

SEYCHELLES TRADING COMPANY LIMITED

**DIRECTORS' REPORT AND AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

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CORPORATE INFORMATION

DIRECTORS : Imtiaz Umarji - Chairperson
Gerard Adam
Jamshed Pardiwalla
Siana Bistoquet
Astride Tamatave
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, 2020.

PRINCIPAL ACTIVITIES

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

RESULTS

	2020
	SR
Loss before tax	(8,192,908)
Taxation	(2,405,310)
Loss for the year	(10,598,218)
Retained earnings brought forward	206,318,879
Retained earnings carried forward	<u>195,720,661</u>

Sales for the year reduced as compared to the prior year due to COVID-19 pandemic resulting in lower gross profit. Reduction in profits for the year is mainly due to exchange loss resulting from major devaluation of foreign currencies since March 2020 and reduced operations of duty free shops.

DIVIDENDS

The Directors did not propose any dividend for the financial year under review (2019 : SR. nil).

PROPERTY, PLANT AND EQUIPMENT

Additions to property, plant and equipment of SR. 9.97 million during the year comprised mainly of work in progress, plant & machinery, equipment, motor vehicles, furniture and fixtures. Disposals comprised motor vehicles carried at SR. nil net book value.

Property, plant and equipment are stated at cost less accumulated depreciation. The Directors have estimated that the carrying amount of property, plant and equipment at the balance sheet date 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	Imtiaz Umarji	(appointed effective February 1, 2021)
	Guy Morel	(term ended on February 1, 2021)
Directors:	Gerard Adam	
	Jamshed Pardiwalla	(appointed effective February 1, 2021)
	Siana Bistoquet	(appointed effective February 1, 2021)
	Astride Tamatave	(appointed effective February 1, 2021)
	Ashik Hassan	
	Farida Camille	(term ended on February 1, 2021)
	Oliver Bastienne	(term ended on February 1, 2021)

None of the Directors held any interest in the shares of the Company during the financial year under review (2019 : nil).

DIRECTORS' REPORT *Continued*

STATEMENT OF BOARD OF DIRECTORS' RESPONSIBILITIES

The Board of Directors is responsible for 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 ("IFRS") 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 also 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 (2019 : SR. nil).

GOING CONCERN

In determining the basis of preparing the financial statements for the year ended 31 December 2020, the management assessed the existing and anticipated economic and operational effects of COVID-19 pandemic on the operations of various line of businesses of the Company and the appropriateness of the use of the going concern basis. 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 of the Company to defer non-essential capital expenditure, debt repayment schedules, cash reserves and potential sources of financing facilities, if required, and the ability to continue providing goods and services and ensure businesses continue with least negative impact. 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, continued support and guarantee of the Government of Seychelles to the continuity of the operations of the Company for the foreseeable future and continue to adopt the going concern basis in preparing and presenting these financial statements.

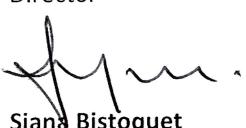
AUDITORS

The retiring auditor are Messers. Baker Tilly, Chartered Accountants, Seychelles, retire at the next Annual General Meeting of the Company.


Imtiaz Umarji
Director


Gerard Adam
Director


Jamshed Pardiwalla
Director


Siana Bistoquet
Director


Astride Tamatave
Director


Ashik Hassan
Director

Dated: August 25, 2021
Mahé, Seychelles

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

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**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 accompanying financial statements of Seychelles Trading Company Limited set out on pages 5 to 46 which comprise the statement of financial position at December 31, 2020, 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, 2020, 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*****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 Directors and Those Charged with Governance for the Financial Statements

The Board of Directors 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 it 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 it 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.

Auditor's Responsibilities for the Audit of the Financial Statements

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SEYCHELLES TRADING COMPANY LIMITED *Continued*

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

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 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.

We also provide management with a statement that we have complied 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.

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF SEYCHELLES TRADING COMPANY LIMITED *Continued***

Report on Other Legal Regulatory Requirements

Companies Act, 1972

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

We have obtained all information and explanations we have required.

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

Public Enterprise Monitoring Commission Act, 2013

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

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


BAKER TILLY
Chartered Accountants



Dated: August 25, 2021
Mahé, Seychelles

STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2020

	Notes	2020 SR	Restated	As at January 1, 2019 SR			
			2019 SR				
ASSETS							
Non current assets:							
Property, plant and equipment	5	79,046,785	80,531,301	69,033,846			
Intangible assets	6	98,693	153,343	1,842			
Right-of-use assets	7 (a)	9,307,706	142,400,799	-			
Investment in financial assets	8	25,000	25,000	25,000			
		88,478,184	223,110,443	69,060,688			
Current assets:							
Inventories	9	236,678,991	171,366,576	209,126,523			
Trade and other receivables	10	14,704,085	15,474,917	17,477,780			
Current tax asset	11 (a)	4,356,430	-	2,670,007			
Cash and cash equivalents	12	76,364,661	137,031,742	103,047,158			
		332,104,167	323,873,235	332,321,468			
Total assets		420,582,351	546,983,678	401,382,156			
EQUITY AND LIABILITIES							
Capital and reserves							
Share capital	13	10,000	10,000	10,000			
Contributed capital	14	92,209,737	92,209,737	92,209,737			
Retained earnings		195,720,661	206,318,879	182,661,361			
Total equity		287,940,398	298,538,616	274,881,098			
Non current liabilities:							
Borrowings				5,000,000			
Lease liabilities	7 (b)	1,519,592	130,131,327	-			
Deferred tax liabilities	15	1,441,789	1,575,301	3,650,450			
Employee benefit obligations	16	23,126,587	19,401,903	16,163,761			
		26,087,968	151,108,531	24,814,211			
Current liabilities:							
Borrowings	17	5,000,000	10,476,544	10,862,541			
Lease liabilities	7 (b)	5,163,235	14,527,176	-			
Trade and other payables	18	96,390,750	68,464,893	88,667,788			
Contract liabilities	18	-	2,557,620	2,156,518			
Current tax liability	11 (a)	-	1,310,298	-			
		106,553,985	97,336,531	101,686,847			
Total liabilities		132,641,953	248,445,062	126,501,058			
Total equity and liabilities		420,582,351	546,983,678	401,382,156			

These financial statements were approved for issue by the Board of Directors on August 25, 2021



Imtiaz Umarji

Director



Siana Bistoquet

Director



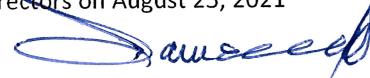
Gerard Adam

Director



Astride Tamatave

Director



Jamshed Pardiwalla

Director



Ashik Hassan

Director

The notes on pages 9 to 46 form an integral part of these financial statements

Independent Auditor's Report on pages 4 to 4 (c)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2020

	Notes	2020 SR	2019 SR
Revenue from contracts with customers	19	1,011,782,106	1,137,622,260
Cost of sales	20	(820,180,377)	(853,435,198)
Gross profit		191,601,729	284,187,062
Distribution expenses	20	(8,012,437)	(12,108,053)
Administrative expenses	20	(206,800,651)	(228,364,553)
Other income	22	35,335,103	4,389,201
Operating profit		12,123,744	48,103,657
Foreign exchange (loss)/gain		(19,574,879)	1,268,741
Finance income	23 (a)	1,918,410	930,246
Finance costs	23 (b)	(2,660,183)	(12,355,043)
(Loss)/profit before tax		(8,192,908)	37,947,601
Tax expense	11 (b)	(2,405,310)	(14,290,083)
(Loss)/profit and total comprehensive income for the year		(10,598,218)	23,657,518

The notes on pages 9 to 46 form an integral part of these financial statements
 Independent Auditor's Report on pages 4 to 4 (c)

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2020

	Share capital SR	Contributed capital SR	Retained earnings SR	Total SR
Balance at January 1, 2020	10,000	92,209,737	206,318,879	298,538,616
Loss for the year	-	-	(10,598,218)	(10,598,218)
Balance at December 31, 2020	10,000	92,209,737	195,720,661	287,940,398
Balance at January 1, 2019	10,000	92,209,737	186,756,876	278,976,613
Adjustment on correction of errors (note 2. 1 (d))	-	-	(4,095,515)	(4,095,515)
Balance at January 1, 2019 (adjusted)	10,000	92,209,737	182,661,361	274,881,098
Profit for the year	-	-	23,657,518	23,657,518
Balance at December 31, 2019 (restated)	10,000	92,209,737	206,318,879	298,538,616

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2020

	Notes	2020 SR	2019 SR
OPERATING ACTIVITIES			
(Loss)/profit before tax		(8,192,908)	37,947,601
Adjustments for:			
Depreciation of property, plant and equipment	5	11,452,442	12,345,683
Amortisation of intangible assets	6	68,076	37,372
Depreciation of right-of-use-assets	7 (a)	18,869,212	15,584,431
Increase in employee benefit obligations provision	16	6,345,381	5,322,601
Interest receivable	23 (a)	(1,918,410)	(930,246)
Interest payable	23 (b)	(368,451)	839,296
Interest on lease liabilities	7 (c)	3,028,634	11,515,747
Provision for credit impairment	10 (e)	514,982	744,774
Re-measurement of leases		(2,028,235)	-
(Profit)/Loss on disposal of property, plant and equipment	20	(194,609)	35,434
Net foreign exchange differences		(4,180,933)	59,068
Operating profit before working capital changes		23,395,181	83,501,761
<i>Changes in working capital</i>			
- Inventories	9	(65,312,415)	37,759,947
- Trade and other receivables		255,851	1,258,089
- Trade and other payables and contract liabilities		25,368,237	(19,801,793)
Net cash (used in)/generated from operations		(16,293,146)	102,718,004
Tax paid	11	(8,205,551)	(12,384,927)
Employee benefit obligations paid	16	(2,620,697)	(2,084,459)
Net cash (outflow)/inflow from operating activities		(27,119,394)	88,248,618
INVESTING ACTIVITIES			
Additions to property, plant and equipment	5	(9,981,352)	(24,108,643)
Proceeds from disposal of property, plant and equipment		194,609	-
Interest received		1,918,410	930,246
Net cash outflow from investing activities		(7,868,333)	(23,178,397)
FINANCING ACTIVITIES			
Receipt of loan	17	-	5,000,000
Repayment of borrowings		(5,000,000)	(10,000,000)
Interest paid on borrowings		(108,093)	(1,225,293)
Lease payments	7 (b)	(24,752,194)	(24,842,474)
Net cash outflow from financing activities		(29,860,287)	(31,067,767)
Net change in cash and cash equivalents		(64,848,014)	34,002,454
Movement in cash and cash equivalents:			
At January 1,		137,031,742	103,047,158
Net foreign exchange difference		4,180,933	(17,870)
(Decrease)/Increase		(64,848,014)	34,002,454
At December 31,	12	76,364,661	137,031,742

The notes on pages 9 to 46 form an integral part of these financial statements
Independent Auditor's Report on pages 4 to 4 (c)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

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 Government of Seychelles is the ultimate owner of the Company.

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 (c)), are set out below:

2.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Standards 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 Rupee ("SR"), as most of the transactions are effected in Seychelles Rupees.

(c) Changes in accounting policies and disclosure notes

The accounting policies adopted are consistent with those used in the previous financial year, except for the following new standards and amendments to IFRS that are mandatorily effective for accounting periods beginning on or after January 1, 2020:

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

• Amendments to IFRS 3	Business Combinations
• Amendments to IFRS 7	Financial Instruments: Disclosures
• Amendments to IFRS 9	Financial Instruments
• Amendments to IFRS 16	Leases
• Amendments to IAS 39	Financial Instruments: Recognition and Measurement
• Revisions to the Conceptual Framework: Amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IAS 41, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32.	

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *Continued*(c) Changes in accounting policies and disclosure notes *Continued*(i) New standards, improvements, interpretations and amendments issued *Continued****Amendments to IFRS 3 : Business Combinations***

The amendment to IFRS 3 Business Combinations clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. *These amendments had no impact on the financial statements of the Company, but may impact future periods should the Company enter into any business combinations.*

Amendments to IFRS 9 and IAS 39 Interest Rate Benchmark Reform

The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. *These amendments had no impact on the financial statements of the Company as it does not have any interest rate hedge relationships.*

Amendments to IAS 1 and IAS 8 Definition of Material

The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. *These amendments had no impact on the financial statements of, nor is there expected to be any future impact to, the Company.*

Conceptual Framework for Financial Reporting issued on 29 March 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. *These amendments had no impact on the financial statements of the Company.*

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *Continued*(c) Changes in accounting policies and disclosure notes *Continued****Amendments to IFRS 16 Covid-19 Related Rent Concessions***

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. *The Company will adopt this from its effective date.*

(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 until the dates shown, and hence have not been early adopted by the Company in preparing the financial statements for the year ended December 31, 2020.

• Amendments to IAS 1	Presentation of Financial Statements (January 1, 2023)
• Amendments to IAS 16	Property, Plant and Equipment (January 1, 2022)
• Amendments to IAS 37	Provisions, Contingent Liabilities and Contingent Assets (January 1, 2022)
• Amendments to IAS 39	Financial Instruments: Recognition and Measurement (January 1, 2021)
• Amendments to IFRS 3	Business Combinations (January 1, 2022)
• Amendments to IFRS 4	Insurance Contracts (January 1, 2021 and January 1, 2023)
• Amendments to IFRS 7	Financial Instruments: Disclosures (January 1, 2021)
• Amendments to IFRS 9	Financial Instruments (January 1, 2021)
• Amendments to IFRS 16	Leases (June 1, 2020 and January 1, 2021)
• IFRS 17 & its amendments	Insurance Contracts (January 1, 2023)
• Annual improvements	IFRS Standards 2018-2020 Cycle (January 1, 2022)
	IFRS 1 First-time Adoption of International Financial Reporting Standards (January 1, 2022)
	IFRS 9 Financial Instruments (January 1, 2022)
	IFRS 16 Leases (January 1, 2022)
	IAS 41 Agriculture (January 1, 2022)

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 except IFRS 16 on the financial statements of the Company in the year of their initial application.

The financial statements provide comparative information in respect of the previous period. In addition, the Company presents an additional statement of financial position at the beginning of the preceding period when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in financial statements. An additional statement of financial position as at 1 January 2019 is presented in these financial statements due to the retrospective correction of an error.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *Continued*

(d) Correction of errors

The Company has been carrying forward certain old balances for the last few years which cannot be recovered. They comprised the following:

- i. The Company had incurred certain expenditure on Capital Work in progress for a proposed project in the year 2011 amounting to SR. 3,700,000 which did not materialise and is not expected to be recovered.
- ii. Certain packing materials carried at cost of SR. 907,011 and were used by the previous organisation's brand name was carried forward since the year 2008 that are now obsolete and cannot be used under current environment conditions and is now written off.
- iii. Cash amounting to SR. 303,489 was lost in transit and the matter has gone through a legal case but the amount is not expected to be recovered and is now written off.
- iv. Certain amounts of debit and credit balances pertaining to transactions of overseas creditors for the years 2011 to 2014 could not be appropriately allocated to specific overseas creditors. Adjustments for subsequent differences arising from reconciliation of overseas creditors were used from this account balance. Balance of SR. 814,975 remaining unclaimed were parked in a separate account for a cooling period of over 5 years expecting to use against any future claims. Since there were no claims received for more than 5 years, these amount is now written back to income.

The above errors were corrected by restating each of the affected financial statement line items for the prior periods in terms of IAS 8 -changes in accounting policies, changes in accounting estimates, and errors without affecting current year profits as follows:

Impact on equity as at January 1, 2019

	As previously stated January 1, 2019	As previously stated January 1, 2019	Impact on equity January 1, 2019
	SR	SR	SR
Property, plant and equipment	69,033,846	72,733,846	(3,700,000)
Inventories	209,126,523	210,033,534	(907,011)
Cash and cash equivalents	103,047,158	103,350,647	(303,489)
Total assets	381,207,527	386,118,027	(4,910,500)
Trade and other payables	88,667,788	89,482,773	(814,985)
Total liabilities	88,667,788	89,482,773	(814,985)
Net impact on equity			(4,095,515)

The change did not have an impact on the statement of profit or loss and other comprehensive income for the period or the Company's operating, investing and financing cash flows.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *Continued*

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 to the Company 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.

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	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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *Continued*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.

2.4 **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 lease liabilities to make lease payments and right-of-use assets at the commencement date of the date representing the right to use the underlying assets. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, if any. 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. Right-of-use assets are depreciated on a straight line over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Leased land parcels	2 to 60 years
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *Continued***2.4 Leases and right-of-use assets *Continued***

Lease liabilities are 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 or decreased to reflect the accretion of interest and changes for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured at each balance sheet date to adjust for any modification comprising change in lease term; lease payments; discount or waiver on lease payment during the year (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments or reduction in 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, interest costs on lease liabilities and rent concessions, if temporary, are shown separately in the income statement.

Short term leases and leases of low-value-assets:

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

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 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.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

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).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

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 SR	1 EUR SR	1 GBP SR
2020	21.8131	26.0338	28.8411
2019	13.8569	15.5168	18.1705

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

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) **Government Grants**

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

(v) **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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

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 was recognised when the points are redeemed or expire at the end of August each year. Contract liability for unexpired points was reported in current liabilities. The Loyalty points scheme was discontinued on May 31, 2020 and the scheme was scrapped effective August 31, 2020. Revenue with respect to unutilised points at the end of the scheme was recognised as income.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

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% (2019: 35%) 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	
	2020	2019	2020	2019
	SR'000	SR'000	SR'000	SR'000
Impact on results:				
Trade and other receivables	-	-	-	-
Balances with banks	± 3,425	± 2,047	± 676	± 748
Trade and other payables	± 6,530	± 6,294	± 10,450	± 4,465

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

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, 2020, 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.

	2020	2019
Borrowings	± 50,000	± 104,765

(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:

	2020	2019
	%	%
10 major counterparties	32	27
Others (diversified risk)	68	73
	100	100

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

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 SR'000	Between 1 & 5 years SR'000	After 5 years SR'000	Total SR'000
At December 31, 2020				
Borrowings	5,000	-	-	5,000
Lease liabilities	5,163	479	1,041	6,683
Trade and other payables	96,391	-	-	96,391
	106,554	479	1,041	108,074
At December 31, 2019				
Borrowings	10,477	-	-	10,477
Lease liabilities	14,527	63,197	66,935	144,659
Trade and other payables	68,465	-	-	68,465
	93,469	63,197	66,935	223,601

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

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, 2020, the Company's strategy, which was unchanged from the financial year ended December 31, 2019, 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

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***

The loyalty point scheme was discontinued and the unutilised balance was recognised to income during the financial year under review. This is based on the best estimation made under the circumstances.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

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, 2020	3,076,323	55,988,847	39,237,190	15,027,239	12,384,400	26,593,708	27,518,602	990,711	180,817,020
Additions	-	-	1,603,437	106,927	348,871	64,429	1,176,849	6,667,413	9,967,926
Disposals	-	-	-	-	-	-	(393,364)	-	(393,364)
At December 31, 2020	3,076,323	55,988,847	40,840,627	15,134,166	12,733,271	26,658,137	28,302,087	7,658,124	190,391,582
ACCUMULATED DEPRECIATION									
At January 1, 2020	-	13,566,979	20,399,216	13,710,005	9,326,142	17,448,579	25,834,798	-	100,285,719
Charge for the year	-	2,199,053	3,355,490	1,204,452	1,070,359	2,177,550	1,445,538	-	11,452,442
Disposals	-	-	-	-	-	-	(393,364)	-	(393,364)
At December 31, 2020	-	15,766,032	23,754,706	14,914,457	10,396,501	19,626,129	26,886,972	-	111,344,797
NET BOOK VALUE									
At December 31, 2020	3,076,323	40,222,815	17,085,921	219,709	2,336,770	7,032,008	1,415,115	7,658,124	79,046,785
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	1,163,685	157,080,575
Additions	-	17,067,835	803,987	417,379	346,743	837,696	340,686	4,105,444	23,919,770
Written off	-	-	(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	990,711	180,817,020
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	990,711	80,531,301

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

5. PROPERTY, PLANT AND EQUIPMENT *Continued*

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

	2020	2019
	SR	SR
Cost of sales	5,160,008	5,102,852
Distribution expenses	102,875	164,836
Administrative expenses	6,189,559	7,077,995
	<u>11,452,442</u>	<u>12,345,683</u>

(b) Property, plant and equipment have been pledged as security for bank borrowings; a primary floating charge with Absa (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

	2020	2019
	SR	SR
Computer software		
COST		
At the beginning of the year	2,008,119	1,819,246
Additions	13,426	188,873
At December 31,	<u>2,021,545</u>	<u>2,008,119</u>
AMORTISATION		
At the beginning of the year	1,854,776	1,817,404
Amortisation for the year	68,076	37,372
At December 31,	<u>1,922,852</u>	<u>1,854,776</u>
Net book value December 31,	<u>98,693</u>	<u>153,343</u>

(a) Amortisation of **SR. 68,076** (2019: SR. 37,372) has been charged to administrative expenses.

7. 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, 2020	4,885,347	137,515,452	142,400,799
Effect of modification to lease terms	(1,120,899)	(113,102,982)	(114,223,881)
Depreciation charge for the year	(65,677)	(18,803,535)	(18,869,212)
Balance as at December 31, 2020	<u>3,698,771</u>	<u>5,608,935</u>	<u>9,307,706</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

7. LEASES *Continued*

(b) Lease Liabilities

	2020	2019
	SR	SR
The movement in lease liabilities during the year were as follows:		
At January 1,	144,658,503	157,985,230
Effect of modification to lease terms	(116,252,116)	-
Accretion of interest	3,028,634	11,515,747
Payments	(24,752,194)	(24,842,474)
Balance as at December 31,	6,682,827	144,658,503
Current portion	5,163,235	14,527,176
Non-current portion	1,519,592	130,131,327
	6,682,827	144,658,503
Maturity analysis – contractual undiscounted cash flows:		
Within one year	6,519,126	24,842,474
After one year but not more than five years	479,218	86,943,828
After 5 years	11,733,700	125,651,658
	18,732,044	237,437,960

(c) Charge to the statement of profit or loss:

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

Depreciation of right of use asset	18,869,212	15,584,431
Interest on lease liability	3,028,634	11,515,747
Variable lease payments included in administrative expenses	3,705,323	15,613,661
Re-measurement of leases	(2,028,235)	-
Total amount recognised in the statement of profit or loss	23,574,934	42,713,839

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.

The Company has received numerous forms of rent concessions from lessors due to the Company being unable to operate for significant periods of time, including:

- Rent forgiveness:
- Deferrals of rent from Ministry of Habitat, Infrastructure & Land Transport effective September 15, 2020, wherein the Cabinet approved the exemption of payment of rent by STC for land leases for the next five years; and
- As discussed in Note 2 (c), the Company has elected to apply the practical expedient introduced by the amendments to IFRS 16 to all rent concessions that satisfy the criteria. Substantially all of the rent concessions entered into during year satisfy the criteria to apply the practical expedient.

Reference is also made to Note 28 Subsequent Events. The Company has decided to downsize its operations to curtail its losses due to the coronavirus pandemic, the retail outlets were closed effective April 30, 2021, therefore the leases were re-negotiated for those properties.

The application of the practical expedient has resulted in the reduction of total lease liabilities of SR. 116,252,116. The effect of this reduction has been recorded in profit or loss in the period in which the event or condition that triggers those payments occurred. In the profit or loss and other comprehensive income presented by function, because of the significance of the amount, this gain has been presented within a separate line item.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

8. INVESTMENT IN FINANCIAL ASSETS

	2020	2019
	SR	SR
<i>Financial assets at amortised cost:</i>		
<i>Ordinary shares (unquoted) in:</i>		
Seychelles Commercial Bank Limited	<u>25,000</u>	<u>25,000</u>
Directors' valuation of unquoted shares	<u>85,263</u>	<u>70,467</u>

- (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.

9. INVENTORIES

	2020	2019
	SR	SR
Finished goods (at cost)		
Finished goods (at net realisable value)	154,910,686	97,265,146
Raw materials (at cost)	47,792,933	49,234,734
Goods in transit (at cost)	12,481,132	9,264,258
	<u>21,494,240</u>	<u>15,602,438</u>
	<u>236,678,991</u>	<u>171,366,576</u>

- (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, 2020 (2019: 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. 794,475,169 (2019: SR. 824,154,598) (note 20).

10. TRADE AND OTHER RECEIVABLES

	2020	2019
	SR	SR
Gross trade receivables (notes (a) to (d))		
Other receivables	12,900,776	12,449,250
Prepayments	3,299,396	3,967,986
	<u>3,339,975</u>	<u>3,378,761</u>
Less : provision for credit impairment (note (e))	<u>19,540,147</u>	<u>19,795,997</u>
	<u>(4,836,062)</u>	<u>(4,321,080)</u>
	<u>14,704,085</u>	<u>15,474,917</u>

- (a) The carrying amounts of 'trade and other receivables' approximate their fair values.
- (b) At December 31, 2020, trade receivables include **SR. 2,721,663** (2019 : SR. 2,206,534) 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

10. TRADE AND OTHER RECEIVABLES *Continued*

(c) At December 31, 2020, trade receivables include **SR. 4,139,233** (2019 : SR. 2,733,429) 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:

	2020	2019
	SR	SR
Less than 30 days	7,726,602	7,295,913
31 to 60 days	1,388,949	2,212,318
61 to 90 days	254,105	547,410
Over 90 days	3,531,120	2,393,609
	<u>12,900,776</u>	<u>12,449,250</u>

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

(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:

	2020	2019
	SR	SR
At January 1,	4,321,080	3,576,306
Provision made during the year	514,982	744,774
At December 31,	<u>4,836,062</u>	<u>4,321,080</u>

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

11. CURRENT TAX ASSET/(LIABILITY)

	2020	2019
	SR	SR
(a) Statement of financial position		
At January 1,	(1,310,298)	2,670,007
Tax expense (note (b))	-	(13,500,000)
Prior year taxes paid	5,324,852	1,779,953
Advance tax paid	341,876	7,739,742
At December 31,	<u>4,356,430</u>	<u>(1,310,298)</u>
(b) Tax expense		
Provision for current taxation	-	(13,500,000)
Release of deferred tax (note 15 (b))	133,512	2,075,149
Corporate social responsibility tax	(2,538,822)	(2,865,232)
	<u>(2,405,310)</u>	<u>(14,290,083)</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

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

		2020	2019
		SR	SR
(c) Reconciliation between tax expense and accounting profit is as follows:			
(Loss)/profit before tax		(8,192,908)	37,947,601
Tax calculated at applicable tax rates (note 11 (d))		(2,407,873)	11,334,280
<i>Tax impact on the following:</i>			
Items not deductible/not includable for tax purposes		(8,907,918)	616,214
Adjustment of provision for expenses		1,117,405	971,443
Adjustment for bad and doubtful debts		154,495	223,432
Difference of capital allowances over depreciation		347,482	146,621
Unutilised tax losses		9,696,409	-
Provision for tax contingency		-	208,010
Provision for current tax based on the profit for the year		-	13,500,000

(d) Applicable tax rates are as follows:

		2020	2019
		SR	SR
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.			

12. CASH AND CASH EQUIVALENTS

		2020	2019
		SR	SR
Balances with banks		37,403,751	88,486,581
Term deposits with banks		37,695,825	47,157,725
Cash on hand		1,265,085	1,387,436
		76,364,661	137,031,742

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.

13. SHARE CAPITAL

		2020	2019
		SR	SR
Authorised, issued and fully paid			
100 ordinary shares of SR. 100 each		10,000	10,000

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

14. CONTRIBUTED CAPITAL

	2020	2019
	SR	SR
At January 1 and December 31,	<u>92,209,737</u>	<u>92,209,737</u>
(a) Contributed capital represents the carrying amounts of net assets taken over from 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.		
(b) Details of assets taken over from SMB were as follows:	SR	
Property, plant and equipment	40,555,653	
Inventories	61,173,670	
Cash floats taken over	<u>19,900</u>	<u>19,900</u>
	<u>101,749,223</u>	<u>101,749,223</u>
Less: amount credited to share capital	<u>(10,000)</u>	<u>(10,000)</u>
Assets taken over on March 1, 2008	101,739,223	
In 2009 :Transfer from property, plant and equipment	<u>(6,837,477)</u>	<u>(6,837,477)</u>
:Transfer from inventories	<u>(2,692,009)</u>	<u>(2,692,009)</u>
Net contributed capital	<u>92,209,737</u>	<u>92,209,737</u>

15. DEFERRED TAX LIABILITIES

(a) Deferred taxes are calculated on all temporary differences under the liability method at applicable rates as mentioned in note 11 (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.

	2020	2019
	SR	SR
At January 1,	1,575,301	3,650,450
Credit to the statement of profit or loss (note 11 (b))	<u>(133,512)</u>	<u>(2,075,149)</u>
As December 31,	<u>1,441,789</u>	<u>1,575,301</u>

(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	Accelerated	Allowance	Retirement	Total
	Liabilities	depreciation	for expected	benefit	
	SR	SR	SR	SR	SR
At January 1, 2019	-	9,572,470	<u>(1,072,892)</u>	<u>(4,849,128)</u>	3,650,450
Charge/(credit) for the year	<u>(677,311)</u>	<u>(202,963)</u>	<u>(223,432)</u>	<u>(971,443)</u>	<u>(2,075,149)</u>
At December 31, 2019	<u>(677,311)</u>	<u>9,369,507</u>	<u>(1,296,324)</u>	<u>(5,820,571)</u>	<u>1,575,301</u>
Charge/(credit) for the year	<u>1,464,775</u>	<u>(326,387)</u>	<u>(154,495)</u>	<u>(1,117,405)</u>	<u>(133,512)</u>
At December 31, 2020	<u>787,464</u>	<u>9,043,120</u>	<u>(1,450,819)</u>	<u>(6,937,976)</u>	<u>1,441,789</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

16. EMPLOYEE BENEFIT OBLIGATIONS

	2020	2019
	SR	SR
Retirement benefit obligations	19,092,024	15,986,867
Long term employee benefit obligations	4,034,563	3,415,036
	<u>23,126,587</u>	<u>19,401,903</u>

Movement in employee benefit obligations:

At January 1,	19,401,903	16,163,761
Provision made during the year (note 21)	6,345,381	5,322,601
Paid during the year	(2,620,697)	(2,084,459)
At December 31,	<u>23,126,587</u>	<u>19,401,903</u>

- (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. BORROWINGS

	2020	2019
	SR	SR
Government of Seychelles loan (note (a))	-	5,476,544
The Livestock Trust Fund (note (b))	<u>5,000,000</u>	<u>5,000,000</u>
	<u>5,000,000</u>	<u>10,476,544</u>

Analysed as:

Due beyond one year	-	-
Due within one year	<u>5,000,000</u>	<u>10,476,544</u>
	<u>5,000,000</u>	<u>10,476,544</u>

Movement during the year is analysed below:

At January 1,	10,476,544	15,862,541
Received during the year	-	5,000,000
Repayments	-	(10,862,541)
Loan principal and interest waived (note (a))	(5,476,544)	-
Accrued interest	-	476,544
At December 31,	<u>5,000,000</u>	<u>10,476,544</u>

- (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. During the financial year under review, the Company negotiated with the Government of Seychelles and Government agreed to waive the balance outstanding towards principal and interest.
- (b) The exposure of the Company's borrowings to interest-rate changes and maturity and the contractual repricing dates is shown under notes 3.1 (b) and 3.1 (d) respectively.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

17. BORROWINGS *Continued*

(c) 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.

(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.

18. TRADE AND OTHER PAYABLES

	2020	2019
	SR	SR
Trade payables	84,460,867	56,495,567
Accruals and other payables	11,929,883	11,969,326
	96,390,750	68,464,893
Contract liabilities – customer loyalty programme	-	2,557,620

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

	2020	2019
	SR	SR
Seychelles Rupee	47,481,973	35,172,588
Euro	29,857,594	13,407,774
US Dollar	18,656,969	21,351,544
Other currencies	394,214	1,090,607
	96,390,750	71,022,513

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

19. REVENUE FROM CONTRACTS WITH CUSTOMERS

	2020	2019
	SR	SR
<i>Type of sales and services :</i>		
Sale of goods - retail	611,615,129	749,867,235
Less: reward points awarded (note 2.22)	(3,765,499)	(11,367,981)
	607,849,630	738,499,254
Sale of goods - wholesale	403,035,900	394,542,708
As previously reported	1,010,885,530	1,133,041,962
<i>Reclassified from Other Income:</i>		
Provision of Event Management Services (note 22)	896,576	1,586,062
Breakage income and unredeemed loyalty points (note 22)	-	2,994,236
Total revenue from contracts with customers	1,011,782,106	1,137,622,260

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

19. REVENUE FROM CONTRACTS WITH CUSTOMERS *Continued*

(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 -11.05% (2019: 14.68%) of the loyalty points liability outstanding at the end of the financial year.

(b) The Loyalty points scheme was discontinued on May 31, 2020 and the scheme was scrapped effective August 31, 2020. Revenue with respect to unutilised points at the end of the scheme was recognised as income for the financial year under review. No claims were received from customers subsequent to the closure of this scheme for under payment made to customers on this account.

(b) The Customer Loyalty programme operated by the Company was suspended effective August 31, 2020.

20. OPERATING AND OTHER EXPENSES

	2020	2019
	SR	SR
Cost of inventories (note 9)	794,475,169	824,154,598
Depreciation of property, plant and equipment (note 5)	11,452,442	12,345,683
Depreciation of right-of-use asset (note 7)	18,869,212	15,584,431
Amortisation of intangible assets (note 6)	68,076	37,372
Electricity and water charges	26,591,698	28,808,231
Publicity and promotions	541,732	830,117
Transport and fuel expenses	5,100,496	6,272,634
Packing expenses	3,631,189	6,007,866
Variable lease payments	3,705,323	15,613,661
Re-measurement of leases	(2,028,235)	-
Repairs and maintenance	6,174,745	7,586,842
Telephone and faxes	2,177,481	2,277,403
Employee benefits expenses (note 21)	122,969,782	131,457,479
Professional and other fees	1,045,448	237,526
Security expenses	2,252,005	7,266,866
Vehicle expenses	2,197,507	2,427,733
Other donations	189,524	642,425
CSR related donations	2,538,869	2,872,476
Container rental	1,970,038	2,100,159
Loss on disposal of property, plant and equipment	-	35,434
Cleaning expenses	5,780,017	5,994,601
Credit card commission	3,184,269	4,385,109
Bank charges	5,780,017	2,530,887
Insurance	1,992,556	2,169,776
Printing, stationery and postage	2,321,570	1,973,425
Other expenses	12,012,535	10,295,070
	1,034,993,465	1,093,907,804

Summarised as follows:

Cost of sales	820,180,377	853,435,198
Distribution expenses	8,012,437	12,108,053
Administrative expenses	206,800,651	228,364,553
	1,034,993,465	1,093,907,804

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

21. STAFF COSTS

	2020	2019
	SR	SR
Salaries and wages	105,591,519	103,426,081
Staff incentives	3,315,000	7,505,133
13th month salary	-	6,195,026
Directors' and key management personnel emoluments (note (a) below)	1,432,800	1,401,300
Retirement and other long term benefits (note 16)	6,345,381	5,322,601
Employee benefits and related expenses (notes (b and c))	4,883,815	4,971,302
Staff welfare	1,401,267	2,636,036
	<u>122,969,782</u>	<u>131,457,479</u>

(a) *Directors' emoluments:*

Guy Morel	Chairperson	114,000	114,000
Farida Camille		90,000	90,000
Oliver Bastienne		90,000	90,000
Ashik Hassan		90,000	90,000
Gerard Adam		90,000	90,000
Total Directors' fees		474,000	474,000

Other emoluments (key management personnel):

Christine Joubert	Chief Executive Officer	958,800	927,300
Total Directors' and key management personnel emoluments		1,432,800	1,401,300

- (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

	2020	2019
	SR	SR
Rental income	7,563,084	2,133,858
Government grant received	25,000,000	-
Profit on disposal of property, plant and equipment	194,609	-
Sundry income	2,577,410	2,255,343
Total other income	35,335,103	4,389,201

Government grant comprises of a specific grant of SR 20 million received to fund the loss incurred by the Company on Category 1 products and the balance SR 5 million pertains to waiver of existing loan payable as disclosed under note 17.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

23. FINANCE INCOME AND COSTS

	2020	2019
	SR	SR
(a) Finance income		
Interest received on term deposits	<u>1,918,410</u>	<u>930,246</u>
(b) Finance costs		
Interest on Government and Livestock Trust Fund loans	(368,451)	839,296
Interest on lease liabilities	3,028,634	11,515,747
Interest on bank borrowings	-	-
	<u>2,660,183</u>	<u>12,355,043</u>

24. RELATED PARTY BALANCES AND TRANSACTIONS

	2020	2019
	SR	SR
Government of Seychelles		
<i>Balances</i>		
Contributed capital (note 14)	92,209,737	92,209,737
Borrowings (note 17)	5,000,000	10,476,544
<i>Transactions</i>		
Interest on borrowings (note 23 (b))	(368,451)	839,296
<i>Emoluments</i>		
Directors' and key management personnel emoluments (note 21(a))	1,432,800	1,401,300
(a) Other terms and conditions have been included under the relevant notes.		
(b) <i>Compensation to key management personnel:</i>		

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

	2020	2019
	SR	SR
Capital Commitments		
Approved and contracted regarding property, plant and equipment	-	-
Approved but not contracted for ERP hardware and software	31,960,000	31,960,000
Operating commitments		
Letters of credit	53,813,049	50,767,259

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

26. CONTINGENT LIABILITIES

	2020	2019
	SR	SR
Bank guarantees for bonded warehouse	10,000,000	10,000,000
Corporate guarantees for employee loans	400,000	400,000
	<u>10,400,000</u>	<u>10,400,000</u>

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. CORONA VIRUS PANDEMIC

A corona virus pandemic affecting the global and Seychelles economies broke out at the end of March 2020. This has severely affected the financial, commercial and economic transactions, retail, logistics and distribution and the production and supply chains worldwide. The liquidity, solvency and existence of business entities has come under severe stress. The COVID-19 pandemic has impacted and may continue to impact the business operations, including employees, customers, partners, and communities, and there is substantial uncertainty in the nature and degree of its continued effects over the financial year 2021.

The extent to which the COVID-19 pandemic impacts the business going forward will depend on numerous evolving factors that cannot be reliably predicted, including the duration and scope of the pandemic; governmental, business and individuals' actions in response to the pandemic; and the impact on economic activity including the possibility of recession or financial market instability.

These factors may adversely impact consumer, business, and government spending in the economy and on the customers' ability to pay for products and services on an ongoing basis. The main source of income of the country is from the tourism sector and the source of the country's consumption of food, beverages and consumables are imported. The Company is badly affected due to the closure of hotels and restaurants on the one hand and depleted foreign currency resources with the increase in exchange rates on the other hand due to the severe impact on the inflows of foreign exchange in the country.

The Government had taken measures to relieve and assist the private sector of its immediate financial burden during the year 2020 which have been gradually suspended in the year 2021. The Seychelles Revenue Commission has also postponed some tax payment deadlines.

The Country has taken measures to open up for tourism towards the end of March 2021 with certain restrictions to bring the economy back to normal. The Directors have considered the impact of the COVID-19 pandemic and ascertained that the going concern of the Company shall not be affected although the sales demand has been considerably reduced.

28. SUBSEQUENT EVENTS

The Company has decided to downsize its operations to curtail its losses due to the coronavirus pandemic, the retail outlets were closed: STC Victoria supermarket at Orion Mall on 30th April 2021, STC Grand Anse supermarket on Mahé on 31st July 2021, STC Grand Anse supermarket on Praslin on 12th June 2021 and STC supermarket on La Digue on 31st August 2021.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

29. FIVE YEAR FINANCIAL SUMMARY

	2020 SR'000	2019 SR'000	2018 SR'000	2017 SR'000	2016 SR'000
Revenue	1,011,782	1,137,622	1,089,287	1,096,903	1,095,056
(Loss)/profit before tax	(8,193)	37,948	31,844	23,589	27,791
Tax expense	(2,405)	(14,290)	(12,805)	(9,840)	(10,757)
(Loss)/profit for the year	(10,598)	23,658	19,039	13,749	17,034
Retained earnings brought forward	206,319	182,661	168,196	154,447	137,413
Correction of error (note 2. 1 (d))	-	-	(4,096)	-	-
Effect of implementation of IFRS 9	-	-	(478)	-	-
Retained earnings carried forward	195,721	206,319	182,661	168,196	154,447
EQUITY					
Share capital	10	10	10	10	10
Contributed capital	92,210	92,210	92,210	92,210	92,210
Retained earnings	195,721	206,319	182,661	168,196	154,447
	287,941	298,539	274,881	260,416	246,667

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

SOCIAL BENEFIT TO CONSUMERS ON SUBSIDISED PRICES OF ESSENTIALS

	2020 SR'000	2019 SR'000	2018 SR'000	2017 SR'000	2016 SR'000
Revenue					
Subsidised sales	187,010	190,136	196,686	211,400	232,422
Non-subsidised sales	824,772	947,486	892,601	885,503	862,634
	<u>1,011,782</u>	<u>1,137,622</u>	<u>1,089,287</u>	<u>1,096,903</u>	<u>1,095,056</u>
Cost of Social Benefits:					
Cost to the Company	30,950	24,815	24,864	22,252	19,078
Tax impact	10,154	10,849	12,141	9,717	11,069
	<u>41,104</u>	<u>35,664</u>	<u>37,005</u>	<u>31,969</u>	<u>30,147</u>
Average exchange rates - CBS	18.07	14.11	14.07	13.84	13.50
Global food index - FAO	97.00	169.33	168.67	178.60	161.50

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 5 to 46.

ECONOMIC VALUE ADDED STATEMENT - YEAR ENDED DECEMBER 31, 2020 *Continued*

	2020		2019	
	SR	%	SR	%
Economic value generated				
Revenue	1,011,782,106		1,137,622,260	
Finance income	1,918,410		930,246	
Rental and other income	35,335,103		4,389,201	
	1,049,035,619		1,142,941,707	
Operating costs	(919,272,262)		(955,335,444)	
Economic value added	129,763,357		187,606,263	
Economic value distributed				
Employee wages and benefits				
- Salaries, wages and other benefits	118,221,983	91.1%	116,356,020	62.0%
- Performance bonus and 13th month salary	3,315,000	2.6%	13,700,159	7.3%
Payments to providers of funds				
- Interest on borrowings	-	0.0%	-	0.0%
Payments to Government				
- Government loan interest	(368,451)	-0.3%	839,296	0.4%
- Government tax	2,405,310	1.9%	14,290,083	7.6%
Corporate social responsibility	5,267,215	4.1%	6,380,132	3.4%
	128,841,057	99.3%	151,565,690	80.8%
Economic value retained				
Depreciation	11,452,442		12,345,683	
Amortisation	68,076		37,372	
(Loss)/profit for the year	(10,598,218)		23,657,518	
Retained for reinvestment/growth	922,300	0.7%	36,040,573	19.2%
Total	129,763,357	100.0%	187,606,263	100.0%

This economic value added statement does not form part of the audited financial statements set out on pages 5 to 46.