SEYCHELLES PUBLIC TRANSPORT CORPORATION

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2014

SEYCHELLES PUBLIC TRANSPORT CORPORATION

TABLE OF CONTENTS

DIRECTORS	:	The Corporation Steve Fanny (Chairman) Geffy Zialor (Chief Executive Officer) Veronique Laporte Patrick Andre Rosa Morin Hans Aglae
REGISTERED OFFICE	:	Victoria, Mahé, Seychelles
PRINCIPAL PLACE OF BUSINESS	:	Victoria, Mahé, Seychelles
AUDITORS	:	BDO Associates Chartered Accountants Seychelles
BANKERS	:	(1) The Mauritius Commercial Bank (Seychelles) Limited (2) Barclays Bank Limited (3) Bank of Baroda Limited (4) Seychelles Commercial Bank Limited (5) Seychelles International Mercantile Banking Corporation Limited

The Directors are pleased to submit their report together with the audited financial statements of the Corporation for the year ended December 31, 2014.

PRINCIPAL ACTIVITY

The Corporation operates public transport on Mahé.

CURRENT YEAR EVENT

Discussions started late 2014 to wind up the subsidiary, Praslin Transport Company Limited (PTC), and integrate its operations and activities within the Corporation as a separate division. This decision to wind up was finally confirmed by the Government of Seychelles on February 27, 2015. Consequently, PTC, as a separate legal entity, is no longer a going concern and therefore no group financial statements have been prepared for the year 2014.

RESULTS

	THE CORPORATION
	SR
Loss for the year	(14,077,569)
Retained earnings brought forward	96,671,545
Retained earnings carried forward	**82,593,976**

PROPERTY AND EQUIPMENT

The Corporation

Additions to property and equipment of **SR 20.8m** during the year (2013: SR 7.9m) comprised mainly the furniture, fittings and equipment and buildings on leasehold land and WIP. Assets scrapped comprised vehicles and engines with net book value of **SR 0.2m** (2013: Nil). There was no disposal during the year (2013: SR 0.6m).

Property and equipment are stated at cost less accumulated depreciation. The Directors are of the opinion that the carrying amounts of the assets approximate their fair value and do not require any adjustments for impairment.

DIRECTORS

The Directors of the Corporation appointed under Section 5(1) of the Seychelles Public Transport Act, 1977 and those of its subsidiary (PTC) appointed under the Seychelles Companies Act, 1972, in office from the date of the last report to the date of this report, are as follows:

The Corporation

Steve Fanny (Chairman)
Geffy Zialor (Chief Executive Officer)
Veronique Laporte
Patrick Andre
Rosa Morin
Hans Aglae

The Subsidiary (PTC)

Kevin Samson (Chairman)
Geffy Zialor (Chief Executive Officer)
Michael Antoine
Jean-Baptiste Yvon Esther
Tim Marie

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Chief Executive Officer is responsible for the overall management of the affairs of the Corporation including its daily operations and the making of major investments and policy proposals to the Board of Directors for approval.

The Board is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS) and with the Seychelles Public Transport Corporation Act, 1977. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances. The Directors have the general responsibility of safeguarding the assets, both owned by the Corporation and those that are held in trust and used by the Corporation.

The Directors consider they have met their aforesaid responsibilities.

AUDITORS

The retiring auditors, Messrs. BDO Associates, being eligible offer themselves for re-appointment.

BOARD APPROVAL

Steve Fanny
Chairman

Geffy Zialor
Director

Veronique Laporte
Director

Patrick Andre
Director

Rosa Morin
Director

Hans Aglae
Director

Date: 08-04-2015
Victoria, Seychelles

BDO

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SEYCHELLES PUBLIC TRANSPORT CORPORATION

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS

This report is made solely to the members of Seychelles Public Transport Corporation and its subsidiary ("The Group"), as a body, in terms of our engagement to conduct the audit on their behalf. Our audit work has been undertaken so that we might state to the members those matters which we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members as a body, for our audit work, for this report, or for the opinions we have formed.

Report on the Financial Statements

We have audited the financial statements of Seychelles Public Transport Corporation and its subsidiary set out on pages 4 to 26 which comprise the Statement of Financial Position as at December 31, 2014, the Statement of Comprehensive Income, Statement of Changes in Equity and the Statement of Cash Flows for the year then ended and a summary of significant accounting policies and explanatory notes.

Directors' Responsibility

As stated on page 2(a) of the Directors' Report, the Board of Directors are responsible for preparation of the financial statements.

Auditors' Responsibility

Our responsibility is to express an opinion on those financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making these risk assessments, the auditors consider internal control relevant to the Bank's preparation and fair presentation of the financial statements 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 Bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors as well as evaluating the overall presentation of the financial statements.

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

BDO

SEYCHELLES PUBLIC TRANSPORT CORPORATION

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

Opinion

In our opinion, the financial statements on pages 4 to 26 give a true and fair view of the financial position of the Group and the Corporation as at December 31, 2014 and of its financial performance and its cash flows for the period or year then ended in accordance with International Financial Reporting Standards and comply with the Seychelles Public Transport Corporation Act, 1977.

Report on Other Legal and Regulatory Requirements

Public Enterprise Monitoring Commission Act, 2013

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

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

BDO Associates

BDO ASSOCIATES
Chartered Accountants

Dated: 08-04-2015
Victoria, Seychelles

STATEMENTS OF FINANCIAL POSITION - DECEMBER 31, 2014

	Notes	THE GROUP	THE CORPORATION	
		2013	2014	2013
		SR	SR	SR
ASSETS				
Non-current assets				
Property and equipment	5	86,540,537	84,726,112	81,937,696
Investment in subsidiary	6	-	-	10,000
Amount receivable from subsidiary	7	-	-	5,006,563
		86,540,537	84,726,112	86,954,259
Current assets				
Inventories	8	17,529,358	26,439,718	16,969,079
Investment in financial assets	9	26,943,552	22,777,899	26,943,552
Amount receivable from subsidiary	7	-	5,600,189	-
Trade and other receivables	10	12,111,527	8,181,402	11,035,425
Cash and cash equivalents	11	12,917,676	5,044,204	12,520,307
		69,502,113	68,043,412	67,468,363
Total assets		156,042,650	152,769,524	154,422,622
RESERVES AND LIABILITIES				
Reserves				
Capital Grants	12	45,120,195	47,356,833	39,679,014
Retained earnings		92,558,145	82,593,976	96,671,545
		137,678,340	129,950,809	136,350,559
LIABILITIES				
Non-current liability				
Retirement benefit obligations	13	13,008,870	15,755,207	12,838,177
Current liability				
Trade and other payables	14	5,355,440	7,063,508	5,233,886
Total liabilities		18,364,310	22,818,715	18,072,063
Total reserves and liabilities		156,042,650	152,769,524	154,422,622

These financial statements have been approved for issue by the Board of Directors on 08-04-2015

Steve Fanny Chairman	Geffy Zialor Director	Véronique Laporte Director
Patrick Andre Director	Rosa Morin Director	Hans Aglae Director

The notes on pages 8 to 26 form an integral part of these financial statements.
Auditors' report on pages 3 and 3(a).

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME - YEAR ENDED DECEMBER 31, 2014

		THE GROUP	THE CORPORATION	
	Notes	2013	2014	2013
		SR	SR	SR
Revenue	2(j)	119,873,668	**117,161,528**	113,064,080
Operating expenses	15	(63,646,197)	**(59,681,853)**	(56,791,232)
Operating profit		56,227,471	**57,479,675**	56,272,848
Administrative expenses	15	(100,760,196)	**(109,375,173)**	(95,015,582)
Interest Income - banks		1,731,157	**1,299,635**	1,731,157
Other income	17	39,490,554	**35,995,900**	36,134,457
Loss before finance income		(3,311,014)	**(14,599,963)**	(877,120)
Foreign exchange gains/ (losses)		(700,434)	**522,394**	(700,434)
Loss for the year	18	(4,011,448)	**(14,077,569)**	(1,577,554)
Other comprehensive income:				
Items that may be reclassified subsequently to profit or loss:				
Grants (note 12)				
Grant received during the year	12	-	**15,999,383**	-
Release to statement of profit or loss				
- Depreciation charge	12	(11,535,864)	**(8,321,564)**	(10,757,706)
Total other comprehensive (loss)/income for the year		(11,535,864)	**7,677,819**	(10,757,706)
Total comprehensive loss for the year		(15,547,312)	**(6,399,750)**	(12,335,260)

The notes on pages 8 to 26 form an integral part of these financial statements.
Auditors' report on pages 3 and 3(a).

STATEMENTS OF CHANGES IN EQUITY - YEAR ENDED DECEMBER 31, 2014

THE GROUP

	Capital Grants	Retained earnings	Total
	SR	SR	SR
Balance at January 1, 2013	56,656,059	96,569,593	153,225,652
Total comprehensive loss for the year	-11,535,864	(4,011,448)	(15,547,312)
Balance at December 31, 2013	45,120,195	92,558,145	137,678,340

THE CORPORATION

	Capital Grants	Retained earnings	Total
	SR	SR	SR
Balance at January 1, 2014	**39,679,014**	**96,671,545**	**136,350,559**
Total comprehensive loss for the year	**7,677,819**	**(14,077,569)**	**(6,399,750)**
Balance at December 31, 2014	**47,356,833**	**82,593,976**	**129,950,809**
Balance at January 1, 2013	50,436,720	98,249,099	148,685,819
Total comprehensive income/(loss) for the year	(10,757,706)	(1,577,554)	(12,335,260)
Balance at December 31, 2013	39,679,014	96,671,545	136,350,559

The notes on pages 8 to 26 form an integral part of these financial statements.
Auditors' report on pages 3 and 3(a).

STATEMENTS OF CASH FLOW FOR THE YEAR ENDED DECEMBER 31, 2014

	Notes	THE GROUP	THE CORPORATION	
		2013	2014	2013
		SR	SR	SR
Cash flows from operating activities				
Loss for the year		(4,011,448)	(14,077,569)	(1,577,554)
Adjustments for:				
Depreciation on property and equipment	5	18,820,777	17,781,294	17,817,973
Release of grants	12	(11,535,864)	(8,321,564)	(10,757,706)
Loss on asset scrapped		565,421	219,112	565,421
Impairment of investment in subsidiary	6	-	10,000	-
Loss on exchange of financial assets	9	696,902	(1,039,652)	696,902
Interest receivable		(1,731,157)	(1,299,635)	(1,731,157)
Provision for obsolete inventories	8	3,332,498	(3,000,000)	3,332,498
Allowance for credit losses	10	762,790	95,565	762,790
Interest accrued on financial assets	9	(278,102)	(799,147)	(278,102)
Net movement in retirement benefit obligations		1,292,889	2,917,030	1,421,217
		7,914,706	(7,514,566)	10,252,282
Changes in working capital				
- Inventories		(2,190,886)	(6,470,639)	(2,074,898)
- Trade and other receivables		(4,337,791)	2,758,458	(3,989,229)
- Trade and other payables		127,916	1,829,622	182,362
		1,513,945	(9,397,125)	4,370,517
Interest received		1,731,157	1,299,635	1,731,157
Net cash inflow/(outflow) from operating activities		3,245,102	(8,097,490)	6,101,674

The notes on pages 8 to 26 form an integral part of these financial statements.
Auditors' report on pages 3 and 3(a).

STATEMENTS OF CASH FLOW FOR THE YEAR ENDED DECEMBER 31, 2014

	Notes	THE GROUP	THE CORPORATION	
		2013	2014	2013
		SR	SR	SR
Cash flow from investing activities				
Purchase of property and equipment	5	(7,917,303)	(20,788,822)	(7,917,303)
Purchase of investment in financial assets	9	(31,688,619)	(17,036,000)	(31,688,619)
Proceeds from redemption of investment in financial assets	9	40,127,213	23,040,452	40,127,213
Net cash inflow/(outflow) from investing activities		521,291	(14,784,370)	521,291
Cash flow from financing activities				
Movement in amount receivable from the subsidiary		-	(593,626)	(3,226,073)
Grant related to assets received	12	-	15,999,383	-
Net cash inflow/(outflow) from financing activities		-	15,405,757	(3,226,073)
Net increase/(decrease) in cash and cash equivalents		3,766,393	(7,476,103)	3,396,892
Movement in cash and cash equivalents				
At January 1,		9,151,283	12,520,307	9,123,415
Increase/(Decrease) during the year		3,766,393	(7,476,103)	3,396,892
At December 31,	11	12,917,676	5,044,204	12,520,307

The notes on pages 8 to 26 form an integral part of these financial statements.
Auditors' report on pages 3 and 3(a).

1. GENERAL INFORMATION

The Corporation is fully owned by the Government of Seychelles and is domiciled in Seychelles. Its head office is located at Victoria, Seychelles and so is its principal place of business.

The principal activity of the Corporation and that of its subsidiary are as stated in the Directors' report on page 2.

2. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

The financial statements of Seychelles Public Transport Corporation and its subsidiary have been prepared in accordance with International Financial Reporting Standards (IFRS) and comply with the Companies Act, 1972. These financial statements have been prepared under the historical cost convention, except that relevant financial assets and financial liabilities are measured at their fair value or amortised cost as appropriate.

Standards, Amendments to published Standards and Interpretations effective in the reporting period

Amendments to IAS 32, 'Offsetting Financial Assets and Financial Liabilities', clarify the requirements relating to the offset of financial assets and financial liabilities. *The amendment is not expected to have any impact on the Group's/Corporation's financial statements.*

Amendments to IFRS 10, IFRS 12 and IAS 27, 'Investment Entities', define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements. Consequential amendments have been made to IFRS 12 and IAS 27 to introduce new disclosure requirements for investment entities. *As the Corporation is not an investment entity, the standard has no impact on the Group's/Corporation's financial statement.*

IFRIC 21, 'Levies', sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what obligating event that gives rise to pay a levy and when should a liability be recognised. *The Corporation is not subject to levies so the interpretation has no impact on the Group's/Corporation's financial statements.*

Amendments to IAS 36, 'Recoverable Amount Disclosures for Non- financial Assets', remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated. *The amendment has not impact on the Group's/Corporation's financial statements*

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of preparation (Cont'd)

Standards, Amendments to published Standards and Interpretations effective in the reporting period (Cont'd)

Amendments to IAS 39, 'Novation of Derivatives and Continuation of Hedge Accounting', provide relief from the requirement to discontinue hedge accounting when a derivative designated as a hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative designated as a hedging instrument arising from the novation should be included in the assessment and measurement of hedge effectiveness. *The amendment has not impact on the Group's/Corporation's financial statements.*

Annual Improvements to IFRSs 2011-2013 Cycle

IFRS 1 (Amendment), 'First-time Adoption of International Financial Reporting Standards' clarifies in the Basis for Conclusions that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first IFRS financial statements. *The amendment has no impact on the Group's/Corporation's financial statements, since the Group/Corporation is an existing IFRS preparer.*

Standards, Amendments to published Standards and Interpretations issued but not yet effective

Certain standards, amendments to published standards and interpretations have been issued that are mandatory for accounting periods beginning on or after 1 January 2015 or later periods, but which the Group/Corporation has not early adopted.

At the reporting date of these financial statements, the following were in issue but not yet effective:

IFRS 9 Financial Instruments
Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)
Annual Improvements to IFRSs 2010-2012 cycle
Annual Improvements to IFRSs 2011-2013 cycle
IFRS 14 Regulatory Deferral Accounts
Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)
Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)
IFRS 15 Revenue from Contract with Customers
Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41)
Equity Method in Separate Financial Statements (Amendments to IAS 27)
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)
Annual Improvements to IFRSs 2012-2014 Cycle

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and any impairment in value. Historical cost consists of purchase cost, together with any incidental expenses of acquisition and installation.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow and the cost can be reliably measured. Repairs and maintenance are charged to the statement of comprehensive income during the period in which they are incurred.

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

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

	%
Improvements to buildings on leasehold	2% - 20%
Furniture, fittings and equipment	10% - 50%
Vehicles and engines	12.5% - 20%

Land is not depreciated.

The assets' residual value and useful lives are reviewed, and adjusted if appropriate, at each reporting period.

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

Gains and losses on disposal of property and equipment are determined by comparing proceeds with carrying amount and are included in the statement of profit or loss.

(c) Inventories

Inventories are stated at the lower of cost and net realisable value. In general cost is determined by the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity) but excludes the borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses. Provisions are made for obsolete inventories based on management's appraisal.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Financial instruments

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

(i) *Held-to-maturity financial assets*
Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Corporation's management has the positive intention and ability to hold to maturity.

Held-to-maturity investments are recognised initially at fair value plus directly attributable transaction costs. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest rate method.

(ii) *Trade and other receivables*
Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Corporation will not be able to collect all amounts due according to the original terms of receivables. The amount of provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of provision is recognised in the statement of profit or loss.

(iii) *Cash and cash equivalents*
Cash comprises of cash in hand and at bank. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value, against which bank overdrafts, if any, are deducted. The cash flow statement is prepared using the indirect method.

(iv) *Trade and other payables*
Trade and other payables are stated at fair value and subsequently measured at amortised cost using the effective interest method.

Derecognition
A financial asset is derecognised when the rights to receive cash flows have expired or the Group has transferred its rights to receive cash flows from the asset.

<u>Impairment of financial assets</u>

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. The carrying amount of the asset is reduced and the amount of loss is recognised in the profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Investment in subsidiary

Separate financial statements of the investor

In the separate financial statements of the investor, investment in subsidiary company is carried at cost. The carrying amount is reduced to recognise any impairment in the value of investment.

Consolidated financial statements

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group.

The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of profit or loss.

Inter-entity transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Transactions and non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Investment in subsidiary (Cont'd)

Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in statement of profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to statement of profit or loss.

(f) Retirement benefit obligations

Defined benefit plans

The Group provides for a payment of gratuity to permanent employees. Gratuities are paid every five years (except in the case of early retirement) as from January 2007, for continuous service. The amount provisioned every year is based on the number of years the employee has worked after the last payment date. This type of employee benefits has the characteristics of a defined benefit plan. The liability recognised in the statement of financial position in respect of the defined benefit plan is the present value of the defined obligation at the reporting date less fair value of plan assets together with adjustments for unrecognised actuarial gains and losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability.

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

(g) Foreign currencies

(i) Functional and presentation currency

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

(ii) Functional and presentation currency

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) **Foreign currencies (Cont'd)**

(iii) Transactions and balances

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

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date the fair value was determined. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date the fair value was determined.

(h) **Grants**

(i) Grants related to assets from the Government of Seychelles for acquisition of property and equipment received in form of donations is treated as deferred income by crediting capital grant, classified under equity in the statement of financial position.

Depreciation calculated on such assets is released from grants and credited to depreciation charge in the statement of profit or loss until those assets are fully depreciated.

In the event that property and equipment acquired from grants are disposed of before they are fully depreciated, the carrying amount of such asset is reversed to the grant and gain or loss, if any, are recognised to the statement of profit or loss.

(ii) Grants related to income also received from the Governement of Seychees are presented as part of profit or loss under other income in the statement of profit or loss.

(i) **Impairment of assets**

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably. Revenue is measured at the fair value of consideration received.

Sale of services are recognised in the year in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of total services to be provided.

(k) Business tax

The Corporation is exempt from tax as per paragraph 1 of the Second Schedule to Business Tax Act, 2009.

(l) Provisions

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

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activity exposes it to a variety of financial risks, including: credit risk, liquidity risk, currency risk and interest rate risk.

A description of the significant risk factors is given below together with the risk management policies applicable.

(a) Credit risk

The Group's credit risk is primarily attributable to its trade receivables and other receivables. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the Group's management based on experience and the current economic

The Group's sales are mostly on a cash basis and credit sales are made to customers with an appropriate credit history. Credit risk is therefore considered to be low.

(b) Liquidity risk

The Group manages liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of credit facilities as applicable. Liquidity risk is considered as low.

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.1 Financial risk factors (Cont'd)

(c) Currency risk

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to GB Pound Sterling, ZAR and US Dollar. Foreign exchange risk arises from commercial transactions and assets denominated in currencies other than the functional currency.

At December 31, 2014, if the Seychelles Rupee had weakened/strengthened by 5% against US Dollar with all variables held constant, loss for the year would have been **SR 325,582** (2013: SR 389,937) higher/lower, mainly as a result of foreign exchange losses/gains on translation of foreign currency monetary assets and liabilities as depicted in the table below:

	US Dollar	
	2014	2013
	SR	SR
Investment in financial assets	**358,233**	408,272
Trade and other payables	**(32,651)**	(18,335)
	325,582	389,937

(d) Interest rate risk

The Group and the Corporation have significant interest-bearing assets and income and operating cash flows from these assets are dependent of changes in market interest rates. As at December 31, 2014, had interest rates weakened/strengthened by 5%, loss for the year of the Corporation would have been higher/lower by **SR 64,982** (2013: SR 86,558) higher/lower.

3.2 Fair value estimation

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

4.1 Critical accounting estimates and assumptions

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

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

4.1 <u>Critical accounting estimates and assumptions (Cont'd)</u>

(a) *Impairment of assets*

Property and equipment are considered for impairment if there is a reason to believe that impairment may be necessary. Factors taken into consideration in reaching such a decision include the economic viability of the asset itself and where it is a component of a larger economic unit, the viability of that unit itself.

Future cash flows expected to be generated by the assets or cash-generating units are projected, taking into account market conditions and the expected useful lives of the assets. The present value of these cash flows, determined using an appropriate discount rate, is compared to the current net asset value and, if lower, the assets are impaired to the present value.

(b) *Retirement benefit obligations*

The cost of defined benefit pension plans has been determined using the method as per the Seychelles Employment Act, 1995 and the Directors have estimated that the amount of liability provided will not be materially different had it been computed by an external Actuary.

(c) Asset lives and residual values

Future cash flows expected to be generated by the assets or cash-generating units are projected, taking into account market conditions and the expected useful lives of the assets. The present value of these cash flows, determined using an appropriate discount rate, is compared to the current net asset value and, if lower, the assets are impaired to the present value.

(d) *Depreciation policies*

Property 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 Group would currently obtain from the disposal of the asset, if the asset were already of the age and in condition expected at the end of its useful life.

The Directors therefore make estimates based on historical experience and use best judgement to assess the useful lives of assets and to forecast the expected residual values of the asset at the end of their expected useful lives.

(e) *Limitation of sensitivity analysis*

Sensitivity analysis in respect of market risk 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. It should also be noted that these sensitivities are non-linear and larger or smaller impacts should not be interpolated or extrapolated from these results.

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

5. PROPERTY AND EQUIPMENT

(a) THE GROUP

	Freehold land	Buildings on leasehold land	Vehicles and engines	Furniture, fittings and equipment	Capital work in progress	Total
	SR	SR	SR	SR	SR	SR
COST						
At December 31, 2013	75,000	30,934,770	139,864,137	20,838,855	1,291,199	193,003,961
Additions	-	-	1,338,971	1,021,523	5,556,809	7,917,303
Assets scrapped	-	-	(3,075,717)	-	-	(3,075,717)
At December 31, 2013	75,000	30,934,770	138,127,391	21,860,378	6,848,008	197,845,547
DEPRECIATION						
At December 31, 2013	-	19,107,989	61,747,918	13,946,856	191,766	94,994,529
Charge for the year	-	862,131	15,965,552	1,993,094	-	18,820,777
Adjustments for assets scrapped	-	-	(2,510,296)	-	-	(2,510,296)
At December 31, 2013	-	19,970,120	75,203,174	15,939,950	191,766	111,305,010
NET BOOK VALUE						
At December 31, 2013	75,000	10,964,650	62,924,217	5,920,428	6,656,242	86,540,537

5. PROPERTY AND EQUIPMENT (CONT'D)

(b) THE CORPORATION

	Freehold land	Buildings on leasehold land	Vehicles and engines	Furniture, fittings and equipment	Capital work in progress	Total
	SR	SR	SR	SR	SR	SR
COST						
At January 1, 2013	75,000	29,787,276	133,590,140	20,838,855	868,809	185,160,080
Additions	-	-	1,338,971	1,021,523	5,556,809.	7,917,303
Assets scrapped	-	-	(3,075,717)	-	-	(3,075,717)
At December 31, 2013	75,000	29,787,276	131,853,394	21,860,378	6,425,618	190,001,666
Additions	-	6,102,103	-	3,695,166	10,991,553	20,788,822
Assets scrapped	-	-	(2,695,346)	-	-	(2,695,346)
Transfers	-	6,485,869	-	10,931,302	(17,417,171)	-
At December 31, 2014	75,000	42,375,248	129,158,048	36,486,846	-	208,095,142
DEPRECIATION						
At January 1, 2013	-	18,870,622	59,938,815	13,946,856	-	92,756,293
Charge for the year	-	724,001	15,177,648	1,916,324	-	17,817,973
Disposal adjustments	-	-	(2,510,296)	-	-	(2,510,296)
At December 31, 2013	-	19,594,623	72,606,167	15,863,180	-	108,063,970
Charge for the year	-	740,330	15,048,492	1,992,472	-	17,781,294
Adjustments for assets scrapped	-	-	(2,476,234)	-	-	(2,476,234)
At December 31, 2014	-	20,334,953	85,178,425	17,855,652	-	123,369,030
NET BOOK VALUE						
At December 31, 2014	75,000	22,040,295	43,979,623	18,631,194	-	84,726,112
At December 31, 2013	75,000	10,192,653	59,247,227	5,997,198	6,425,618	81,937,696

(c) Depreciation has been charged to administrative expenses (note 15).

6. INVESTMENT IN SUBSIDIARY

	THE CORPORATION	
	2014	2013
	SR	SR
Cost - Unquoted		
At December 31,	-	10,000

Details of the subsidiary are as follows:

Name of subsidiary	Class of shares held	% Direct shareholding	Year ended
Praslin Transport Company Limited (PTC)	Ordinary	100%	December 31,

The subsidiary is incorporated in Seychelles and is engaged in providing public transportation on Praslin Island, Seychelles. Effective February 2015, the Government of Seychelles has decided to wind up PTC which will henceforth become a division within SPTC. The investment has been fully impaired since PTC is no longer a going concern.

7. AMOUNT RECEIVABLE FROM SUBSIDIARY

	THE CORPORATION	
	2014	2013
	SR	SR
Amount receivable from subsidiary	**5,600,189**	5,006,563
Analysed as follows:		
- Non-current	-	5,006,563
- Current	**5,600,189**	-
	5,600,189	5,006,563

(a) The amount receivable is interest free and has been reclassified to current assets in 2014 (see note 6(a)).

(b) The receivable from the subsidiary has not been impaired since it will be eliminated upon the transfer of PTC to SPTC.

(c) The carrying amount of 'amount receivable from subsidiary is denominated in Seychelles Rupee.

8. INVENTORIES

	THE GROUP	THE CORPORATION	
	2013	2014	2013
	SR	SR	SR
Vehicle spares	15,031,021	**19,633,027**	14,675,119
Consumables, loose tools and operating supplies	7,020,380	**8,328,734**	6,816,003
	22,051,401	**27,961,761**	21,491,122
Provision for obsolete inventories (note (b) below)	(4,522,043)	**(1,522,043)**	(4,522,043)
	17,529,358	**26,439,718**	16,969,079

(a) The cost of inventories recognised as expense and included in cost of sales amounted to **SR56,087,837** for the Corporation (2013: SR60,614,427 and SR53,955,811 for the group and Corporation respectively) (note 15).

8. INVENTORIES (CONT'D)

(b) Movements in provision for obsolete inventories is as follows:

	THE GROUP	THE CORPORATION	
	2013	2014	2013
	SR	SR	SR
At January 1,	1,189,545	**4,522,043**	1,189,545
Charge for the year (note 15)	3,332,498	**(3,000,000)**	3,332,498
At December 31,	4,522,043	**1,522,043**	4,522,043

(c) The Directors have estimated that no impairment is required in respect of inventories and no spares are required to be recognised as equipment as per the requirements of IAS 16.

9. INVESTMENT IN FINANCIAL ASSETS

Held-to-maturity financial assets	THE GROUP	THE CORPORATION	
	2013	2014	2013
	SR	SR	SR
At January 1,	35,800,946	**26,943,552**	35,800,946
Additions during the year	31,688,619	**17,036,000**	31,688,619
Redemptions during the year	(40,127,213)	**(23,040,452)**	(40,127,213)
(Loss)/Gain on exchange	(696,902)	**1,039,652**	(696,902)
Interest accrued	278,102	**799,147**	278,102
At December 31,	26,943,552	**22,777,899**	26,943,552

(a) Held-to-maturity financial assets are denominated in the following currencies:

	THE GROUP	THE CORPORATION	
	2013	2014	2013
	SR	SR	SR
Seychelles Rupee	18,778,106	**15,613,249**	18,778,106
US Dollar	8,165,446	**7,164,650**	8,165,446
	26,943,552	**22,777,899**	26,943,552

(b) The earned interest ranging from **1% to 7%** (2013: 0.75% to 10%). They are expected to mature in less than one year and has therefore been classified as current assets.

10. TRADE AND OTHER RECEIVABLES

	THE GROUP	THE CORPORATION	
	2013	2014	2013
	SR	SR	SR
Trade receivables	4,877,118	**3,917,905**	4,480,645
Prepayments	5,689,436	**1,024,778**	5,063,957
Deposits and advances	3,418,185	**5,216,429**	3,364,035
Receivables in respect of cash defalcation	447,003	438,070	447,003
	14,431,742	**10,597,182**	13,355,640
Provision for credit impairment (note 10(b))	(2,320,215)	**(2,415,780)**	(2,320,215)
	12,111,527	**8,181,402**	11,035,425

10. TRADE AND OTHER RECEIVABLES (CONT'D)

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

(b) The movement on the provision for credit impairment is as follows:

	THE GROUP	THE CORPORATION	
	2013	**2014**	2013
	SR	**SR**	SR
At January 1,	1,557,425	**2,320,215**	1,557,425
Charge for the year (note 15)	762,790	**95,565**	762,790
At December 31,	2,320,215	**2,415,780**	2,320,215

(c) At December 31, 2014, trade receivables of **SR 506,571** for the Corporation (2013: SR 413,094 & SR 361,013 - the Group and the Corporation respectively) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	THE GROUP	THE CORPORATION	
	2013	**2014**	2013
	SR	**SR**	SR
Between 3 and 6 months	413,094	**419,362**	361,013
Over 6 months	-	**87,209**	-
	413,094	**506,571**	361,013

(d) The other classes within trade and other receivables did not contain impaired assets.

(e) The carrying amounts of trade and other receivables are denominated in Seychelles Rupee.

(f) The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above.

(g) The Company does not hold any collateral as security.

(h) Trade and other receivables approximate their fair value.

11. CASH AND CASH EQUIVALENTS

	THE GROUP	THE CORPORATION	
	2013	**2014**	2013
	SR	**SR**	SR
Cash in hand	14,000	**17,000**	14,000
Cash at bank	12,903,676	**5,027,204**	12,506,307
	12,917,676	**5,044,204**	12,520,307

12. CAPITAL GRANTS

	THE GROUP	THE CORPORATION	
	2013	2014	2013
	SR	SR	SR
Grants related to assets:			
At January 1,	56,656,059	**39,679,014**	50,436,720
Grant received during the year	-	**15,999,383**	-
Release to statement of profit or loss (note 15)			
- Depreciation charge	(11,535,864)	**(8,321,564)**	(10,757,706)
At December 31,	45,120,195	**47,356,833**	39,679,014

13. RETIREMENT BENEFIT OBLIGATIONS

(a) Other post retirement benefits

Other post retirement benefits comprise mainly of retirement gratuity and compensation payable under the Employment Act. Movement during the year is as follows:

	THE GROUP	THE CORPORATION	
	2013	2014	2013
	SR	SR	SR
At January 1,	11,715,981	**12,838,177**	11,416,960
Charge for the year (note 16)	2,575,084	**4,056,207**	2,703,412
Paid during the year	(1,282,195)	**(1,139,177)**	(1,282,195)
At December 31,	13,008,870	**15,755,207**	12,838,177

(b) It has been assumed that the rate of future salary increases will be equal to the discount rate.

14. TRADE AND OTHER PAYABLES

	THE GROUP	THE CORPORATION	
	2013	2014	2013
	SR	SR	SR
Trade payables	566,085	**778,193**	566,085
Other payables and accruals	4,789,355	**6,285,315**	4,667,801
	5,355,440	**7,063,508**	5,233,886

(a) The carrying amounts of 'trade and other payables' approximate their amortised costs.

(b) The carrying amounts of trade and other payables are denominated in the following currencies:

	THE GROUP	THE CORPORATION	
	2013	2014	2013
	SR	SR	SR
Seychelles Rupee	4,988,748	**6,347,862**	4,867,194
US Dollar	366,692	**653,024**	366,692
Others	-	**62,622**	-
	5,355,440	**7,063,508**	5,233,886

15. EXPENSES BY NATURE

	THE GROUP	THE CORPORATION	
	2013	2014	2013
	SR	SR	SR
Employee benefit expenses (note 16)	73,466,713	88,221,436	68,776,140
Depreciation (note 5)	18,820,777	17,781,294	17,817,973
Release of capital grant (note 12)			
- Depreciation charge	(11,535,864)	(8,321,564)	(10,757,706)
Cost of inventories recognised as expense (note 8(a))	60,614,427	56,087,837	53,955,811
Premises and equipment maintenance	3,031,770	3,594,016	2,835,421
Electricity and water expenses	2,923,495	3,188,753	2,781,005
Insurance and licence costs	3,954,988	4,122,678	3,943,188
Professional fees	982,260	1,144,977	982,260
Rent	445,184	491,200	445,184
Telephone charges	1,172,142	1,630,880	1,096,845
Provision for obsolete inventories (note 8(b))	3,332,498	(3,000,000)	3,332,498
Provision for credit impairment (note 10(b))	762,790	95,565	762,790
Security expenses	3,786,221	2,552,435	3,568,750
Other expenses	2,648,992	1,467,519	2,266,655
	164,406,393	169,057,026	151,806,814
Analysed as:			
- Operating expenses	63,646,197	59,681,853	56,791,232
- Administrative expenses	100,760,196	109,375,173	95,015,582
	164,406,393	169,057,026	151,806,814

16. EMPLOYEE BENEFIT EXPENSES

	THE GROUP	THE CORPORATION	
	2013	2014	2013
	SR	SR	SR
Wages and salaries	67,131,551	81,084,082	62,406,775
Provision for retirement benefit obligations (note 13)	2,575,084	4,056,207	2,703,412
Pension costs	886,112	1,419,265	791,987
Other staff costs	2,873,966	1,661,882	2,873,966
	73,466,713	88,221,436	68,776,140

17. OTHER INCOME

	THE GROUP	THE CORPORATION	
	2013	2014	2013
	SR	SR	SR
Rental income	216,000	262,000	351,800
Advertising income	323,984	311,250	323,984
Income from repairs	1,697,907	2,201,319	1,697,907
Grant received from Government of Seychelles	33,000,000	32,000,000	30,000,000
Sundry income	4,252,663	1,221,331	3,760,766
	39,490,554	35,995,900	36,134,457

18. LOSS FOR THE YEAR

Loss for the year is arrived at after crediting and charging:

	THE GROUP	THE CORPORATION	
	2013	2014	2013
	SR	SR	SR
crediting:			
Rental income	216,000	**262,000**	351,800
and charging:			
Depreciation on property and equipment (note 5)	18,820,777	**17,781,294**	17,817,973
Release of capital grants (note 12)			
- Depreciation charge	(11,535,864)	**(8,321,564)**	(10,757,706)
Directors' remuneration (note (i) below)	674,995	**765,048**	671,395
Auditors' remuneration	227,563	**233,192**	147,063
Rental of office premises	445,184	**491,200**	445,184

19. COMMITMENTS

(a) Capital commitments

Capital expenditure contracted for at the end of the reporting period but not yet incurred is as follows:

	THE GROUP THE CORPORATION	
	2014	2013
	SR'000	SR'000
Property development	**5,800**	9,300
Equipment	**1,500**	14,000
Buses and vehicles	**-**	22,400
	7,300	45,700

20. CONTINGENT LIABILITIES

There were no contingent liabilities as at December 31, 2014 (2013: Nil).

21. RELATED PARTY TRANSACTIONS

	THE GROUP	THE CORPORATION	
	2013	2014	2013
	SR	SR	SR
Amount receivable from subsidiary	5,006,563	**5,600,189**	5,006,563
Directors' remuneration	674,995	**765,048**	671,395
Grant received from the Government of Seychelles			
- Capital grant (note 12)	-	**15,999,383**	-
- Revenue grant (note 17)	33,000,000	**32,000,000**	30,000,000

21. RELATED PARTY TRANSACTIONS (CONT'D)

(a) The above transactions have been made at arm's length, on normal commercial terms and in the ordinary course of business.

(b) Outstanding balances at year-end are unsecured, interest free and settlement occurs in cash. There has been no guarantees provided for any related party payables.

(c) Key management personnel compensation

	THE GROUP	THE CORPORATION	
	2013	**2014**	2013
	SR	**SR**	SR
Salaries and short term benefits	598,195	**663,048**	594,595

22. EVENTS AFTER THE REPORTING DATE

Discussions started late 2014 to wind up the subsidiary, Praslin Transport Company Limited (PTC), and integrate its operations and activities within the Corporation as a separate division. This decision to wind up was finally confirmed by the Government of Seychelles on February 27, 2015. Consequently, PTC, as a separate legal entity, is no longer a going concern and therefore no group financial statements have been prepared for the year 2014.