SEYCHELLES TRADING COMPANY LIMITED

DIRECTORS' REPORT AND AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

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CORPORATE INFORMATION

DIRECTORS	:	Guy Morel - Chairperson Gerard Adam Farida Camille Oliver Bastienne Ashik Hassan
CHIEF EXECUTIVE OFFICER	:	Christine Joubert
SECRETARY	:	Dorina Matombe
REGISTERED OFFICE	:	P O Box 634, Latanier Road, Latanier House, Victoria, Mahé, Seychelles
PRINCIPAL PLACE OF BUSINESS	:	Latanier Road, Latanier House, Seychelles
AUDITORS	:	Baker Tilly Chartered Accountants Seychelles
BANKERS	:	1. The Mauritius Commercial Bank (Seychelles) Limited 2. Bank of Baroda Limited 3. Seychelles International Mercantile Banking Corporation Limited 4. Barclays Bank (Seychelles) Limited 5. Seychelles Commercial Bank Limited 6. Bank of Ceylon

DIRECTORS' REPORT

The Directors present their report together with the audited financial statements of the Company for the year ended December 31, 2017.

PRINCIPAL ACTIVITIES

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

RESULTS

	SR
Profit before tax	23,589,096
Taxation	(9,839,994)
Profit for the year	13,749,102
Retained earnings brought forward	154,447,131
Retained earnings carried forward	**168,196,233**

DIVIDENDS

The Directors did not propose any dividend for the financial year under review (2016 : Nil).

PROPERTY, PLANT AND EQUIPMENT

Additions to property, plant and equipment of SR. 13.4 million during the year comprised mainly buildings, plant and equipment and vehicles. There were no disposals in the financial year under review.

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

DIRECTORS AND DIRECTORS' INTERESTS

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

Chairperson	Guy Morel	(appointed effective October 1, 2017)
	Rebecca Loustau-Lalanne	(term ended on October 1, 2017)
Chief Executive Officer	Veronique Laporte	(term ended on October 1, 2017)
Directors:	Gerard Adam	(appointed effective October 1, 2017)
	Farida Camille	(appointed effective October 1, 2017)
	Oliver Bastienne	(appointed effective October 1, 2017)
	Ashik Hassan	(appointed effective October 1, 2017)
	Michael Nalletamby	(term ended on October 1, 2017)
	Veronique Herminie	(term ended on October 1, 2017)
	Rupert Simeon	(term ended on October 1, 2017)

None of the Directors held any interest in the shares of the Company during the financial year under review (2016 : Nil).

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

The Directors hereby confirm that they have not entered into any contracts or arrangements (other than service contracts with the Company) and did not make any profit from the operations of the Company for the financial year under review (2016 : Nil).

AUDITORS

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

BOARD APPROVAL

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

Dated: July 25, 2018
Victoria, Seychelles

BAKER TILLY
Assurance • Advisory • Taxation

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

SEYCHELLES TRADING COMPANY LIMITED

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

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the attached financial statements of the Seychelles Trading Company Limited set out on pages 5 to 42 which comprise the Statement of Financial Position at December 31, 2017, and the Statement of Comprehensive Income, Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and explanatory notes.

In our opinion, except for the financial effect, if any, as might have been determined to be necessary in respect of matters discussed in the Basis for qualified opinion paragraph below and those financial statement areas had we been able to obtain sufficient appropriate audit evidence, the financial statements set out on pages 5 to 42 give a true and fair view of the financial position of the Company at December 31, 2017 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with the Companies Act, 1972.

Basis for Qualified Opinion

Foreign exchange differences

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

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

SEYCHELLES TRADING COMPANY LIMITED

Report on the Audit of the Financial Statements *Continued*

Other information

Management is responsible for the other information.

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

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

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

Responsibilities of the Board for the Financial Statements

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

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

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

SEYCHELLES TRADING COMPANY LIMITED

Report on the Audit of the Financial Statements *Continued*

Auditors' Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

BAKER TILLY
Assurance • Advisory • Taxation

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

SEYCHELLES TRADING COMPANY LIMITED

Report on the Audit of the Financial Statements *Continued*

Report on Other Legal Regulatory Requirements

Companies Act, 1972

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

We have obtained all information and explanations we have required.

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

Public Enterprise Monitoring Commission Act, 2013

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

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

Baker Tilly

BAKER TILLY
Chartered Accountants

BAKER TILLY ★ P.O. Box 285 Seychelles ★ CHARTERED ACCOUNTANTS

Victoria, Seychelles
Dated: July 25, 2018

STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2017

	Notes	2017	*Restated* 2016
		SR	SR
ASSETS			
Non Current assets:			
Property, plant and equipment	5	**79,889,156**	79,255,187
Intangible assets	6	**2,492**	53,468
Investment in financial assets	7	**25,000**	25,000
		79,916,648	79,333,655
Current assets:			
Inventories	8	**200,022,744**	182,455,033
Trade and other receivables	9	**21,326,543**	27,020,157
Current tax asset	10 (a)	**3,866,825**	2,277,725
Cash and cash equivalents	11	**73,527,331**	94,824,240
		298,743,443	306,577,155
Total Assets		**378,660,091**	385,910,810
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	12	**10,000**	10,000
Contributed capital	13	**92,209,737**	92,209,737
Retained earnings		**168,196,233**	154,447,131
Total Equity		**260,415,970**	246,666,868
Non Current liabilities:			
Borrowings	14	**5,000,000**	15,000,000
Deferred tax liabilities	15	**4,687,106**	4,462,095
Retirement benefit obligation	16	**15,519,855**	16,340,450
		25,206,961	35,802,545
Current liabilities:			
Borrowings	14	**10,102,366**	11,963,310
Trade and other payables	17	**82,934,794**	91,478,087
		93,037,160	103,441,397
Total Liabilities		**118,244,121**	139,243,942
Total Equity and Liabilities		**378,660,091**	385,910,810

These financial statements were approved for issue by the Board of Directors on July 25, 2018

Guy Morel
Director

Gerard Adam
Director

Farida Camille
Director

Oliver Bastienne
Director

Hussan

Ashik Hassan
Director

The notes on pages 9 to 42 form an integral part of these financial statements
Auditors' Report on pages 4 - 4 (c)

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2017

	Notes	2017	*Restated* 2016
		SR	SR
Revenue	18	**1,096,903,230**	1,095,055,990
Cost of sales	19	**(816,963,984)**	(820,054,251)
Gross profit		**279,939,246**	275,001,739
Distribution expenses	19	**(16,001,100)**	(15,321,745)
Administrative expenses	19	**(247,195,959)**	(236,880,640)
Other income	21	**7,010,277**	6,699,485
Operating profit		**23,752,464**	29,498,839
Foreign exchange gain		**529,419**	1,492,833
Finance income	23 (a)	**568,807**	323,200
Finance expense	23 (b)	**(1,261,594)**	(2,179,595)
Profit before tax - *As Previously stated*		**23,589,096**	29,135,277
Prior year adjustment	28	-	(1,345,086)
Profit before tax - *As Restated*	22	**23,589,096**	27,790,191
Tax expense	10 (b)	**(9,839,994)**	(10,756,542)
Profit and total comprehensive income for the year		**13,749,102**	17,033,649

The notes on pages 9 to 42 form an integral part of these financial statements
Auditors' Report on pages 4 - 4 (c)

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2017

	Share Capital	Contributed capital	Retained earnings	Total
	SR	SR	SR	SR
Balance at January 1, 2017	**10,000**	**92,209,737**	**154,447,131**	**246,666,868**
Profit for the year	**-**	**-**	**13,749,102**	**13,749,102**
Balance at December 31, 2017	**10,000**	**92,209,737**	**168,196,233**	**260,415,970**
Balance at January 1, 2016	10,000	92,209,737	137,413,482	229,633,219
Profit for the year	-	-	18,378,735	18,378,735
As Previously stated at December 31, 2016	10,000	92,209,737	155,792,217	248,011,954
Prior year adjustment	-	-	(1,345,086)	(1,345,086)
As Restated at December 31, 2016	10,000	92,209,737	154,447,131	246,666,868

The notes on pages 9 to 42 form an integral part of these financial statements
Auditors' Report on pages 4 - 4 (c)

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2017

	Notes	2017	*Restated* 2016
		SR	SR
OPERATING ACTIVITIES			
Profit before tax		**23,589,096**	27,790,191
Adjustments for:			
Depreciation	5	**12,738,786**	12,408,814
Amortisation of intangible assets	6	**50,976**	250,492
Increase in Retirement benefit obligation provision	16	**4,771,061**	7,314,181
Interest receivable	23 (a)	**(568,807)**	(323,200)
Interest payable	23 (b)	**1,261,594**	2,179,595
Increase in provision for credit impairment	9 (e)	**515,016**	379,967
Difference in exchange - Unrealised		**47,591**	4,228,065
Operating profit before working capital changes		**42,405,313**	54,228,105
Changes in working capital			
- Inventories		**(17,567,711)**	45,887,735
- Trade and other receivables		**5,178,599**	2,816,149
- Trade and other payables		**(7,508,727)**	(2,732,799)
Net cash generated from operations		**22,507,474**	100,199,190
Tax paid	10	**(11,204,083)**	(15,301,230)
Retirement benefit obligations paid	16	**(5,591,656)**	(4,614,337)
Net cash inflow from operating activities		**5,711,735**	80,283,623
INVESTING ACTIVITIES			
Additions to property, plant and equipment	5	**(13,372,755)**	(11,789,081)
Additions to intangible assets	6	**-**	(3,250)
Interest received		**568,807**	323,200
Net cash outflow from investing activities		**(12,803,948)**	(11,469,131)
FINANCING ACTIVITIES			
Repayment of bank borrowings	14	**(1,666,667)**	(4,000,000)
Repayment of Government borrowings	14	**(10,000,000)**	(10,000,000)
Interest paid		**(1,455,872)**	(7,237,952)
Net cash outflow from financing activities		**(13,122,539)**	(21,237,952)
Net change in cash and cash equivalents		**(20,214,752)**	47,576,540
Movement in cash and cash equivalents:			
At January 1,		**94,824,240**	47,766,447
Difference in exchange		**(1,082,157)**	(518,747)
(Decrease)/Increase		**(20,214,752)**	47,576,540
At December 31,	11	**73,527,331**	94,824,240

The notes on pages 9 to 42 form an integral part of these financial statements
Auditors' Report on pages 4 - 4 (c)

1. **GENERAL INFORMATION**

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

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

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

2.1 **Basis of preparation**

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

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

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

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

New and amended standards

- Amendments to IAS 7 Statement of Cash Flows - Disclosure Initiative
- Amendments to IAS 12 Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses
- Amendments to IFRS 12 Disclosures of Interests in Other Entities

Amendments to IAS 7 Statement of Cash Flows - Disclosure Initiative

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. The amendments apply prospectively. Entities are not required to present comparative information for earlier periods when they first apply the amendments.

Amendments to IAS 12 Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses

Unrealised losses on a debt instrument measured at fair value for which the tax base remains at cost give rise to a deductible temporary difference, irrespective of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use, or whether it is probable that the issuer will pay all the contractual cash flows.

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

2.1 **Basis of preparation** *Continued*

New and amended standards *Continued*

Amendments to IFRS 12 included in the 2014-2016 Annual Improvements Cycle

The 2014-2016 Annual Improvements Cycle includes amendments to a number of IFRSs, one of which is effective for annual periods beginning on or after 1 January 2017. IFRS 12 states that an entity need not provide summarised financial information for interests in subsidiaries, associates or joint ventures that are classified (or included in a disposal group that is classified) as held for sale. The amendments clarify that this is the only concession from the disclosure requirements of IFRS 12 for such interests. The amendments apply retrospectively.

The adoption of the above standards, amendments and interpretations is not relevant to the Company and does not have any impact on the financial statements of the Company.

Standards, amendments and interpretations in issue but not yet effective

The following new and revised IFRSs are not mandatorily effective for the period ended 31 December 2017. However, they are available for early application. Paragraph 30 of IAS 8 requires entities to consider and disclose the potential impact of new and revised IFRSs that have been issued but are not yet effective.

- Amendments to IFRS 1 — First-time Adoption of International Financial Reporting Standards (January 1, 2018)
- Amendments to IFRS 2 — Share-based Payment (January 1, 2018)
- Amendments to IFRS 4 — Insurance Contracts (January 1, 2018)
- IFRS 9 — Financial Instruments (January 1, 2018)
- IFRS 15 — Revenue from Contracts with Customers (January 1, 2018)
- IFRS 16 — Leases (January 1, 2019)
- Amendments to IFRS 17 — Insurance Contracts (January 1, 2021)
- Amendments to IAS 28 — Sale or Contribution of Assets between an Investor and its Associate or Joint
- Venture (January 1, 2018 and January 1, 2019)
- Amendments to IAS 40 — Investment Property (January 1, 2018)
- IFRIC 22 — Foreign Currency Transactions and Advance Consideration (January 1, 2018)
- IFRIC 23 — Uncertainty over Income Tax Treatments (January 1, 2019)

Management anticipates that amendments to IFRS 2, IFRS 4, IFRS 17; IAS 28, IAS 40 and IFRIC 23 which are in issue but not yet effective will be adopted by the Company to the extent applicable to them from their effective dates. The adoption of these Standards, amendments and interpretations is not expected to have any material impact on the financial statements of the Company in the period of their initial application.

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

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

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

2.1 **Basis of preparation** *Continued*

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

Management has also considered other new Standards, amendments and interpretations in issue but not yet effective that will be adopted by the Company to the extent applicable to them from their effective dates. The impact of their adoption on the financial statements of the Company in the period of their initial application is discussed in the following paragraphs.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments, which replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Company plans to adopt the new standard on the required effective date and will not restate comparative information. During the year 2017, the Group has performed a detailed impact assessment of all three aspects of IFRS 9. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Company in the year 2018 when the Company will adopt IFRS 9. Overall, the Company expects no significant impact on its statement of financial position and equity except for the effect of applying the impairment requirements of IFRS 9. The Company expects that there will be no increase in the loss allowance resulting in a negative impact on equity.

Classification and measurement

The Company does not expect a significant impact on its balance sheet or equity on applying the classification and measurement requirements of IFRS 9. It expects to continue measuring at fair value all financial assets currently held at fair value. Trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Company analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under IFRS 9. Therefore, reclassification for these instruments is not required.

Impairment

IFRS 9 requires the Company to record expected credit losses on all of its trade receivables, either on a 12-month or lifetime basis. The Company will apply the simplified approach and record lifetime expected losses on all trade receivables. The Company has determined that, due to the unsecured nature of its trade receivables, the loss allowances are currently recorded on the simplified approach and with respect to lifetime expected losses. As IFRS 9 does not change the general principles of how the Company accounts its impairment losses currently, the requirements of IFRS 9 will not have a significant impact on Company's financial statements.

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

2.1 **Basis of preparation** *Continued*

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

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014, and amended in April 2016, and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Company plans to adopt the new standard on the required effective date using the full retrospective method. During 2016, the Company performed a preliminary assessment of IFRS 15, which was continued with a more detailed analysis completed in 2017.

Sale of Goods

For contracts with customers in which the sale of goods is generally expected to be the only performance obligation, adoption of IFRS 15 is not expected to have any impact on the Company's revenue and profit or loss. The Company expects the revenue recognition to occur at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

Loyalty points programme

In preparing for adopt IFRS 15, the Company is considering IFRIC 13 Customer Loyalty Programmes, the loyalty programme offered by the Company results in the allocation of a portion of the transaction price to the loyalty programme using the fair value of points issued and recognition of the deferred revenue in relation to points issued but not yet redeemed or expired. The Company concluded that under IFRS 15 the loyalty programme gives rise to a separate performance obligation because it generally provides a material right to the customer. Under IFRS 15, the Company will need to allocate a portion of the transaction price to the loyalty programme based on relative standalone selling price instead of the allocation using the fair value of points issued, i.e. residual approach, as it did under IFRIC 13. The Company determined that this change will not have any major impact on the results of the Company.

IFRS 16 Leases

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

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

2.1 **Basis of preparation** *Continued*

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

IFRS 16 Leases *Continued*

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

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

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard’s transition provisions permit certain reliefs. In 2018, the Company will continue to assess the potential effect of IFRS 16 on its financial statements.

IFRIC 22 Foreign Currency Transactions and Advance Considerations

The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the transaction date for each payment or receipt of advance consideration. Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may apply the Interpretation prospectively to all assets, expenses and income in its scope that are initially recognised on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

The Interpretation is effective for annual periods beginning on or after 1 January 2018. Early application of interpretation is permitted and must be disclosed. The Company's is currently assessing the impact of this interpretation vis-a-vis it current operating software, the Company does not expect major impact on its financial statements.

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 working condition for its intended use. Such cost also include the cost of replacing components of the property, plant and equipment. Borrowing costs for long-term construction projects are capitalised only if the recognition criteria is met. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow and the cost can be reliably measured.

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

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

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

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

Freehold land and construction work in progress are not depreciated.

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

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

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

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

2.3 **Intangible assets**

lntangible assets comprise of software which have a finite economic life. lntangible 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 Income Statement when incurred.

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

Intangible assets are derecognised on disposal or when no future economic benefits are expected from its use. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Income Statement when the asset is derecognised.

2.4 **Foreign currencies**

Functional and presentation currency

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

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the transactions dates. Exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement. Exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Income Statement within 'finance income or cost'. All other exchange gains and losses are presented in the Income Statement within 'other (losses)/gains - net'.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate applicable at the date of the transaction. Whereas non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates applicable at the date the fair value was determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively). As at year end, the main exchange rates against Seychelles Rupees were as follows:

	1 USD	1 EUR	1 GBP
	SR	SR	SR
2017	13.6643	16.3231	18.3880
2016	13.3429	14.0448	16.3865

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

2.5 **Financial instruments**

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

2.5.1 **Financial assets**

(a) **Classification**

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

(b) **Measurement**

Initial recognitions

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

Subsequent measurement

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

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

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

Derecognition

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

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

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

2.5.1 **Financial assets** *Continued*

(c) **Trade and other receivables**

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

(d) **Impairment of financial assets**

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

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

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

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

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

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

2.5.2 **Financial liabilities**

(a) **Classification**

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

(b) **Measurement**

Initial recognitions

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

Subsequent measurement

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

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

Derecognition

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

(c) **Financial Guarantee Contracts**

Financial guarantee contracts issued by the Company are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

(d) **Trade and other payables**

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

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

2.5.2 **Financial liabilities** *Continued*

(e) **Loans and borrowings**

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

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

(f) **Offsetting**

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

2.6 **Impairment of non-financial assets**

The Company assesses periodically to check whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses of continuing operations, including impairment on inventories, are recognised in the Income Statement in those expense categories consistent with the function of the impaired asset.

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

2.7 **Inventories**

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

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

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

2.8 **Cash and cash equivalents**

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

2.9 **Share capital**

Ordinary shares are classified as equity.

2.10 **Borrowings**

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

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

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

2.11 **Borrowing costs**

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

2.12 **Provisions**

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

2.13 **Employee Benefits**

Provision for post employment benefits with respect to long service compensation commences 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; and with respect to gratuity based on the regulations applicable to parastatal organisations. 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 Income Statement. Further provision is required for past services in the year there is an increase in basic salary since the effect of increased salary would impact existing provision. Provision is reversed to Income Statement when an employee defaults the eligibility criteria at the time or before termination of his employment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *Continued*

2.13 Employee Benefits *Continued*

(a) Defined contribution plans

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

(b) Defined benefit plans

A defined benefit plan is a post employment benefit other than a defined contribution plan. The Company currently operates an unfunded scheme for employees' end of service benefits that follows relevant local regulations and is based on periods of cumulative service and levels of employees' final basic salaries. The liability for staff terminal benefits is determined as the liability that would arise if employment of all staff was to be terminated at reporting date. The provision is made at one day for each completed month of service after completion of 5 years of continuous employment.

The Company recognised and provided for employee benefit obligations arising on account of gratuity based on the regulations applicable to parastatal organisations; and length of service severance compensation based on the provisions of Seychelles Employment Act. The Company proposes to meet these liabilities as and when they fall due, out of its working capital.

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

(c) Gratuity

The Company provides for a payment of gratuity based on contractual terms for two years. The amount provisioned every year is based on the number of years the employee has worked after the last payment date. The liability recognised in the balance sheet is the present value of the defined obligation at the reporting date.

(d) Short-term employee benefits

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

2.14 Fair value

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

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

2.15 **Revenue Recognition**

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

(a) **Sales and services revenue**

Revenue from sale of goods are recognised when goods are delivered and title has passed. Revenue from services are recognised in the year in which the services are rendered (by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of total services to be provided).

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

(b) **Other revenue**

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

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

2.16 **Customer loyalty programme**

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

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

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

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

2.17 **Current and Deferred taxation**

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

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

- Where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss;

- In respect of taxable temporary differences, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and

- Deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

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

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

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

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

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

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

2.18 **Leases**

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

Company as a lessee

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

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

Company as a lessor

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

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

3. **FINANCIAL RISK MANAGEMENT**

3.1 **Financial risk factors**

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

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

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

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

3.1 **Financial risk factors** *Continued*

(a) ***Currency Risk***

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

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

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

	USD		**Euro**	
	2017	2016	**2017**	2016
	SR'000	SR'000	**SR'000**	SR'000
Impact on results:				
Trade and other receivables	-	-	-	-
Trade and other payables	± 346	± 680	± 1485	± 1,103

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

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

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

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

At December 31, 2017, 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.

	2017	2016
	SR	SR
Bank borrowings	**± 151,024**	± 269,633

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

3.1 **Financial risk factors** *Continued*

(c) ***Credit Risk***

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

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

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

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

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

	2017	2016
	%	%
10 major counterparties	**36**	38
Others (diversified risk)	**64**	62
	100	100

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

(d) ***Liquidity Risk***

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

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

3.1 **Financial risk factors** *Continued*

(d) ***Liquidity Risk*** Continued

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

	Less than 1 year	Between 1 & 5 years	After 5 years	Total
	SR'000	SR'000	SR'000	SR'000
At December 31, 2017				
Borrowings				
- Government of Seychelles	10,102	5,000	-	15,102
Trade and other payables	82,935	-	-	82,935
	93,037	5,000	-	98,037
At December 31, 2016				
Borrowings				
- Government of Seychelles	10,297	15,000	-	25,297
- Bank loan	1,667	-	-	1,667
Trade and other payables	91,478	-	-	91,478
	103,442	15,000	-	118,442

3.2 **Fair value estimation**

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

3.3 **Capital risk management**

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

- to maintain flexibility to pursue strategic development opportunities and ensure adequate liquidity to withstand weakening economic conditions; and

- to maintain an appropriate balance between debt financing vis-a-vis capital as measured by gearing ratio.

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

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

3. FINANCIAL RISK MANAGEMENT *Continued*

3.3 Capital risk management *Continued*

During the financial year ended December 31, 2017, the Company's strategy, which was unchanged from the financial year ended December 31, 2016, was to maintain the debt-to-adjusted capital ratio at a reasonable level in order to secure access to finance at a reasonable cost. The debt-to-adjusted capital ratio at December 31, 2017 were as follows:

	2017	2016
	SR	SR
Total debt	15,102,366	26,963,310
Less: Cash and cash equivalents	(73,527,331)	(94,824,240)
	(58,424,965)	(67,860,930)
Total equity	260,415,970	246,666,868
Debt-to-adjusted capital ratio	**22.44%**	27.51%

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

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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

4.1 *Impairment of property, plant and equipment*

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

(i) Significant change in the useful life which would be expected from the passage of time or normal use.

(ii) Evidence that the performance of the plant and equipment could have negative impact on the operating results. Hence the economic viability of the asset itself and where it is a component of a larger economic unit, the viability of that unit itself.

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

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

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

4.3 ***Depreciation policies***

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

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

4.4 ***Loyalty programme***

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

4.5 ***Impairment losses on receivables***

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

4.6 ***Employee benefit obligation***

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

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

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

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

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

4.7 ***Inventory valuation***

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

4.8 ***Functional currency***

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

4.9 ***Limitation of sensitivity analysis***

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

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

5. **PROPERTY, PLANT AND EQUIPMENT**

	Land	Freehold Buildings	Plant & Machinery	Office Equipment	Computer Equipment	Furniture & Fixtures	Motor Vehicles	Work in Progress	Total
	SR	SR	SR	SR	SR	SR	SR	SR	SR
COST									
At January 1, 2017	3,076,323	32,446,296	27,584,194	12,923,375	10,356,041	24,390,986	24,551,955	6,692,787	142,021,957
Additions	-	3,358,327	1,850,024	870,420	901,019	775,001	2,710,797	2,907,167	13,372,755
Reclassification	-	775,802	-	-	-	-	-	(775,802)	-
At December 31, 2017	**3,076,323**	**36,580,425**	**29,434,218**	**13,793,795**	**11,257,060**	**25,165,987**	**27,262,752**	**8,824,152**	**155,394,712**
ACCUMULATED DEPRECIATION									
At January 1, 2017	-	8,872,026	11,371,394	9,138,502	5,195,194	10,704,435	17,485,219	-	62,766,770
Charge for the year	-	1,280,728	2,799,917	1,568,681	1,417,343	2,287,076	3,385,041	-	12,738,786
At December 31, 2017	**-**	**10,152,754**	**14,171,311**	**10,707,183**	**6,612,537**	**12,991,511**	**20,870,260**	**-**	**75,505,556**
NET BOOK VALUE									
At December 31, 2017	**3,076,323**	**26,427,671**	**15,262,907**	**3,086,612**	**4,644,523**	**12,174,476**	**6,392,492**	**8,824,152**	**79,889,156**
COST									
At January 1, 2016	3,076,323	32,173,928	23,587,538	11,573,593	9,994,848	23,279,719	20,111,636	6,435,291	130,232,876
Additions	-	-	3,136,445	1,145,275	361,193	1,066,267	4,440,319	1,639,582	11,789,081
Reclassification	-	272,368	860,211	204,507	-	45,000	-	(1,382,086)	-
At December 31, 2016	3,076,323	32,446,296	27,584,194	12,923,375	10,356,041	24,390,986	24,551,955	6,692,787	142,021,957
ACCUMULATED DEPRECIATION									
At January 1, 2016	-	7,618,316	8,787,922	7,275,270	3,802,903	8,440,873	14,432,672	-	50,357,956
Charge for the year	-	1,253,710	2,583,472	1,863,232	1,392,291	2,263,562	3,052,547	-	12,408,814
At December 31, 2016	-	8,872,026	11,371,394	9,138,502	5,195,194	10,704,435	17,485,219	-	62,766,770
NET BOOK VALUE									
At December 31, 2016	3,076,323	23,574,270	16,212,800	3,784,873	5,160,847	13,686,551	7,066,736	6,692,787	79,255,187

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

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

	2017	2016
	SR	SR
Cost of Sales	**4,661,832**	4,412,544
Distribution expenses	**559,059**	511,790
Administrative expenses	**7,517,895**	7,484,480
	12,738,786	12,408,814

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

6. **INTANGIBLE ASSETS**

	2017	2016
	SR	SR
Computer software		
COST		
At the beginning of the year	**1,819,246**	1,815,996
Addition during the year	**-**	3,250
At December 31,	**1,819,246**	1,819,246
AMORTISATION		
At the beginning of the year	**1,765,778**	1,515,286
Amortisation for the year	**50,976**	250,492
At December 31,	**1,816,754**	1,765,778
Net book value December 31,	**2,492**	53,468

(a) Amortisation of **SR. 50,976** (2016: SR. 250,492) has been charged to administrative expenses.

7. **INVESTMENT IN FINANCIAL ASSETS**

	2017	2016
	SR	SR
Available for sale:		
Ordinary shares (unquoted) in:		
Seychelles Commercial Bank Limited	**25,000**	25,000
Directors valuation of unquoted shares	**61,492**	58,168

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

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

8. INVENTORIES

	2017	2016
	SR	SR
Finished goods (at cost)	**106,025,563**	101,110,632
Finished goods (at net realisable value)	**50,549,450**	51,898,920
Work in Progress (at cost)	**-**	71,687
Raw materials (at net realisable value)	**10,079,447**	8,934,429
Goods in transit (at cost)	**33,368,284**	21,784,451
As previously stated	**200,022,744**	183,800,119
Prior year adjustment	**-**	(1,345,086)
As restated	**200,022,744**	182,455,033

(a) The Directors are of the opinion that provision required for obsolete inventories is not material and does not require adjustment to the amount carried in the balance sheet at December 31, 2017 (2016: 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. 780,870,931 (2016: SR. 789,025,756).

9. TRADE AND OTHER RECEIVABLES

	2017	2016
	SR	SR
Gross Trade Receivables (notes (a) to (d))	**11,212,813**	11,687,498
Less : Provision for credit impairment (note (e))	**(3,202,377)**	(2,781,208)
Net Trade Receivables	**8,010,436**	8,906,290
Other receivables	**4,667,421**	5,062,983
Prepayments	**8,648,686**	13,050,884
	21,326,543	27,020,157

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

(b) At December 31, 2017, trade receivables include **SR. 1,547,633** (2016 : SR. 1,365,265) were fully impaired. The individually impaired receivables relate to invoices due from customers whose recoverability are in doubt. The total amount is more than a year overdue.

(c) At December 31, 2017, trade receivables include **SR. 1,580,458** (2016 : SR. 998,438) were past due but not impaired. These relate to number of independent customers for whom there is no recent history of default. The aged analysis of these trade receivables is as follows:

	2017	2016
	SR	SR
Less than 30 days	**6,321,696**	7,699,988
31 to 60 days	**1,628,708**	1,378,921
61 to 90 days	**134,318**	244,886
Over 90 days	**3,128,091**	2,363,703
	11,212,813	11,687,498

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

9. **TRADE AND OTHER RECEIVABLES** *Continued*

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

	2017	2016
	SR	SR
At January 1,	**2,781,208**	2,431,094
Provision made during the year	**515,016**	379,967
	3,296,224	2,811,061
Bad debts recovered	**(93,847)**	(29,853)
At December 31,	**3,202,377**	2,781,208

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

10. **CURRENT TAX ASSET**

		2017	2016
		SR	SR
(a)	**Statement of financial position**		
	At January 1,	**2,277,725**	(2,330,853)
	Prior year tax paid	**-**	2,261,100
	Charge to Income Statement (note (b))	**(6,872,724)**	(7,930,247)
	Advance tax paid	**8,461,824**	10,277,725
	At December 31,	**3,866,825**	2,277,725
(b)	**Charge to Income Statement**		
	Provision for current taxation based on the profit for the year	**(7,200,000)**	(8,000,000)
	Over provision in prior year	**327,276**	69,753
	Income tax expense	**(6,872,724)**	(7,930,247)
	Provision for deferred tax (note (15 (b))	**(225,011)**	(63,890)
	Charge for Business tax	**(7,097,735)**	(7,994,137)
	Corporate social responsibility tax	**(2,742,259)**	(2,762,405)
	Total tax charge for the year	**(9,839,994)**	(10,756,542)
(c)	**Reconciliation between tax expense and accounting profit is as follows:**		
	Profit before tax	**23,589,096**	29,135,277
	Tax calculated at applicable tax rates (note 10 (d))	**7,026,729**	8,690,583
	Expenses not deductible for tax purposes	**204,168**	347,226
	Adjustment of provision for expenses	**(246,178)**	(574,348)
	Adjustment for bad and doubtful debts	**126,351**	105,034
	Excess of capital allowance over depreciation	**(38,927)**	(1,045,135)
	Provision for tax contingency	**127,857**	476,640
	Provision for current tax based on the profit for the year	**7,200,000**	8,000,000

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

	2017	2016
Taxable income		
$\leq$ SR. 1,000,000	25%	25%
$>$ SR. 1,000,000	30%	30%

11. CASH AND CASH EQUIVALENTS

	2017	2016
	SR	SR
Balances with banks	**61,198,267**	87,705,218
Term deposits with banks	**11,116,996**	5,899,461
Cash on hand	**1,212,068**	1,219,561
	73,527,331	94,824,240

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

12. SHARE CAPITAL

	2017	2016
	SR	SR
Issued and fully paid		
100 ordinary shares of SR. 100 each	**10,000**	10,000

13. CONTRIBUTED CAPITAL

	2017	2016
	SR	SR
At January 1, and December 31,	**92,209,737**	92,209,737

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

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

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

14. **BORROWINGS**

	2017	2016
	SR	SR
Government of Seychelles loan (note (a))	**15,102,366**	25,296,643
Bank loan (note (b) and (c))	**-**	1,666,667
	15,102,366	26,963,310
Analysed as:		
Due beyond one year	**5,000,000**	15,000,000
Due within one year	**10,102,366**	11,963,310
	15,102,366	26,963,310

Movement during the year is analysed below:

	2017	2016
	SR	SR
At January 1,	**26,963,310**	46,021,667
Repayment	**(11,963,310)**	(19,355,000)
Accrued interest	**102,366**	296,643
At December 31,	**15,102,366**	26,963,310

(a) Borrowing of SR. 45 million from the Government of Seychelles is unsecured, repayable half yearly on the 30th April and 31 October of each year effective the year 2015 and is scheduled to be fully repaid by 30th April 2019. Rate of interest is charged on the basis of average interest rates of 365 days government treasury bills prevailing on the 30th April and 31th October each year preceding the due date of each instalment.

(b) Borrowing of SR. 20 million from Barclays Bank (Seychelles) Limited in the year 2012, was secured by floating charges on the assets of the company including property, plant and equipment and inventories, carried interest at 9% per annum (2016: 9%) and is repayable in monthly instalment of SR. 333,333. The borrowing was fully repaid in May 2017.

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

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

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

15. DEFERRED TAX LIABILITIES

(a) Deferred taxes are calculated on all temporary differences under the liability method at applicable rates as mentioned in note 10 (d).

(b) There is a legally enforceable right to offset deferred tax assets and deferred tax liabilities when the deferred taxes relate to the same fiscal authority on the same entity.

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

	2017	2016
	SR	SR
At January 1,	**4,462,095**	4,398,205
Charge to Income Statement (note 10(b))	**225,011**	63,890
As December 31,	**4,687,106**	4,462,095

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

	Accelerated tax depreciation	**Allowance for credit loss**	**Retirement benefit obligations**	**Total**
	SR	**SR**	**SR**	**SR**
At January 1, 2016	9,219,715	(729,328)	(4,092,182)	4,398,205
Charge/(Credit) for the year	1,045,135	(171,292)	(809,953)	63,890
At December 31, 2016	10,264,850	(900,620)	(4,902,135)	4,462,095
Charge/(Credit) for the year	**38,925**	**(60,093)**	**246,179**	**225,011**
At December 31, 2017	**10,303,775**	**(960,713)**	**(4,655,956)**	**4,687,106**

16. RETIREMENT BENEFIT OBLIGATIONS

	2017	2016
	SR	SR
At January 1,	**16,340,450**	13,640,606
Charge to Income Statement (note 20)	**4,771,061**	7,314,181
Paid during the year	**(5,591,656)**	(4,614,337)
At December 31,	**15,519,855**	16,340,450
Analysed:		
Length of service compensation	**11,368,677**	10,198,634
Gratuity	**4,151,178**	6,141,816
	15,519,855	16,340,450

(a) The Company recognised and provided for employee benefit obligations arising on account of gratuity based on the regulations applicable to parastatal organisations and length of service severance compensation based on the provisions of Seychelles Employment Act. The Company proposes to meet these liabilities as and when they fall due, out of its working capital.

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

17. TRADE AND OTHER PAYABLES

	2017	2016
	SR	SR
Trade payables	**66,745,517**	69,436,536
Accruals and other payables	**12,547,781**	16,107,905
Deferred Revenue	**3,641,496**	5,933,646
	82,934,794	91,478,087

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

	2017	2016
Seychelles Rupee	**36,179,169**	52,948,057
Euro	**29,705,879**	22,066,056
US Dollar	**6,919,225**	13,598,074
Other currencies	**10,130,521**	2,865,900
	82,934,794	91,478,087

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

18. REVENUE

	2017	2016
	SR	SR
Gross revenue	**1,106,645,367**	1,104,954,845
Less: Reward point awarded (note 2.16)	**(9,742,137)**	(9,898,855)
	1,096,903,230	1,095,055,990

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

19. OPERATING AND OTHER EXPENSES

	2017	2016
	SR	SR
Cost of inventories (note 8)	**789,870,931**	789,025,756
Depreciation of property, plant and equipment (note 5)	**12,738,786**	12,408,814
Amortisation of intangible assets (note 6)	**50,976**	250,492
Electricity and water charges	**27,812,201**	27,864,130
Publicity and promotions	**3,889,140**	4,025,810
Transport and fuel expenses	**6,530,421**	7,314,706
Packing expenses	**5,477,280**	6,174,820
Rental expenses	**49,111,657**	42,882,439
Repairs and maintenance	**9,923,843**	8,620,463
Telephone and faxes	**2,175,019**	2,561,632
Employee benefits expenses (note 20)	**126,721,038**	125,162,969
Professional and other fees	**1,382,900**	1,130,526
Security expenses	**7,515,566**	6,300,326
Vehicle expenses	**2,323,827**	1,808,590
Other donations	**459,899**	1,131,532
CSR related donations	**2,742,258**	2,762,405
Container rental	**2,521,423**	5,466,947
Other expenses	**28,913,878**	27,364,279
	1,080,161,043	1,072,256,636

19. **OPERATING AND OTHER EXPENSES** *Continued*

	2017	2016
	SR	SR
Summarised as follows:		
Cost of sales	**816,963,984**	820,054,251
Distribution expenses	**16,001,100**	15,321,745
Administrative expenses	**247,195,959**	236,880,640
	1,080,161,043	1,072,256,636

20. **STAFF COST**

	2017	2016
	SR	SR
Salaries and wages	**101,969,230**	94,750,371
Performance bonus	**4,093,937**	7,868,501
13th month salary	**6,566,767**	5,798,000
Directors' emoluments (note (a) below)	**1,031,760**	1,206,511
Retirement benefits (note 16)	**4,771,061**	7,314,181
Employee benefits and related expenses (notes (b to c))	**5,299,006**	5,368,711
Staff welfare	**2,989,277**	2,856,694
	126,721,038	125,162,969

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

		2017	2016
Guy Morel	Chairperson (current)	**18,960**	-
Rebecca Loustau Lalanne	Chairperson (previous)	**56,880**	50,560
Charlie Morin	Chairperson (previous)	**-**	25,280
Veronique Laporte	Chief Executive Officer (previous)	**721,616**	962,153
Farida Camille		**12,639**	-
Oliver Bastienne		**12,639**	-
Ashik Hassan		**12,639**	-
Gerard Adam		**12,639**	-
Steve Fanny		**-**	16,852
Annie Vidot		**-**	16,852
Ronny Brutus		**-**	16,852
Mike Laval		**-**	16,852
Veronique Herminie		**37,916**	33,703
Michael Nalletamby		**37,916**	33,703
Rupert Simeon		**37,916**	33,704
Total Directors' emoluments		**961,760**	1,206,511
Other emoluments:			
Christine Joubert	Chief Executive Officer (current)	**70,000**	-
		1,031,760	1,206,511

(b) An actuarial valuation is not performed on post employment and other benefits as the net impact of the discount rate and future salary and benefits level on the present value of the benefits obligation is not expected by management to be significant.

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

21. OTHER INCOME

	2017	2016
	SR	SR
Rental income	4,026,106	4,743,411
Sundry income	2,984,171	1,956,074
	7,010,277	6,699,485

22. PROFIT BEFORE TAX

	2017	2016
	SR	SR
This is arrived at, after charging:		
Amortisation	50,976	250,492
Auditors' remuneration	600,000	600,000
Depreciation	12,738,786	12,408,814
Directors' remuneration (note 20(a))	1,031,760	1,206,511
Exchange gain	(529,419)	(1,492,833)

23. FINANCE INCOME AND EXPENSE

	2017	2016
	SR	SR
(a) **Finance income**		
Interest received on term deposits	568,807	323,200
(b) **Finance expense**		
Interest on Government loan	1,233,444	1,920,615
Interest on bank borrowings	28,150	258,980
	1,261,594	2,179,595

24. RELATED PARTY TRANSACTIONS

	2017	2016
	SR	SR
Government of Seychelles		
Balances		
Contributed capital (note 13)	92,209,737	92,209,737
Borrowing (note 14)	15,102,366	25,296,643
Transactions		
Interest on borrowings (note 23 (b))	1,233,444	1,920,615
Directors		
Directors remuneration and benefits (note 20(a))	1,031,760	1,206,511

(a) Transactions with related parties are made at normal market prices.

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

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

25. CAPITAL COMMITMENTS

	2017	2016
	SR	SR
Major capital commitments for property, plant and equipment	-	-

26. CONTINGENT LIABILITIES

	2017	2016
	SR	SR
Bank guarantees for bonded warehouse	10,000,000	10,000,000

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

27. LEASE COMMITMENTS

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

	2017	2016
	SR'000	SR'000
Within one year	10,022	9,880
Above one year but not more than five years	49,894	39,520
More than five years	156,502	174,547
Total operating lease rent payable	**216,418**	223,947

28. PRIOR YEAR ADJUSTMENT

Tobacco stock of SR. 1,345,086 that did not comply with the health warnings required as per the directives issued by the National Tobacco Control Board were identified for destruction but were erroneously included in the closing stock for the year ended December 31, 2016. Destruction of these items were carried out in February 2017 after complying to appropriate regulations. Prior year financial statements have now been restated by excluding this amount from the closing stock with a charge to the Income Statement. However, tax provision has not been adjusted as it is not yet agreed with the taxation authorities. Due to this the following balances of the financial statements for the year ended December 31, 2016 were restated:

	2016
	SR'000
Profit before tax	
- *As previously stated*	29,135,277
Charge to Income Statement	(1,345,086)
As Restated	**27,790,191**
Inventories	
- *As previously stated*	183,800,119
Provision for obsolete Inventories	(1,345,086)
As Restated	**182,455,033**

28. FIVE YEAR FINANCIAL SUMMARY

	2017	2016	2015	2014	2013
	SR'000	SR'000	SR'000	SR'000	SR'000
Revenue	**1,096,903**	1,095,056	948,083	851,486	786,995
Profit before tax	**23,589**	27,791	32,134	8,512	33,981
Tax expense	**(9,840)**	(10,757)	(13,245)	(3,116)	(10,656)
Profit for the year	**13,749**	17,034	18,889	5,396	23,325
Retained earnings brought forward	**154,447**	137,413	118,524	113,128	89,803
Retained earnings carried forward	**168,196**	154,447	137,413	118,524	113,128

EQUITY					
Share capital	**10**	10	10	10	10
Contributed capital	**92,210**	92,210	92,210	92,210	92,210
Retained earnings	**168,196**	154,447	137,413	118,524	113,128
	260,416	246,667	229,633	210,744	205,348

ADDITIONAL INFORMATION

SOCIAL BENEFIT TO CONSUMERS ON SUBSIDISED PRICES OF ESSENTIALS

	2017	2016	2015	2014	2013
	SR'000	SR'000	SR'000	SR'000	SR'000
Revenue					
Subsidised sales	**211,400**	232,422	265,751	280,475	260,097
Non-subsidised sales	**885,503**	862,634	682,332	571,011	526,898
	1,096,903	1,095,056	948,083	851,486	786,995
Cost of Social Benefits:					
Cost to the company	**22,252**	19,078	49,962	63,081	50,783
Tax impact	**9,717**	11,069	26,247	31,424	21,687
	31,969	30,147	76,209	94,505	72,470
Average exchange rates - CBS	**13.84**	13.50	13.50	12.93	12.21
Global food index - FAO	**178.60**	161.50	164.00	201.80	209.80

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

ECONOMIC VALUE ADDED STATEMENT - YEAR ENDED DECEMBER 31, 2017

	2017		2016	
	SR	**%**	SR	%
Economic value generated				
Revenue	**1,096,903,230**		1,095,055,990	
Finance income	**568,807**		323,200	
Rental and other income	**7,010,277**		6,699,485	
	1,104,482,314		1,102,078,675	
Operating costs	**(935,208,168)**		(928,836,782)	
Economic value added	**169,274,146**		173,241,893	
Economic value distributed				
Employee wages and benefits				
- Salaries, wages and other benefits	**115,028,574**	68.0%	110,289,958	63.7%
- Performance bonus and 13th month salary	**10,660,704**	6.3%	13,666,501	7.9%
Payments to providers of funds				
- Interest on borrowings	**28,150**	0.0%	258,980	0.1%
Payments to Government				
- Government loan interest	**1,233,444**	0.7%	1,920,615	1.1%
- Government tax	**9,839,994**	5.8%	10,756,542	6.2%
Corporate social responsibility	**5,944,416**	3.5%	6,656,342	3.8%
	142,735,282	84.3%	143,548,938	82.9%
Economic value retained				
Depreciation	**12,738,786**		12,408,814	
Amortisation	**50,976**		250,492	
Profit for the year	**13,749,102**		17,033,649	
Retained for reinvestment/growth	**26,538,864**	15.7%	29,692,955	17.1%
Total	**169,274,146**	100.0%	173,241,893	100.0%

This economic value added statement does not form part of the audited financial statements set out on pages 5 to page 42