for under other income.

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

2.22 **Customer loyalty programme**

The Company operates a loyalty programme whereby customers accumulate points for purchases made which entitles 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 or expire at the end of August each year. Contract liability for unexpired points is reported in current liabilities.

2.23 **Taxes**

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit 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.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

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

2.23 **Taxes** *Continued*

Deferred tax *Continued*

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 re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. 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 OCI or directly in equity.

The Company offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Value added tax

Expenses and assets are recognised net of the amount of value added tax, except:

- When the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.

- When receivables and payables are stated with the amount of value added tax included:

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Corporate social responsibility tax

In addition to Business Tax, the Company is required to pay 0.5% of its turnover towards Corporate Social Responsibility Tax ("CSR") to the Revenue Authorities. However, the Company has the following options:

- To pay at least 50% of the total CSR to the Revenue authorities; and

- Pay the balance to any charitable organisation holding a CSR certificate issued by the Ministry of Finance: or

- Pay the entire 0.5% CSR to the Revenue Authorities.

Amount paid to an Approved CSR charitable organisation is included in the statement of profit or loss as an expense, whereas amount paid to the Revenue Authorities is a tax and not an allowable expense.

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, overseeing and monitoring of the Company's risk management framework and are assisted by the senior management. Senior management is responsible for designing, developing and monitoring the Company's risk management policies, which are approved by the Directors.

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

The following are the Company's exposures 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 or 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 35% (2018: 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	
	2019	2018	**2019**	2018
	SR'000	SR'000	**SR'000**	SR'000
Impact on results:				
Trade and other receivables	-	-	-	-
Balances with banks	**± 2,047**	± 629	**± 748**	± 203
Trade and other payables	**± 6,294**	± 1,372	**± 4,465**	± 1,265

Note:

Comparison of weakening/strengthening of foreign currencies as compared to Seychelles Rupees for the financial year under review has been changed from 5% to 35% to present the current impact of devaluation of Seychelles Rupee on the financial statement presented for the year ended December 31, 2019, post COVID-19.

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

3.1 **Financial risk factors** *Continued*

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

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

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

However, the Company is exposed to interest rate risk arising from long-term borrowings. Borrowings issued at variable rates expose the Company to interest rate risk.

At December 31, 2019, 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.

	2019	2018
Borrowings	**± 104,765**	± 158,625

(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.

Credit 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:

	2019	2018
	%	%
10 major counterparties	**27**	39
Others (diversified risk)	**73**	61
	100	100

Management does not expect any losses 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, 2019				
Borrowings	10,477	-	-	10,477
Lease liabilities	14,527	63,197	66,935	144,659
Trade and other payables	69,280	-	-	69,280
	94,284	63,197	66,935	224,416
At December 31, 2018				
Borrowings	10,863	5,000	-	15,863
Trade and other payables	89,483	-	-	89,483
	100,346	5,000	-	105,346

3.2 **Fair value estimation**

The face values less any estimated credit adjustments for financial assets and liabilities with maturities of less than and more 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 a 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 a debt-to-adjusted capital ratio. Net debt is calculated as total debt less cash and cash equivalents. Adjusted capital comprises all components of equity (i.e. contributed capital and retained earnings).

During the financial year ended December 31, 2019, the Company's strategy, which was unchanged from the financial year ended December 31, 2018, was to maintain the debt-to-adjusted capital ratio at a reasonable level in order to secure access to finance at a reasonable cost.

4. **SIGNIFICANT ACCOUNTING ESTIMATES, JUDGMENTS AND ASSUMPTIONS**

The preparation of the Company's financial statements requires management to make estimates, judgments 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 possible impairment of 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:

(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 a negative impact on the operating results, hence the economic viability of the asset itself and where it is a component of a larger economic unit, the viability of that unit itself.

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

Estimated useful lives and residual values of property, plant and equipment are assigned based on the intended use of the 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 adjusted in line with the current circumstances. The Directors review the residual values and useful lives of major items of property, plant and equipment and determine necessary adjustments.

4. SIGNIFICANT ACCOUNTING ESTIMATES, JUDGMENTS AND ASSUMPTIONS *Continued*

4.3 ***Depreciation policies***

Property, plant and equipment are depreciated to their residual values over their estimated useful lives. The residual value of an asset is the estimated net amount that the 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 their 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 points 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. A contract liability is recognised until the points are redeemed or expire.

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 a customer's actual default rates in the future.

4.6 ***Employee benefit obligations***

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

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

Employment benefit liability has been determined using the method prescribed by the Seychelles Employment Act and in terms of Circular 2 of 2016 issued by the 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. SIGNIFICANT ACCOUNTING ESTIMATES, JUDGMENTS AND ASSUMPTIONS *Continued*

4.7 ***Inventory valuation***

The current inventory software used by the Company is set to use the 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 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 Company 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 ***Useful lives of right-of-use assets***

Right-of-use assets are depreciated over the remaining lease term as at the date of initial application of IFRS 16. In estimating the recoverable amount of the right-of-use asset, the Directors have made assumptions about the market rates for similar properties with similar lease terms. Due to the associated uncertainty, it is possible that the estimates may need to be revised during the next year.

4.10 ***Leases - estimating the incremental borrowing rate***

The Company cannot readily determine the interest rate implicit in the leases, therefore it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company ‘would have to pay’, which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

4.11 ***Limitation of sensitivity analysis***

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

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, 2019	**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**
Additions	**-**	**17,067,835**	**803,987**	**417,379**	**346,743**	**837,696**	**340,686**	**4,105,444**	**23,919,770**
Disposals	**-**	**-**	**(57,291)**	**-**	**-**	**-**	**(84,836)**	**-**	**(142,127)**
Reclassified to expenses	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(41,198)**	**(41,198)**
Reclassification	**-**	**395,974**	**3,735,004**	**-**	**-**	**106,242**	**-**	**(4,237,220)**	**-**
At December 31, 2019	**3,076,323**	**55,988,847**	**39,237,190**	**15,027,239**	**12,384,400**	**26,593,708**	**27,518,602**	**4,690,711**	**184,517,020**
ACCUMULATED DEPRECIATION									
At January 1, 2019	**-**	**11,599,830**	**17,153,747**	**12,320,784**	**8,027,109**	**15,204,906**	**23,740,353**	**-**	**88,046,729**
Charge for the year	**-**	**1,967,149**	**3,267,326**	**1,389,221**	**1,299,033**	**2,243,673**	**2,179,281**	**-**	**12,345,683**
Disposals	**-**	**-**	**(21,857)**	**-**	**-**	**-**	**(84,836)**	**-**	**(106,693)**
At December 31, 2019	**-**	**13,566,979**	**20,399,216**	**13,710,005**	**9,326,142**	**17,448,579**	**25,834,798**	**-**	**100,285,719**
NET BOOK VALUE									
At December 31, 2019	**3,076,323**	**42,421,868**	**18,837,974**	**1,317,234**	**3,058,258**	**9,145,129**	**1,683,804**	**4,690,711**	**84,231,301**
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
Written off	-	-	-	-	-	-	-	(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

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

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

	2019	2018
	SR	SR
Cost of sales	**5,102,852**	4,824,655
Distribution expenses	**164,836**	439,255
Administrative expenses	**7,077,995**	7,277,263
	12,345,683	12,541,173

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

6. **INTANGIBLE ASSETS**

	2019	2018
	SR	SR
Computer software		
COST		
At the beginning of the year	**1,819,246**	1,819,246
Additions	**188,873**	-
At December 31,	**2,008,119**	1,819,246
AMORTISATION		
At the beginning of the year	**1,817,404**	1,816,754
Amortisation for the year	**37,372**	650
At December 31,	**1,854,776**	1,817,404
Net book value December 31,	**153,343**	1,842

(a) Amortisation of **SR. 37,372** (2018: SR. 650) has been charged to administrative expenses.

7. **INVESTMENT IN FINANCIAL ASSETS**

	2019	2018
	SR	SR
Financial assets at amortised cost:		
Ordinary shares (unquoted) in:		
Seychelles Commercial Bank Limited	**25,000**	25,000
Directors' valuation of unquoted shares	**70,467**	64,435

(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.

8. INVENTORIES

	2019	2018
	SR	SR
Finished goods (at cost)	**98,172,157**	102,203,099
Finished goods (at net realisable value)	**49,234,734**	58,596,532
Raw materials (at cost)	**9,264,258**	7,219,211
Goods in transit (at cost)	**15,602,438**	42,014,692
	172,273,587	210,033,534

(a) The Directors are of the opinion that the estimated provision required for old obsolete inventories carried forward from many years is not material and does not require adjustment to the amount carried in the statement of financial position at December 31, 2019 (2018: SR. 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. 824,154,598 (2018: SR. 785,562,693) (note 20).

9. TRADE AND OTHER RECEIVABLES

	2019	2018
	SR	SR
Gross trade receivables (notes (a) to (d))	**12,449,250**	11,992,534
Other receivables	**3,967,986**	4,605,030
Prepayments	**3,378,761**	4,456,522
	19,795,997	21,054,086
Less : provision for credit impairment (note (e))	**(4,321,080)**	(3,576,306)
	15,474,917	17,477,780

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

(b) At December 31, 2019, trade receivables include **SR. 2,206,534** (2018 : SR. 1,659,055) which 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, 2019, trade receivables include **SR. 2,733,429** (2018 : SR. 2,514,983) which were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

The aged analysis of these trade receivables is as follows:

	2019	2018
	SR	SR
Less than 30 days	**7,295,913**	7,239,674
31 to 60 days	**2,212,318**	1,804,380
61 to 90 days	**547,410**	419,782
Over 90 days	**2,393,609**	2,528,698
	12,449,250	11,992,534

(d) The carrying amounts 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 collateral as security. Movement in the provision for credit impairment of trade and other receivables is as follows:

	2019	2018
	SR	SR
At January 1,	3,576,306	3,885,045
Provision made/(reversed) during the year	744,774	(308,739)
At December 31,	4,321,080	3,576,306

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

10. **CURRENT TAX (LIABILITY)/ASSET**

		2019	2018
		SR	SR
(a)	**Statement of financial position**		
	At January 1,	2,670,007	3,866,825
	Tax expense (note (b))	(13,500,000)	(10,900,000)
	Prior year taxes paid	1,779,953	-
	Advance tax paid	7,739,742	9,703,182
	At December 31,	(1,310,298)	2,670,007
(b)	**Tax expense**		
	Provision for current taxation based on the profit for the year	(13,500,000)	(10,900,000)
	Release of deferred tax (note 15 (b))	2,075,149	831,856
	Corporate social responsibility tax	(2,865,232)	(2,737,054)
		(14,290,083)	(12,805,198)

		2019	2018
		SR	SR
(c)	**Reconciliation between tax expense and accounting profit is as follows:**		
	Profit before tax	37,947,601	31,843,709
	Tax calculated at applicable tax rates (note 10 (d))	11,334,280	9,503,113
	Tax impact on the following:		
	Items not deductible/not includable for tax purposes	616,214	187,077
	Adjustment of provision for expenses	971,443	193,172
	Adjustment for bad and doubtful debts	223,432	112,179
	Difference of capital allowances over depreciation	146,621	751,039
	Provision for tax contingency	208,010	153,420
	Provision for current tax based on the profit for the year	13,500,000	10,900,000

10. **CURRENT TAX (LIABILITY)/ASSET** *Continued*

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

	2019	2018
Taxable income		
On the first SR. 1,000,000	**25%**	25%
On the balance	**30%**	30%

(e) The Company is required to pay 0.5% of its turnover as Corporate Social Responsibility tax. It is mandatory to pay half the amount of this tax to the revenue authorities and the balance can be contributed to charitable organisations who hold a certificate of CSR issued by the Ministry of Finance.

11. **CASH AND CASH EQUIVALENTS**

	2019	2018
	SR	SR
Balances with banks	**88,486,581**	90,598,483
Term deposits with banks	**47,157,725**	11,501,870
Cash on hand	**1,690,925**	1,250,294
	137,335,231	103,350,647

Term deposits with banks comprise call deposits 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**

	2019	2018
	SR	SR
Authorised, issued and fully paid		
100 ordinary shares of SR. 100 each	**10,000**	10,000

13. **CONTRIBUTED CAPITAL**

	2019	2018
	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 the Seychelles Marketing Board ("SMB") on March 1, 2008 and subsequent transfers in 2009. This is interest free and is recognised as quasi equity. The Ministry of Finance is considering converting this into ordinary shares.

13. **CONTRIBUTED CAPITAL** *Continued*

(b) Details of assets taken over from Seychelles Marketing Board (''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**

Except for the property at Albert Street, Victoria, the premises which housed STC Supermarket previously, leasehold rights of properties at Bois De Rose which house the Bois de Rose factory complex, and properties at La Passe, La Digue which house Wholesale Division, La Digue and asset categories of plant & equipment, Motor Vehicles, inventories and cash floats stated above, the ownership of the assets either by transfer of legal ownership or endowment of leasehold rights are being finalized with the Ministry of Habitat, Infrastructures & Land Transport (MHILT) of the Government of Seychelles.

14. **BORROWINGS**

	2019	2018
	SR	SR
Government of Seychelles loan (note (a))	**5,476,544**	15,862,541
The Livestock Trust Fund (note (b))	**5,000,000**	-
	10,476,544	15,862,541
Analysed as:		
Due beyond one year	**-**	5,000,000
Due within one year	**10,476,544**	10,862,541
	10,476,544	15,862,541
Movement during the year is analysed below:		
At January 1,	**15,862,541**	15,102,366
Received during the year	**5,000,000**	-
Repayments	**(10,862,541)**	-
Accrued interest	**476,544**	760,175
At December 31,	**10,476,544**	15,862,541

(a) An initial borrowing of SR. 45 million from the Government of Seychelles is unsecured, repayable half yearly on April 30 and October 31 of each year effective from the year 2015 and is scheduled to be fully repaid by April 30, 2020. The rate of interest is charged on the basis of average interest rates of 365 days government treasury bills prevailing on April 30 and October 31 each year preceding the due date of each instalment.

(b) The Company entered into a bridging loan agreement of SR. 5,000,000 with The Livestock Trust Fund (LTF) repayable by 15 May 2020 to finance the upgrading of infrastructure on cold storage facilities which shall be used exclusively to facilitate marketing of local produce purchased from farmers as a support initiative for agricultural and livestock development of the Country. This bears interest at 2.5% per annum and is payable monthly after a grace period of six months from the disbursement date. Extended time for settlement is being negotiated with LTF in view of the impact of COVID-19.

14. **BORROWINGS** *Continued*

(c) The exposure of the Company's borrowings to interest-rate changes and maturity and the contractual repricing dates is shown under notes 3.1 (b) and 3.1 (d) respectively.

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

(e) The carrying amounts of the Company's borrowings approximate their amortised cost.

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 as follows:

	2019	2018
	SR	SR
At January 1,	**3,650,450**	4,482,306
Credit to the statement of profit or loss (note 10 (b))	**(2,075,149)**	(831,856)
As December 31,	**1,575,301**	3,650,450

(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, is as follows:

	Lease Liabilities	**Accelerated tax depreciation**	**Allowance for expected credit loss**	**Retirement benefit obligations**	**Total**
	SR	**SR**	**SR**	**SR**	**SR**
At January 1, 2018	-	10,303,775	(1,165,513)	(4,655,956)	4,482,306
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
Credit for the year	**(677,311)**	**(202,963)**	**(223,432)**	**(971,443)**	**(2,075,149)**
At December 31, 2019	**(677,311)**	**9,369,507**	**(1,296,324)**	**(5,820,571)**	**1,575,301**

16. **EMPLOYEE BENEFIT OBLIGATIONS**

	2019	2018
	SR	SR
Retirement benefit obligations	**15,986,867**	13,087,742
Long term employee benefit obligations	**3,415,036**	3,076,019
	19,401,903	16,163,761

16. **EMPLOYEE BENEFIT OBLIGATIONS** *Continued*

	2019	2018
	SR	SR
Movement in employee benefit obligations:		
At January 1,	**16,163,761**	15,519,855
Provision made during the year (note 21)	**5,322,601**	3,699,682
Paid during the year	**(2,084,459)**	(3,055,776)
At December 31,	**19,401,903**	16,163,761

(a) 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**

	2019	2018
	SR	SR
Trade payables	**57,310,553**	78,734,590
Accruals and other payables	**11,969,325**	10,748,183
	69,279,878	89,482,773
Contract liabilities – customer loyalty programme	**2,557,620**	2,156,518

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

	2019	2018
	SR	SR
Seychelles Rupee	**40,134,055**	37,228,587
Euro	**12,756,286**	25,304,107
US Dollar	**17,982,517**	27,439,966
Other currencies	**964,639**	1,666,631
	71,837,497	91,639,291

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

18. LEASES

(a) Right-of-use assets

The carrying amounts of right-of-use assets recognised and the movements during the year were as follows:

	Land	Buildings	Total
	SR	SR	SR
At January 1, 2019	4,970,750	153,014,480	**157,985,230**
Depreciation charge for the year	(85,403)	(15,499,028)	**(15,584,431)**
Balance as at December 31, 2019	4,885,347	137,515,452	**142,400,799**

(b) Lease Liabilities

The movement in lease liabilities during the year were as follows:

	2019	2018
	SR	SR
At January 1,	**157,985,230**	-
Accretion of interest	**11,515,747**	-
Payments	**(24,842,474)**	-
Balance as at December 31,	**144,658,503**	-
Current portion	**14,527,176**	-
Non-current portion	**130,131,327**	-
	144,658,503	-

Maturity analysis – contractual undiscounted cash flows:

Within one year	**24,842,474**	-
After one year but not more than five years	**86,943,828**	-
After 5 years	**125,651,658**	-
	237,437,960	-

(c) Total undiscounted lease liabilities at December 31,

The following amounts were charged in statement of profit or loss:

	2019	2018
	SR	SR
Depreciation of right of use asset	**15,584,431**	-
Interest on lease liability	**11,515,747**	-
Operating lease expense included in administrative expenses	**-**	29,531,555
Variable lease payments included in administrative expenses	**15,613,661**	14,965,913
Total amount recognised in profit or loss	**42,713,839**	44,497,468

Variable lease payments represent 10% of gross takings of departure and arrival duty free shops for the year paid to the Seychelles Civil Aviation Authority.

19. REVENUE FROM CONTRACTS WITH CUSTOMERS

	2019	2018
	SR	SR
Type of sales and services :		
Sale of goods - retail	**749,867,235**	718,685,586
Less: reward points awarded (note 2.22)	**(11,367,981)**	(9,775,955)
	738,499,254	708,909,631
Sale of goods - wholesale	**394,542,708**	376,136,092
As previously reported	**1,133,041,962**	1,085,045,723
Reclassified from Other Income:		
Provision of Event Management Services (note 22)	**1,586,062**	2,147,248
Breakage income and unredeemed loyalty points (note 22)	**2,994,236**	2,094,274
Total revenue from contracts with customers	**1,137,622,260**	1,089,287,245

(a) The Directors have estimated that the amount to be recognised as breakages with respect to customer unexercised rights to future goods and services is 14.68% (2018: 12.61%) of the loyalty points liability outstanding at the end of the financial year.

(b) The Customer Loyalty programme operated by the Company was suspended temporarily effective May 1, 2020.

20. OPERATING AND OTHER EXPENSES

	2019	2018
	SR	SR
Cost of inventories (note 8)	**824,154,598**	785,562,693
Depreciation of property, plant and equipment (note 5)	**12,345,683**	12,541,173
Depreciation of right-of-use asset (note 18)	**15,584,431**	-
Amortisation of intangible assets (note 6)	**37,372**	650
Electricity and water charges	**28,808,231**	29,147,106
Publicity and promotions	**830,117**	1,981,443
Transport and fuel expenses	**6,272,634**	6,008,585
Packing expenses	**6,007,866**	5,611,018
Variable lease payments	**15,613,661**	14,965,913
Fixed lease payments	**-**	29,531,555
Repairs and maintenance	**7,586,842**	8,193,141
Telephone and faxes	**2,277,403**	2,066,518
Employee benefits expenses (note 21)	**131,457,479**	123,803,177
Professional and other fees	**237,526**	1,705,888
Security expenses	**7,266,866**	7,230,483
Vehicle expenses	**2,427,733**	1,738,904
Other donations	**642,425**	328,269
CSR related donations	**2,872,476**	2,737,054
Container rental	**2,100,159**	2,916,153
Loss on disposal of property, plant and equipment	**35,434**	1,184,158
Cleaning expenses	**5,994,601**	5,818,788
Credit card commission	**4,385,109**	4,071,269
Bank charges	**2,530,887**	2,508,085
Insurance	**2,169,776**	1,474,642
Printing, stationery and postage	**1,973,425**	1,908,890
Other expenses	**10,295,070**	12,515,991
	1,093,907,804	1,065,551,546

20. **OPERATING AND OTHER EXPENSES** *Continued*

	2019	2018
	SR	SR
Summarised as follows:		
Cost of sales	**853,435,198**	814,676,050
Distribution expenses	**12,108,053**	11,773,093
Administrative expenses	**228,364,553**	239,102,403
	1,093,907,804	1,065,551,546

21. **STAFF COSTS**

	2019	2018
	SR	SR
Salaries and wages	**103,426,081**	100,282,139
Performance bonus	**7,505,133**	6,183,060
13th month salary	**6,195,026**	5,828,617
Directors' and key management personnel emoluments (note (a) below)	**1,401,300**	1,144,939
Retirement and other long term benefits (note 16)	**5,322,601**	3,699,682
Employee benefits and related expenses (notes (b and c))	**4,971,302**	4,650,856
Staff welfare	**2,636,036**	2,013,884
	131,457,479	123,803,177

(a) ***Directors' emoluments:***

Guy Morel	Chairperson	**114,000**	88,560
Farida Camille		**90,000**	63,704
Oliver Bastienne		**90,000**	63,704
Ashik Hassan		**90,000**	63,704
Gerard Adam		**90,000**	63,704
Total Directors' fees		**474,000**	343,376
Other emoluments (key management personnel):			
Christine Joubert	Chief Executive Officer	**927,300**	801,563
Total Directors' and key management personnel emoluments		**1,401,300**	1,144,939

(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 the Management to be significant.

(c) Employment benefit liabilities has been determined using the method prescribed under the Seychelles Employment Act, 1999 (as amended) and the Management has estimated that the amount of liability provided will not be materially different had it been computed by an External Actuary.

22. OTHER INCOME

	2019	2018
	SR	SR
Rental income	**2,133,858**	4,347,757
Sundry income	**2,255,343**	5,527,666
As previously reported	**4,389,201**	9,875,423
Reclassified to Revenue from contracts with customers (note 19)	**-**	(4,241,522)
Total other income	**4,389,201**	5,633,901

Up to the year 2018, Event Management Income was included in the rental income and Breakages Income pertaining to loyalty points was included in the sundry income. Effective the year 2019, the Company operates a separate business unit for event management and its results and breakages income from loyalty points are included in Revenue from contract with customers.

23. FINANCE INCOME AND COSTS

	2019	2018
	SR	SR
(a) **Finance income**		
Interest received on term deposits	**930,246**	715,740
(b) **Finance costs**		
Interest on Government and Livestock Trust Fund loans	**839,296**	760,175
Interest on lease liabilities	**11,515,747**	-
Interest on bank borrowings	**-**	283,415
	12,355,043	1,043,590

24. RELATED PARTY BALANCES AND TRANSACTIONS

	2019	2018
	SR	SR
Government of Seychelles		
Balances		
Contributed capital (note 13)	**92,209,737**	92,209,737
Borrowings (note 14)	**10,476,544**	15,862,541
Transactions		
Interest on borrowings (note 23 (b))	**839,296**	760,175
Emoluments		
Directors' and key management personnel emoluments (note 21(a))	**1,401,300**	1,144,939

(a) Other terms and conditions have been included under the relevant notes.

(b) *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 21 (a).

25. **CAPITAL AND OPERATING COMMITMENTS**

	2019	2018
	SR	SR
Capital Commitments		
Approved and contracted regarding property, plant and equipment	**-**	188,000
Approved but not contracted for ERP hardware and software	**31,960,000**	36,136,000
Operating commitments		
Letters of credit	**50,767,259**	55,142,350

26. **CONTINGENT LIABILITIES**

	2019	2018
	SR	SR
Bank guarantees for bonded warehouse	**10,000,000**	10,000,000
Corporate guarantees for employee loans	**400,000**	400,000
	10,400,000	10,400,000

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

27. **SUBSEQUENT EVENTS**

(a) **COVID-19**

The Global pandemic COVID-19 affected Seychelles at the end of March, 2020 before the issue of these financial statements. The main source of income of the country is from tourism sector and the source of the country's consumption of food, beverage and consumables are imported. The Company being one of the major importers of food, beverage and consumables, is badly affected due to the closure of hotels and restaurants on one hand and depleted foreign currency resources with increase in exchange rates on the other hand due to the severe impact on the inflows of foreign exchange in the country.

The Management together with the Board have considered the impact of the COVID-19 pandemic and ascertained that the going concern of the Company shall not get affected though the sales demand has been considerably reduced. Sound liquidity position of the Company, ability of the Company to raise additional working capital through existing approved working capital facilities with the banks, further raising of working capital due to low leverage of the Company and backing of the ultimate shareholder of the Company, Government of Seychelles ensure ability of the Company to meet its liabilities though expenses need to be curtailed to the bare minimum.

Major risk factor arises from a lack of foreign currency in the country and even if available it is at an inflated exchange rate. This will affect the profitability of the Company since prices of 14 basic essential food items is maintained at the pre-Covid-19 prices to meet Company’s primary objective of anchoring basic commodity prices in Seychelles and affordability of essential food items to the residents of Seychelles. However, being a public enterprise that ensures food security in Seychelles, Central Bank of Seychelles (CBS) has agreed to provide forex requirements for essential food commodities at the mid-rate prevailing in the market in exchange of Seychelles Rupees as a sterilized intervention in the money market.

(b) **Customer Loyalty Programme**

Customer Loyalty programme operated by the Company was suspended temporarily effective May 1, 2020.

28. FIVE YEAR FINANCIAL SUMMARY

	2019	2018	2017	2016	2015
	SR'000	SR'000	SR'000	SR'000	SR'000
Revenue	**1,137,622**	1,089,287	1,096,903	1,095,056	948,083
Profit before tax	**37,947**	31,844	23,589	27,791	32,134
Tax expense	**(14,290)**	(12,805)	(9,840)	(10,757)	(13,245)
Profit for the year	**23,657**	19,039	13,749	17,034	18,889
Retained earnings brought forward	**186,757**	168,196	154,447	137,413	118,524
Effect of implementation of IFRS 9	-	(478)	-	-	-
Retained earnings carried forward	**210,414**	186,757	168,196	154,447	137,413
EQUITY					
Share capital	**10**	10	10	10	10
Contributed capital	**92,210**	92,210	92,210	92,210	92,210
Retained earnings	**210,414**	186,757	168,196	154,447	137,413
	302,634	278,977	260,416	246,667	229,633

ECONOMIC VALUE ADDED STATEMENT - YEAR ENDED DECEMBER 31, 2019

SOCIAL BENEFIT TO CONSUMERS ON SUBSIDISED PRICES OF ESSENTIALS

	2019	2018	2017	2016	2015
	SR'000	SR'000	SR'000	SR'000	SR'000
Revenue					
Subsidised sales	**190,136**	196,686	211,400	232,422	265,751
Non-subsidised sales	**947,486**	892,601	885,503	862,634	682,332
	1,137,622	1,089,287	1,096,903	1,095,056	948,083
Cost of Social Benefits:					
Cost to the Company	**24,815**	24,864	22,252	19,078	49,962
Tax impact	**10,849**	12,141	9,717	11,069	26,247
	35,664	37,005	31,969	30,147	76,209
Average exchange rates - CBS	14.11	14.07	13.84	13.50	13.50
Global food index - FAO	169.33	168.67	178.60	161.50	164.00

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

This Social benefit to Consumers on subsidised prices of essentials statement does not form part of the audited financial statements set out on pages 6 to 50.

ECONOMIC VALUE ADDED STATEMENT - YEAR ENDED DECEMBER 31, 2019 *Continued*

	2019		2018	
	SR	**%**	SR	%
Economic value generated				
Revenue	**1,137,622,260**		1,089,287,245	
Finance income	**930,246**		715,740	
Rental and other income	**4,389,201**		5,633,901	
	1,142,941,707		1,095,636,886	
Operating costs	**(955,335,444)**		(921,747,149)	
Economic value added	**187,606,263**		173,889,737	
Economic value distributed				
Employee wages and benefits				
- Salaries, wages and other benefits	**116,356,020**	62.0%	110,646,561	63.6%
- Performance bonus and 13th month salary	**13,700,159**	7.3%	12,011,677	6.9%
Payments to providers of funds				
- Interest on borrowings	**-**	0.0%	283,415	0.2%
Payments to Government				
- Government loan interest	**839,296**	0.4%	760,175	0.4%
- Government tax	**14,290,083**	7.6%	12,805,198	7.4%
Corporate social responsibility	**6,380,132**	3.4%	5,802,377	3.3%
	151,565,690	80.8%	142,309,403	81.8%
Economic value retained				
Depreciation	**12,345,683**		12,541,173	
Amortisation	**37,372**		650	
Profit for the year	**23,657,518**		19,038,511	
Retained for reinvestment/growth	**36,040,573**	19.2%	31,580,334	18.2%
Total	**187,606,263**	100.0%	173,889,737	100.0%

This economic value added statement does not form part of the audited financial statements set out on pages 6 to 50.