

PUBLIC UTILITIES CORPORATION

**Members' Report & Audited Financial Statements
for the year ended December 31, 2014**

PUBLIC UTILITIES CORPORATION

Members' Report and Audited Financial Statements For the year ended December 31, 2014

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Members' Report

The Members present their report together with the audited financial statements of the Corporation for the year ended December 31, 2014.

CORPORATION

The Public Utilities Corporation is a parastatal organisation formed in the year 1986 subsequent to the merger of two previous parastatals, namely the Seychelles Water Authority and Seychelles Electricity Corporation Limited.

PRINCIPAL ACTIVITIES

The Corporation is engaged in generation and distribution of electricity; storage, treatment and distribution of potable water; treatment and disposal of waste water. These activities remain unchanged as compared to the prior financial years.

RESULTS

SR

Profit for the year	198,323,571
Revenue deficit brought forward	(321,095,820)
Revenue deficit carried forward	<u>(122,772,249)</u>

DIVIDENDS

The Members did not recommend declaration of any dividend for the financial year under review (2013 : Nil).

PROPERTY, PLANT AND EQUIPMENT

Additions to property, plant and equipment of SR. 117 million during the year comprised mainly buildings, plant and equipment and vehicles. Disposals comprised mainly of buildings and operating equipment carried at net book value of SR. 6.9 million.

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

MEMBERS AND MEMBERS' INTERESTS

The Members of the Corporation since the date of the last report and the date of this report are:

Chairman	Mr. Eddy Belle
Chief Executive Officer	Mr. Philippe Morin
Non-executive members:	Ms. Ginny Elizabeth (resigned effective October 31, 2014)
	Mr. Jean Rassool (resigned effective April 30, 2014)
	Mr. Hubert Barbe (appointed effective June 1, 2014)
	Mr. Andrew Jean-Louis
	Mr. Joel Melanie
	Mr. Nimhan Senaratne
	Mr. Yannick Vel (appointed effective November 1, 2014)

None of the Members held any interest in the Corporation nor entered into any contracts or arrangements (other than service contracts) or made any profit from the operation of the Corporation.

Members' Report Continued

STATEMENT OF MEMBERS' RESPONSIBILITIES

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

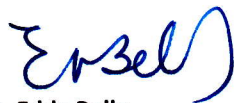
The Members are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards ('IFRS') and in compliance with the Public Utilities Corporation Act, 1985 and Public Procurements Act, 2008 (together with Public Procurement Regulations, 2014). 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 Members have the general responsibility of safeguarding the assets, both owned by the Corporation and those that are held in trust and used by the Corporation.

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

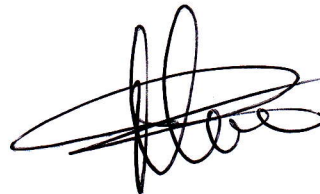
AUDITORS

The Auditor General of Seychelles is mandated to carry out the audit of the Corporation as per Article 158 of the Constitution and as specified under Section 16 (2) of The Public Utilities Corporation Act, 1986. The Auditor General has contracted Messers. Mathur Associates, Chartered Accountants to perform the audit function for the year and report their findings to the Auditor General.

Signed in accordance with the
authorisation of the Board



Mr. Eddy Belle
Chairman



Mr. Philippe Morin
Chief Executive Officer

Dated: April 29, 2015
Victoria, Seychelles



OFFICE OF THE AUDITOR GENERAL

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Please address all correspondence to the Auditor General

REPORT OF THE AUDITOR GENERAL TO THE BOARD PUBLIC UTILITIES CORPORATION

Pursuant to the powers conferred on me by Section 16(2) of Public Utilities Corporation Act, 1985 (as amended) I have caused Mathur Associates, Chartered Accountants to audit on my behalf the financial statements of the Corporation for the period ended 31 December. The financial statements of the Public Utilities Corporation set out on pages 4 to 38 which comprise the Statement of Financial Position at December 31, 2014, the Statement of Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended and a summary of significant of Changes in Equity and the Statement of Cash Flows for the year then ended and a summary of significant accounting policies and explanatory notes.

Board's Responsibility for the Financial Statements

The Board members are responsible for the preparation of financial statements and their fair presentation. The responsibility include s 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, selection and applying appropriate policies, and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

My responsibility is to express an opinion on those financial statements based on the audit. The audit was conducted in accordance with international auditing guidelines. Those guidelines require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making these risk assessments, the auditors consider internal control relevant to the Corporation's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board as well as evaluating the overall presentation of the financial statements.

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

Basis of Qualified Opinion

Most of the land parcels acquired from the Government of Seychelles (owner of the Corporation) and certain land parcels from third parties have not yet been registered in the name of the Corporation. In the absence of complete records linking land parcel numbers to their cost, it is not possible to quantify them.

Audit Opinion

Except for the financial effect, if any, as might have been determined to be necessary in respect of title to the properties discussed in the above paragraph. In my opinion, the financial statements set out on pages 4 to 38 give a true and fair view of the financial position of the Corporation at December 31, 2014 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 provisions of the Public Utilities Act, 1985 (as amended).



Marc Benstrong
Auditor General

29 April 2015
Victoria

**INDEPENDENT AUDITORS' REPORT TO THE AUDITOR GENERAL OF SEYCHELLES
IN RESPECT OF THE AUDIT OF THE FINANCIAL STATEMENTS OF PUBLIC UTILITIES CORPORATION**

This report is made solely to the Auditor General of Seychelles in terms of our engagement to conduct the audit on his behalf. Our audit work has been undertaken so that we might state to the Auditor General of Seychelles those matters which we are required to state to him 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 Auditor General of Seychelles, for our audit work, for this report, or for the opinions we have formed.

Report on the Financial Statements

We have audited the attached financial statements of the Public Utilities Corporation set out on pages 4 to 38 which comprise the Statement of Financial Position at December 31, 2014, the Statement of Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended and a summary of significant accounting policies and explanatory notes.

Members' Responsibility for the Financial Statements

As stated on Page 2 of the Members' Report, the Members are responsible for preparation of the financial statements.

Auditors' Responsibility

Our responsibility is to express an opinion on those financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making these risk assessments, the auditors consider internal control relevant to the Corporation's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Members as well as evaluating the overall presentation of the financial statements.

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



3 (a)

**INDEPENDENT AUDITORS' REPORT TO THE AUDITOR GENERAL OF SEYCHELLES
IN RESPECT OF THE AUDIT OF THE FINANCIAL STATEMENTS OF PUBLIC UTILITIES CORPORATION**

Report on the Financial Statements *Continued*

Basis of qualified opinion

Most of the land parcels acquired from the Government of Seychelles (owner of the Corporation) and certain land parcels from third parties have not yet been registered in the name of the Corporation. In the absence of complete records linking land parcel numbers to their cost, it is not possible to quantify them.

Opinion

Except for the financial effect, if any, as might have been determined to be necessary in respect of title to the properties discussed in the above paragraph, In our opinion, the financial statements set out on pages 4 to 38 give a true and fair view of the financial position of the Corporation at December 31, 2014 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 provisions of the Public Utilities Corporation Act, 1985 (as amended).

Report on Other Legal Regulatory Requirements

Public Utilities Corporation Act, 1985

We have no relationship with, or interests, in the Corporation other than in our capacity as auditors 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 Corporation as far as it appears from our examination of those records.

Mathur Associates
MATHUR ASSOCIATES
Chartered Accountants

Dated: April 29, 2015
Victoria, Seychelles

Statement of Financial Position as at December 31, 2014

	Notes	2014 SR	As restated 2013 SR	As restated 2012 SR
ASSETS				
Non Current assets:				
Property, plant and equipment	6	1,443,004,889	1,435,874,264	947,073,071
Intangible assets	7	1,670,929	2,144,622	481,070
Capital work in progress	8	416,417,404	229,529,944	499,810,109
Trade and other receivables	9	1,908,143	-	-
		<u>1,863,001,365</u>	<u>1,667,548,830</u>	<u>1,447,364,250</u>
Current assets:				
Inventories	10	319,341,893	220,007,682	159,424,974
Trade and other receivables	9	245,458,483	198,814,288	161,744,944
Cash and cash equivalents	11	294,637,104	353,103,382	98,119,491
		<u>859,437,480</u>	<u>771,925,352</u>	<u>419,289,409</u>
Total Assets		<u>2,722,438,845</u>	<u>2,439,474,182</u>	<u>1,866,653,659</u>
EQUITY, DEFERRED GRANT AND LIABILITIES				
Equity				
Assigned capital	12	1,439,743,591	1,439,743,591	1,439,743,591
Revenue deficit		(122,772,249)	(321,095,820)	(525,270,221)
Total Equity		<u>1,316,971,342</u>	<u>1,118,647,771</u>	<u>914,473,370</u>
Deferred Grants				
Non Current	13	66,495,606	64,393,399	759,274,672
Current	13	986,869,031	979,336,872	27,846,094
		<u>1,053,364,637</u>	<u>1,043,730,271</u>	<u>787,120,766</u>
Non Current liabilities:				
Borrowings	14	142,665,867	118,330,371	-
Trade and other payables	15	30,194,424	29,085,018	25,844,449
Employee benefit liabilities	16	52,795,716	41,401,042	39,006,880
		<u>225,656,007</u>	<u>188,816,431</u>	<u>64,851,329</u>
Current liabilities:				
Borrowings	14	41,189,794	-	-
Trade and other payables	15	82,566,932	82,160,391	96,002,584
Employee benefit liabilities	16	2,690,133	6,119,318	4,205,610
		<u>126,446,859</u>	<u>88,279,709</u>	<u>100,208,194</u>
Total Liabilities		<u>352,102,866</u>	<u>277,096,140</u>	<u>165,059,523</u>
Total Equity, Deferred Grants and Liabilities		<u>2,722,438,845</u>	<u>2,439,474,182</u>	<u>1,866,653,659</u>

These financial statements were approved for issue by the Members of the Corporation on April 29, 2015

Chairman



Chief Executive Officer



The notes on pages 8 to 38 form an integral part of these financial statements
Auditors' Report on pages 3 and 3 (a)

Statement of Comprehensive Income for the year ended December 31, 2014

	Notes	2014 SR	As restated 2013 SR
Revenue			
Revenue from operations	17	1,492,362,088	1,423,259,154
Other income	18	89,231,317	70,036,671
		<u>1,581,593,405</u>	<u>1,493,295,825</u>
Expenditure			
Consumables and spares	19	882,201,854	863,311,251
Staff cost	20	162,609,387	126,231,429
Finance cost		9,088,895	2,183,076
Depreciation and amortisation	6	103,249,804	88,019,420
Other operating overheads	21	226,119,894	209,376,248
		<u>1,383,269,834</u>	<u>1,289,121,424</u>
Profit for the year and total comprehensive income		<u>198,323,571</u>	<u>204,174,401</u>

PUBLIC UTILITIES CORPORATION

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Statement of Changes in Equity for the year ended December 31, 2014

	Assigned Capital	Revaluation Reserve	Capital Contribution Reserve	Revenue Deficit	Total
	SR	SR	SR	SR	SR
Balance at January 1, 2014	1,439,743,591	-	-	(321,095,820)	1,118,647,771
Profit for the year	-	-	-	198,323,571	198,323,571
Balance at December 31, 2014	1,439,743,591	-	-	(122,772,249)	1,316,971,342
Balance at January 1, 2013	1,439,743,591	-	-	(525,270,221)	914,473,370
Profit for the year	-	-	-	204,174,401	204,174,401
Balance at December 31, 2013	1,439,743,591	-	-	(321,095,820)	1,118,647,771
Balance at January 1, 2012 (As previously stated)	892,132,467	158,537,000	389,074,124	(530,494,564)	909,249,027
Profit for the year	-	-	-	5,224,343	5,224,343
Transfer of Revaluation reserve to Assigned capital	158,537,000	(158,537,000)	-	-	-
Transfer of Capital Contribution Reserve to Assigned capital	389,074,124	-	(389,074,124)	-	-
Balance at December 31, 2012 (As Restated)	1,439,743,591	-	-	(525,270,221)	914,473,370

The notes on pages 8 to 38 form an integral part of these financial statements.
Auditors' Report on pages 3 and 3 (a)

Statement of Cash Flows for the year ended December 31, 2014

	Notes	2014 SR	As restated 2013 SR
OPERATING ACTIVITIES			
Profit for the year		198,323,571	204,174,401
Adjustments for:			
Depreciation	6	103,249,804	88,019,421
Impairment loss		3,705,149	-
(Reversal)/Provision for credit impairment		(791,763)	4,307,870
Loss/(Profit) from disposal of equipment		59,493	(719,284)
Amortisation to Grant income	13	(64,607,167)	(49,461,158)
Unbilled units	9	(6,836,269)	(3,266,405)
Cash generated from operations		233,102,818	243,054,845
Changes in working capital			
- Inventories		(99,334,211)	(60,582,708)
- Trade and other receivables		(36,663,965)	(33,802,940)
- Trade and other payables		1,515,947	(10,601,624)
Net cash inflow from operating activities		98,620,589	138,067,573
INVESTING ACTIVITIES			
Additions to property, plant and equipment	6	(116,771,144)	(15,098,812)
Purchase of intangibles	7	-	(1,887,126)
Increase in work in progress	8	(186,887,460)	(136,470,172)
Proceeds from disposal of property, plant and equipment	6	6,804,915	17,894,319
Net cash outflow from investing activities		(296,853,689)	(135,561,791)
FINANCING ACTIVITIES			
Increase in borrowings	14	65,525,290	118,330,371
Government grants received	13	74,241,532	134,147,738
Net cash inflow from financing activities		139,766,822	252,478,109
Net change in cash and cash equivalents		(58,466,278)	254,983,891
Movement in cash and cash equivalents:			
At January 1,		353,103,382	98,119,491
(Decrease)/increase during the year		(58,466,278)	254,983,891
At December 31,	11	294,637,104	353,103,382

The notes on pages 8 to 38 form an integral part of these financial statements
Auditors' Report on pages 3 and 3 (a)

Notes to the financial statements for the year ended December 31, 2014

1. CORPORATION INFORMATION

The Public Utilities Corporation is a Parastatal organisation formed in the year 1986 under The Public Utilities Corporation Act, 1985 (as amended), subsequent to the merger of two previous parastatals, namely the Seychelles Water Authority and Seychelles Electricity Corporation Limited. The Corporation is domiciled in the Republic of Seychelles with its administrative office situated at the Electricity House, Roche Caiman, Mahe. These financial statements of the Corporation will be presented to the Minister of Environment, Energy and Climate Change for approval.

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 and adoption of IFRS

The Corporation prepared its financial statements in accordance with Generally Accepted Accounting Standards in Seychelles up to the financial year ended December 31, 2013. Effective, the financial year ended December 31, 2014 the financial statements of the Corporation have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and comply with the Public Utilities Corporation Act, 1985 (as amended). Accordingly, these are the Corporation's first annual financial statements prepared in accordance with IFRS. 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.

Subject to certain transition elections and exceptions as disclosed in note 3, the Corporation has consistently applied the accounting policies used in the preparation of its opening IFRS statement of financial position at January 1, 2013 throughout all periods presented, as if these policies had always been in effect. Note 3 discloses the impact of the transition to IFRS on the Corporation's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Corporation's financial statement for the year ended December 31, 2013 prepared under Generally Accepted Accounting Policies in Seychelles.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the Members to exercise their judgement in the process of applying appropriate accounting policies. The areas involving a high degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements disclosed in note 5.

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

2.2 Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation/amortisation and any impairment in value. 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.

Notes to the financial statements for the year ended December 31, 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *Continued*2.2 Property, plant and equipment and depreciation *Continued*

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 Corporation 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.

When significant parts of property, plant and equipment are required to be replaced at intervals, the Corporation derecognises the replaced part, and recognises the new part with its own associated useful life and depreciation.

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	50
Dams and reservoirs	50
Storage tanks	20
Water and sewerage treatment works	30-50
Water and sewerage networks	30-50
Electricity generation plant	14-25
Electricity distribution networks	14-25
Other plant and machinery	8-14
Operating equipment	4
Office equipment	5
Furniture and fittings	8
Motor vehicles	5-7

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 at each financial year end and adjusted prospectively, if appropriate.

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

Notes to the financial statements for the year ended December 31, 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *Continued***2.3 Intangible assets**

Intangible assets acquired separately 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 profit or loss over their estimated useful lives, from the date that they are available for use. The estimated useful life of software for the current and comparative periods was 5 years. Intangible assets' residual value, useful life and amortisation methods are reviewed and adjusted if appropriate, at the end of each reporting period.

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 Corporation are presented in Seychelles Rupees, which is the Corporation's functional and presentation currency.

Transactions and balances

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

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.

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.

Notes to the financial statements for the year ended December 31, 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *Continued***2.5 Financial instruments**

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

2.5.1 Financial assets**(a) Classification**

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

(b) Initial recognition and measurement

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

(c) Loans and 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 receivables is established when there is objective evidence that the Corporation will not be able to collect all amounts due according to the original terms of receivables.

(d) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Corporation has the positive intention and ability to hold them to maturity.

(e) Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a Corporation of similar financial assets) is derecognised when:

The rights to receive cash flows from the asset have expired.

The Corporation 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 Corporation has transferred substantially all the risks and rewards of the asset, or (b) the Corporation has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Corporation 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 Corporation's continuing involvement in it.

Notes to the financial statements for the year ended December 31, 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *Continued***2.5.1 Financial assets** *Continued***(f) Impairment of financial assets**

The Corporation assesses at each reporting date whether there is any objective evidence that a financial asset or a Corporation of financial assets is impaired. A financial asset or a Corporation 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 Corporation of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors of the Corporation 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.

(g) Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Corporation 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 Corporation 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 Corporation. 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.

Notes to the financial statements for the year ended December 31, 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *Continued***2.5.2 Financial liabilities****(a) Classification**

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

(b) Initial recognition and measurement

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 Corporation's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings, financial guarantee contracts, and derivative financial instruments.

(c) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. 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 Corporation 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 Corporation has not designated any financial liabilities upon initial recognition as fair value through profit/loss.

(d) Trade payables

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

(e) Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised 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.

Notes to the financial statements for the year ended December 31, 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *Continued***2.6 Impairment of non-financial assets**

The Corporation assesses at each reporting date 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 Corporation 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 Corporation 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 Corporation comprise fuel for generators, lubricants, strategic spares for generators and general maintenance spares and consumables.

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the moving average method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour and other direct costs excluding borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.8 Trade receivables

Trade receivables are amounts due from customers for utility services provided in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.9 Cash and cash equivalents

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

Notes to the financial statements for the year ended December 31, 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *Continued***2.10 Deferred Grants**

Grants from Government, International Organisations and third parties are recognised where there is reasonable assurance that the grant will be received and on compliance with all the attached conditions thereof. Grants are classified as current and non-current based on their expected utilisation pattern.

When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

Where the grant relates to an asset, it is recognised as deferred income and released to income in equal amounts over the expected useful life of the related asset.

2.11 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 Corporation has an unconditional right to defer settlement of the liability for at least twelve months after the date of the reporting period.

2.12 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.

2.13 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost.

2.14 Provisions

Provisions are recognised when the Corporation 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 Corporation 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.

Notes to the financial statements for the year ended December 31, 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *Continued***2.15 Employee Benefits****(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 Corporation 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 Corporation 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.

(c) 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 Corporation 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.

2.16 Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Corporation 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.

(a) Supply income

Revenue from supply of electricity, water and sewerage services to contract customer is recognised as services are performed. Revenue from unbilled services is recognised as accrued, based on past experience on the consumption pattern and effective rates thereof, on the reporting date as services are already provided.

(b) Infrastructure contributions

Contributions from customers for setting up infrastructures for the purpose of supply of electricity, water and sewerage services are recognised when the services are rendered in accordance with the terms of agreement. These contributions are used for setting up the required infrastructure in addition to the amounts, if any, that are incurred by the Corporation towards set up costs.

(c) Surcharge income

Interest charged on overdue trade receivables outstanding in respect of supply of electricity, water and sewerage as on the reporting date is recognised as income as per contracted rates from the date of billing till the reporting date.

Notes to the financial statements for the year ended December 31, 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *Continued***2.16 Revenue Recognition** *Continued***(d) Government grants**

Grants that are received for compensation of expenses or losses already incurred, or for the purpose of giving immediate financial support to the Corporation with no future related costs, are recognised in the Income Statement in the period in which reasonable assurance is established that the entity will comply with the conditions attached to the Grant and that the Grant will be received.

Grants that compensate the Corporation for expenses to be incurred are initially recognised in the statement of financial position as a deferred income. Subsequent to initial recognition, such grants are released to the Income Statement on a systematic basis over the period in which the related expenses are recognised.

2.17 Current and deferred taxation

Income tax expense comprises current tax. Current tax is recognised in profit or loss. Current tax is the expected tax payable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

As per the current tax regime, income of the Corporation is not liable to tax. Hence no provision is considered for current tax as on the reporting date and consequently no provision is required for deferred tax.

2.18 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Management that makes strategic decisions.

For management purposes, the Corporation is organised into business units based on their services and has three reportable segments as follows:

- (a) Electricity Segment, which generates, transmits and supplies electricity to the population of the country.
- (b) Water Segment, maintains water storage facilities, treats and supplies water to the population of the country.
- (c) Sewerage segment, constructs sewerage facilities, maintains the facilities and provide sewerage facilities to the population of the country.

No operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the financial statements. However, financing (including finance costs and finance income) are managed at Corporate level and are not allocated to operating segments. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

Notes to the financial statements for the year ended December 31, 2014

3. FIRST TIME ADOPTION OF IFRS

The Corporation adopted IFRS during the year 2014. Accordingly, the financial statements for the year ended December 31, 2014 are prepared in accordance with IFRS. For periods up to and including the year ended December 31, 2013, the Corporation prepared its financial statements in accordance with generally accepted accounting practices in Seychelles (Local GAAP).

Accordingly, the Corporation has prepared financial statements which comply with IFRS applicable for periods ending on or after December 31, 2014, together with the comparative period data as at and for the year ended December 31, 2013, as described in the accounting policies. In preparing these financial statements, the Corporation's opening statement of financial position was prepared as at January 1, 2013, the Corporation's date of transition to IFRS. This note explains the principal adjustments made by the Corporation in restating its Local GAAP statement of financial position as at January 1, 2013 and its previously published Local GAAP financial statements as at and for the year ended December 31, 2013. Further information is also provided further under the respective notes.

Exemptions applied

IFRS 1 First-Time Adoption of International Financial Reporting Standards allows first-time adopters certain Exemptions from the retrospective application of certain IFRS. The Corporation has applied the following exemptions:

- (a) Certain items of property, plant and equipment have been measured at fair value at the date of transition to IFRS. Remaining were carried in the statement of financial position prepared in accordance with local GAAP. The Corporation has elected to regard those values as deemed cost since they were broadly comparable to fair value.
- (b) The Corporation has applied the transitional provisions in IAS 23 Borrowing Costs and capitalises borrowing costs on assets where construction was commenced on or after the date of transition.

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

Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32 - These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and is applied retrospectively. *These amendments have no impact on the Corporation's financial statements .*

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27) - These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10 Consolidated Financial Statements and must be applied retrospectively, subject to certain transition relief. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. *These amendments have no impact on the Corporation's financial statements.*

IAS 36 Recoverable Amount Disclosures for Non-Financial Assets — Amendments to IAS 36 - The amendments to IAS 36 Impairment of Assets clarify the disclosure requirements in respect of fair value less costs of disposal. The amendments remove the requirement to disclose the recoverable amount for each cash-generating unit for which the carrying amount of goodwill or intangible assets with indefinite useful lives allocated to that unit is significant.

Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39 - These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required. *These amendments have no impact on the Corporation's financial statements as the Corporation has not novated its derivatives during the current or prior periods.*

*Notes to the financial statements for the year ended December 31, 2014***3. FIRST TIME ADOPTION OF IFRS** *Continued****Standards, Amendments to published Standards and Interpretations effective in the reporting period :***

IFRIC 21 Levies - IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for IFRIC 21. *This interpretation has no impact on the Corporation as it has applied the recognition principles under IAS 37 Provisions, Contingent Liabilities and Contingent Assets consistent with the requirements of IFRIC 21 in prior years.*

Annual improvements 2010 -2012 Cycle

IFRS 13 Fair Value Measurement: The amendment clarifies that the measurement requirements for short term receivables and payables using present value techniques will not change although the para B5.4.12 of IFRS 9 and para AG79 of IAS 39 were deleted which contained a guidance related to the measurement of short-term receivables and payables with no stated interest rate at invoice amounts.

Annual improvements 2010 -2013 Cycle

IFRS 1 First-time Adoption of International Financial Reporting Standards: The amendment provides the basis for Conclusions of IFRS 1 to clarify that if a new IFRS is not yet mandatory but permits early application, that IFRS is permitted, but not required, to be applied in the entity's first IFRS financial statements.

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

Standards issued but not yet effective up to the date of issuance of the Corporation's financial statements are listed below. This listing is of standards and interpretations issued, which the Corporation reasonably expects to be applicable at a future date. The Corporation intends to adopt those standards when they become effective.

IFRS 9 Financial Instruments: Deferral of mandatory effective date and amendments to transition disclosures.

IAS 19 Employee benefits: Employee Contributions to defined benefit plans.

Annual improvements to IFRSs 2010-2012 cycle

Annual improvements to IFRSs 2010-2013 cycle

IFRS 14 Regulatory Deferral Accounts -Applies to an entity's first annual IFRS statements.

IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations.

IAS 38 Intangible Assets: Annual improvements 2010-2012 Cycle (proportionate restatement of accumulated depreciation on valuation; and classification of acceptable methods of depreciation and amortisation.

IFRS 15 Revenue from Contracts with Customers -Applies to an entity's first annual IFRS statements.

Amendments to IAS16 and IAS 41- Agriculture: Bearer Plants.

IAS 27 Amendments -Equity method in Separate Financial Statements

IAS 28 Investments in Associates and Joint Ventures: Sale or contribution of assets between an investor and its associate or joint venture; and application of the consolidation exception.

IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.

Annual improvements to IFRSs 2012-2014 cycle

Where relevant, the Corporation is still evaluating the effect of these Standards, amendments to the published standards and interpretations issued but not yet effective which will impact the presentation of its financial statements.

Notes to the financial statements for the year ended December 31, 2014

4. FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

The activities of the Corporation expose it to different financial risks; market risks (including currency and fair value interest risk), credit and liquidity risk. The Members have the overall responsibility for the establishment, oversee and monitoring of the Corporation's risk management framework and is assisted by the senior management. Senior management is responsible for designing, developing and monitoring the Corporation's risk management policies, which are approved by the Members. Senior management reports regularly to the Members and committees of the Government on its risk management activities.

The Corporation's risk management policies are established to identify and analyse the risks faced by the Corporation, 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 Corporations' activities and its role in the Republic of Seychelles. The Corporation, 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 Corporation's exposure to each of the above risks, the Corporation's objectives, policies and processes for measuring and managing risk, and the Corporation's management of capital. Further quantitative disclosures are included throughout these financial statements.

(a) *Currency Risk*

The Corporation is exposed to currency risk arising from its acquisition of supplies and capital projects that are denominated in currencies other than the functional currency. The currencies in which these transactions are primarily denominated are Euro ("EUR"), United States Dollar ("USD"), Singapore Dollar ("SGD"), South African Rand ("ZAR") and Great Britain Pounds ("GBP"). The Corporation 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).

	<u>Euro</u> +/-	<u>USD</u> +/-	<u>GBP</u> +/-	<u>SGD</u> +/-
December 31, 2014				
Trade and other receivables	69,449	50,900	30,563	2,779
Cash and Bank balances	91,636	77,114	9,617	-
Trade and other payables	(12,407)	(3,400)	(125)	(25,822)
Bank Borrowings	(535,372)	-	-	-
Net Exposure	(386,694)	124,614	40,055	(23,043)
December 31, 2013				
Trade and other receivables	593,341	3,360	33,396	6,061
Cash and Bank balances	57,874	59,487	2,787	-
Trade and other payables	(617,406)	(608,918)	420,303	241,517
Bank Borrowings	(352,198)	-	-	-
Net Exposure	(318,389)	(546,071)	456,486	247,578

Notes to the financial statements for the year ended December 31, 2014

4. FINANCIAL RISK MANAGEMENT *Continued*4.1 Financial risk factors *Continued*(a) *Currency Risk Continued*

The currency portfolio of financial assets and liabilities is summarised as follows:

	Financial assets		Financial liabilities	
	2014	2013	2014	2013
	SR	SR	SR	SR
EURO	148,197,252	185,845,838	185,845,838	118,330,371
USD	37,963,368	948,256	948,256	23,745,145
SGD	586,660	5,450,467	5,450,467	4,567,781
ZAR	496,715	-	-	2,363,237
GBP	18,494,370	54,179	54,179	7,895,546
SR	336,265,365	359,618,931	104,318,277	72,673,700
	<u>542,003,730</u>	<u>551,917,671</u>	<u>296,617,017</u>	<u>229,575,780</u>

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

The Corporations' cash flow exposure to interest rate risk arises primarily from long-term borrowings at floating rates for funded developmental projects.

Market risks are thoroughly discussed in regular management meetings. The Planning department carries out regular reviews of the market outlook for fuel prices and interest rates to analyse possible risk exposures to the Corporation and plan for appropriate courses of action. Market risks and strategies to combat these risks are also discussed by members at the meetings.

At December 31, 2014, 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.

	2014	2013
	SR	SR
Bank borrowings	<u>± 1,828,359</u>	<u>± 1,167,113</u>

(c) *Credit Risk*

The Corporation's credit risk arises when a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Corporation's receivables from customers, deposits, cash at banks and other receivables.

The Corporation's exposure to credit risk is influenced mainly by characteristics of each customer. However, management also considers the demographics of the Corporation's customer base, including the default risk of the industry in which customers operate, as these factors may have an influence on credit risk. Although geographically there is no significant concentration of risk, at the reporting date, majority of the Corporation's trade receivables from customers were domiciled domestically.

Notes to the financial statements for the year ended December 31, 2014

4. FINANCIAL RISK MANAGEMENT *Continued*4.1 Financial risk factors *Continued*(c) *Credit Risk Continued*

The Corporation 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.

(d) *Liquidity Risk*

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Corporation 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 Corporation's reputation.

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

	Less than 1 year SR	Between 1 and 5 years SR	After 5 years SR	Total SR
At December 31, 2014				
Borrowings	41,189,794	28,533,173	114,132,694	183,855,661
Trade and other payables	82,566,932	30,194,424	-	112,761,356
	<u>123,756,726</u>	<u>58,727,597</u>	<u>114,132,694</u>	<u>296,617,017</u>
At December 31, 2013				
Borrowings	-	23,666,074	94,664,297	118,330,371
Trade and other payables	82,160,391	29,085,018	-	111,245,409
	<u>82,160,391</u>	<u>52,751,092</u>	<u>94,664,297</u>	<u>229,575,780</u>

4.2 Fair value estimation

Financial assets and financial liabilities that are initially measured at nominal value are adjusted using discounted cash flow (DCF) model to represent their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Corporation for similar financial instruments.

Notes to the financial statements for the year ended December 31, 2014

4. FINANCIAL RISK MANAGEMENT *Continued*

4.3 Capital risk management

The Corporation'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 Corporation's main objectives when managing capital are:

- to maintain flexibility to pursue strategic infrastructure 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 Corporation monitors capital on the basis of the debt-to-equity ratios. The ratio is calculated as net debt to total equity. Net debt is calculated as total debt less cash and cash equivalents. Total equity comprises all components of equity (i.e. assigned capital and retained earnings).

During the financial year ended December 31, 2014, the Corporation's strategy, which was unchanged from the financial year ended December 31, 2013, was to maintain the debt-to-total equity ratio at a reasonable level in order to secure access to finance at a reasonable cost. The debt-to-total equity ratio at December 31, 2014 were as follows:

	2014	2013
	SR	SR
Total debt	183,855,661	118,330,371
Less: Cash and cash equivalents	(294,637,104)	(353,103,382)
	<u>(110,781,443)</u>	<u>(234,773,011)</u>
Total equity	<u>1,316,971,342</u>	<u>1,118,647,771</u>
Debt-to-total equity ratio	<u>8.41%</u>	<u>20.99%</u>

Notes to the financial statements for the year ended December 31, 2014

5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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

In the process of applying the Corporation'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:

5.1 Functional currency

The choice of the functional currency of the Corporation 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 Members to be Seychelles Rupees.

5.2 Impairment losses on receivables

The Corporation reviews its receivables to assess adequacy of allowance for impairment at least on a monthly basis. The Corporation's credit risk is primarily attributable to its trade receivables. In determining whether impairment losses should be recorded in the Income Statement, the Corporation makes judgements 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.

5.3 Impairment of plant and machinery

The Corporation's main plant and equipment are generators that produce electricity, distribution network that supply electricity and water treatment plants that supply treated water to the country. A decline in the value of those plant and equipment could have a significant effect on the amounts recognised in the financial statements. Management assesses the impairment of those plant and equipment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors that are considered important which 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) Significant changes in the technology and regulatory environments.
- (iii) Evidence that the performance of the plant and equipment could have negative impact on the operating results.

5.4 Government Grants

The Corporation receives contributions from the Government of Seychelles towards settling certain liabilities and ameliorating services being offered. Significant judgment is required to determine whether these contributions are in the nature of government grants, in which case they are recognized in the Income Statement systematically in accordance with the related liability or expense, or in the form of equity, in which case they are recognized in the statement of financial position as capital contributions.

Notes to the financial statements for the year ended December 31, 2014

5. **SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS** *Continued*5.5 ***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 are re-adjusted in line with the current circumstances. The Management has reviewed the residual values and useful lives of major items of property, plant and equipment and determined necessary adjustments.

5.6 ***Employee benefit obligation***

Employee benefit obligation (other than defined monthly contributions to pension fund with no further obligations) comprise 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.

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.

5.7 ***Capitalisation of Projects***

The Corporation capitalises development costs for projects in accordance with its accounting policies. Initial capitalisation of costs is based on management's judgment that technological and economical feasibility is confirmed, usually when a project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits. Capitalisation is based on technical evaluation carried out internally by the Corporation's project team.

5.8 ***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 Corporation's assets and liabilities are actively managed. Other limitations include the use of hypothetical market movements to demonstrate potential risk that only represent the Corporation's views of possible changes in the market in the near future that cannot be predicted with any certainty.

PUBLIC UTILITIES CORPORATION

Notes to the financial statements for the year ended December 31, 2014

6. PROPERTY, PLANT AND EQUIPMENT

Assets	Cost			Accumulated Depreciation			Net book value
	At Jan 1, 2014	Additions	Disposals	At Dec 31, 2014	Charge 2014	Disposals	At Dec 31, 2014
Land & Buildings	250,489,309	3,998,991	6,464,169	248,024,131	5,646,007	2,117,019	170,136,418
Dams & Reservoirs	88,971,963	346,196	8,161	89,309,998	3,270,914	490	64,968,005
Water & Sewerage Treatment Works	255,319,326	2,378,376	-	257,697,702	4,828,388	-	42,488,993
Water & Sewerage Networks	384,921,897	8,860,793	21,752	393,760,938	12,995,895	5,267	238,501,100
Electricity Generation works	726,958,922	49,911,588	100,000	776,770,510	29,376,598	81,667	488,075,513
Electricity Distribution Networks	235,809,356	-	19,510	235,789,846	7,822,388	10,017	85,185,057
Other Plant & Machinery	391,775,209	38,678,566	367,609	430,086,166	35,136,004	235,279	336,288,902
Operating Equipment	12,815,448	43,100	2,254,202	10,604,346	175,658	2,448	201,075
Office Equipment	21,200,509	1,006,909	426,713	21,780,705	851,654	353,675	2,520,995
Furniture & Fittings	3,310,077	-	85,121	3,224,956	26,137	76,967	62,392
Motor Vehicles	26,305,343	11,546,625	-	37,851,968	2,646,468	-	14,576,439
Total	2,397,877,359	116,771,144	9,747,237	2,504,901,267	102,776,111	2,882,829	1,443,004,889
Assets	At Jan 1, 2013			At Dec 31, 2013			At Dec 31, 2013
	At Jan 1, 2013	Additions	Disposals	At Dec 31, 2013	Charge 2013	Disposals	
Land & Buildings	244,935,858	5,553,451	-	250,489,309	5,560,149	-	176,130,584
Dams & Reservoirs	74,123,857	14,848,106	-	88,971,963	1,691,305	-	67,900,394
Water & Sewerage Treatment Works	252,416,231	2,903,095	-	255,319,326	7,486,206	-	44,939,005
Water & Sewerage Networks	346,610,173	38,311,724	-	384,921,897	11,866,553	-	242,652,687
Electricity Generation works	568,313,636	175,465,934	16,820,648	726,958,922	22,901,166	16,820,648	467,558,856
Electricity Distribution Networks	223,217,262	12,592,094	-	235,809,356	7,567,664	-	93,016,938
Other Plant & Machinery	67,216,544	324,558,665	-	391,775,209	26,799,685	-	332,878,670
Operating Equipment	12,679,148	136,300	-	12,815,448	288,628	-	2,585,387
Office Equipment	19,412,109	1,788,400	-	21,200,509	727,385	-	2,438,778
Furniture & Fittings	3,236,077	74,000	-	3,310,077	22,579	-	96,683
Motor Vehicles	32,302,488	554,367	6,551,512	26,305,343	2,884,525	6,362,414	5,676,282
Total	1,844,463,383	576,786,136	23,372,160	2,397,877,359	87,795,845	23,183,062	1,435,874,264

Notes to the financial statements for the year ended December 31, 2014

6. PROPERTY, PLANT AND EQUIPMENT *Continued*

- (a) Most of the land parcels acquired from the Government of Seychelles (owner of the Corporation) and certain from third parties have not yet been registered in the name of the Corporation. In the absence of complete records it is not possible to quantify them.
- (b) Certain buildings carried by the Corporation at net book value of SR. 3,195,109 that were not in use and not in good condition were impaired during the year. Whereas impairment was deferred with respect to buildings under the same criteria of impairment having net book value of SR. 235,574 as the Corporation is of the opinion that they can be repaired and continued to be used to their estimated balance useful lives.
- (c) The Corporation was carrying certain generators that were completely written off in the prior years, though they are still in use. During the year the management, with assistance of concerned technical teams have evaluated the extended useful lives of all the generators and have identified that except one generator all the others are fully functional and are having sufficient useful life to carry them for at least next 5 years. Completely writing them off in the prior years is an error in estimation and the management has rectified the error during the current year, consequently depreciation charged off aggregating to SR. 3,709,981 up to the financial year ended December 31, 1993 is written back by restating the prior year's financials.
- (d) The corporation identified certain motor vehicles owned by it as impaired being not in good condition and not in use, and written them off who's carrying cost is SR. 475,831.
- (e) Computer Software were reclassified from Office Equipment (previously reported under property, plant and equipment) to Intangible Assets as fully detailed in Note 7.

7. INTANGIBLE ASSETS

Computer software

	2014 SR	As restated 2013 SR	As restated 2012 SR
Transfer from property, plant and equipment:			
COST			
At the beginning of the year (2013 : Note 6 (e))	2,503,590	616,463	135,129
Addition during the year	-	1,887,127	481,334
At December 31,	2,503,590	2,503,590	616,463
AMORTISATION			
At the beginning of the year (2013 : Note 6 (e))	358,968	135,393	135,129
Amortisation for the year	473,693	223,575	264
At December 31,	832,661	358,968	135,393
Net book value December 31,	1,670,929	2,144,622	481,070

Notes to the financial statements for the year ended December 31, 2014

8. CAPITAL WORK IN PROGRESS

	2014	2013	2012
	SR	SR	SR
At the beginning of the year	229,529,944	499,810,110	307,781,860
Expenditure during the period	304,034,246	136,470,172	247,248,210
	533,564,190	636,280,282	555,030,070
Transfer to PPE during the year :			
Buildings	4,103,991	5,553,450	1,164,082
Water & Sewerage treatment works	2,494,376	327,461,760	32,561,894
Water and sewerage networks	8,977,794	53,159,831	11,349,708
Electricity distribution networks	50,021,588	16,135,104	9,335,183
Others	51,549,037	4,440,193	809,094
	117,146,786	406,750,338	55,219,961
At the end of the year	416,417,404	229,529,944	499,810,109

Capital work in progress are carried at cost. Capitalisation of completed projects is carried out on an annual basis or as and when they are completed based on the technical evaluation carried out by the projects division of the Corporation.

9. TRADE AND OTHER RECEIVABLES

	2014	2013	2012
	SR	SR	SR
Gross Trade Receivables (notes (a) to (e))	144,217,697	136,042,514	125,475,313
Less : Provision for credit impairment (note (f))	(16,188,554)	(16,980,317)	(19,041,287)
Net Trade Receivables	128,029,143	119,062,197	106,434,026
Loans and Advances to staff (note (g))	3,777,941	1,011,585	1,652,591
Unbilled Units (note (h))	44,121,317	37,285,048	34,018,644
Operating expenditure	1,254,409	3,956,590	276,503
Prepayments	51,118,743	26,462,387	18,890,991
Other receivables	14,331,507	6,302,915	472,189
VAT Receivable (note (i))	4,733,566	4,733,566	-
	247,366,626	198,814,288	161,744,944
Analysed as:			
Due beyond one year	1,908,143	-	-
Due within one year	245,458,483	198,814,288	161,744,944
	247,366,626	198,814,288	161,744,944

- (a) The carrying amount of 'trade and other receivables' approximate their fair value.
- (b) The amounts of trade receivable bears surcharge at 2% per month for late payments.
- (c) At December 31, 2014, trade receivables include SR. 21,150,444 (2013 : SR. 16,971,006) from Government and parastatal organisations which is fully recoverable.

Notes to the financial statements for the year ended December 31, 2014

9. TRADE AND OTHER RECEIVABLES *Continued*

- (d) At December 31, 2014, trade receivables include **SR.40,165,406** (2013 : SR. 34,701,746) 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:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
	SR	SR	SR
Less than 30 days	82,413,836	80,590,520	77,249,673
31 to 60 days	21,638,455	20,750,247	22,882,435
61 to 90 days	7,396,035	7,799,835	6,365,325
Over 90 days	32,769,371	26,901,912	18,977,880
	<u>144,217,697</u>	<u>136,042,514</u>	<u>125,475,313</u>

- (e) The carrying amount of trade receivables are denominated in Seychelles Rupees.
- (f) Movement in the provision for credit impairment of trade and other receivables is as follows:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
	SR	SR	SR
At the beginning of the year	16,980,317	19,041,287	16,614,467
Provision/(reversal) made during the year	271,550	(2,005,921)	2,891,004
	<u>17,251,867</u>	<u>17,035,366</u>	<u>19,505,471</u>
Bad debts written off	(1,061,519)	(44,496)	(60,754)
Bad debts recovered	(1,794)	(10,553)	(403,430)
	<u>16,188,554</u>	<u>16,980,317</u>	<u>19,041,287</u>

Notes to the financial statements for the year ended December 31, 2014

10. INVENTORIES

	<u>2014</u>	<u>2013</u>	<u>2012</u>
	SR	SR	SR
Materials and consumables:			
Electricity generation fuel and lubricants	27,225,182	29,101,679	26,570,143
Spare parts and non saleable items	292,116,711	190,906,003	132,854,831
	<u>319,341,893</u>	<u>220,007,682</u>	<u>159,424,974</u>

In order to provide uninterrupted electricity and water; and maintain sanitation, the Corporation is required to carry substantial amount of spares for its plant, machinery and equipment. Although certain spares have not been used for a long period of time, their carrying in inventories is essential due to high lead time required for procuring them and the urgency of their requirement in case of breakdown of plant and equipment. The management is of the opinion that since they are useable, no provision is required for their obsolescence.

Certain spares specific to the old generators whose extended useful lives have been reassessed and adjusted in the financial statements are carried for a long period of time are carried at their original cost. Those spares carried at cost approximating to SR. 12 million can be used only until the extended useful life of the old generators. These spares are essential for maintenance of those old generators.

11. CASH AND CASH EQUIVALENTS

	<u>2014</u>	<u>2013</u>	<u>2012</u>
	SR	SR	SR
Balances with banks	94,853,828	125,777,975	43,161,024
Term deposits with banks	106,210,811	125,372,053	54,882,967
Deposit with treasury	93,508,959	101,888,369	-
Cash on hand	63,506	64,985	75,500
	<u>294,637,104</u>	<u>353,103,382</u>	<u>98,119,491</u>

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 Corporation and earn interest at varying short term interest rates.

Deposits of SR. 234,000 and USD 194,000 were blocked against letter of credit facility provided by Nouvobanq to the Corporation.

Deposits with The Mauritius Commercial Bank (Seychelles) Limited of SR. 750,000 were secured against a Bank Guarantee of USD 45,000 provided by the bank on behalf of the Corporation.

Borrowings from Government of Seychelles through Agence Francaise De Developpement and European Investment Bank are received in the treasury account for spending on the projects. Those deposits are denominated in Euro and are non-interest bearing.

Notes to the financial statements for the year ended December 31, 2014

12. ASSIGNED CAPITAL

	2014	As restated 2013	As restated 2012
	SR	SR	SR
<i>Transferred from:</i>			
- Seychelles Electricity Corporation Limited	42,069,280	42,069,280	42,069,280
- Seychelles Water Authority	8,551,125	8,551,125	8,551,125
Loans taken over as capital contribution	841,512,062	841,512,062	841,512,062
Transfer of Revaluation Reserve (note (a))	158,537,000	158,537,000	158,537,000
Transfer of Capital Contribution Reserve (Note (b))	389,074,124	389,074,124	389,074,124
	<u>1,439,743,591</u>	<u>1,439,743,591</u>	<u>1,439,743,591</u>

- (a) At April 1, 1992, the Government of Seychelles transferred certain dams, reservoirs, water and Sewerage treatment works and pipeline networks to the Corporation for which no consideration was paid by the Corporation. The Corporation recorded these assets at value determined by the technical team of the Corporation based on the current cost at the time of recording them in the books of the Corporation with a contra credit to the Revaluation Reserve Account. This has now been rectified retrospectively by crediting the Assigned Capital towards contribution other than cash from the owner of the Corporation.
- (b) Prior to the year 2010, the Corporation received contributions from the Government of Seychelles for major capital works undertaken by the Corporation. Subsequently certain capital grants were included in this account which were reclassified to Deferred Grants in the year 2010 and the amount received for major capital works was carried in this account with no further subsequent movements. This has now been rectified retrospectively by crediting the Assigned Capital towards contribution other than cash from the owner of the Corporation.

13. DEFERRED GRANTS

	2014	2013	2012
	SR	SR	SR
At the beginning of the year	1,043,730,271	787,120,766	604,435,342
Received from Government of Seychelles	67,016,417	125,365,430	200,887,625
Received from others	7,225,115	180,705,233	-
	<u>1,117,971,803</u>	<u>1,093,191,429</u>	<u>805,322,967</u>
Less: Amortisation for the year	(64,607,166)	(49,461,158)	(18,202,201)
	<u>1,053,364,637</u>	<u>1,043,730,271</u>	<u>787,120,766</u>
Analysed as:			
Non current	66,495,606	64,393,399	759,274,672
Current	986,869,031	979,336,872	27,846,094
	<u>1,053,364,637</u>	<u>1,043,730,271</u>	<u>787,120,766</u>

14. BORROWINGS

	2014	2013	2012
	SR	SR	SR
Loan for infrastructure development (note (a))	142,665,867	118,330,371	-
Loan for plant and equipment (note (b))	41,189,794	-	-
	<u>183,855,661</u>	<u>118,330,371</u>	<u>-</u>
Analysed as:			
Due beyond one year	142,665,867	118,330,371	-
Due within one year	41,189,794	-	-
	<u>183,855,661</u>	<u>118,330,371</u>	<u>-</u>

Notes to the financial statements for the year ended December 31, 2014

14. **BORROWINGS** *Continued*

- (a) The Corporation entered into two indemnity agreements relating to certainty of payment obligations under the European Investment Bank (EIB) and Agence Francaise de Developpement (AFD) with the Republic of Seychelles relating to the upgrade of Seychelles Water and Sewerage infrastructure. The total borrowing would be Euro 36,737,000 of which Euro 26,737,000 would be financed by EIB and the balance Euro 10,000,000 by ADB. These loans bear interest at 6 months libor + 0.5% and are repayable after the year 2018. Current balance represents drawdown and accrued interest payable.
- (b) The Corporation borrowed Euro 14,487,000 from Seychelles International Mercantile Banking Corporation Limited (Nouvobanq) for acquisition of plant and equipment. The loan bears interest averaging at 4.11% and is repayable at Euro 334,312 per month. The current balance represents drawdown of approximately 20% and accrued interest payable.

15. **TRADE AND OTHER PAYABLES**

	2014	<i>As restated</i> 2013	<i>As restated</i> 2012
	SR	SR	SR
Trade payables	60,638,638	68,697,872	83,300,844
Other payables	21,928,294	13,462,519	12,701,740
Customer deposits	30,194,424	29,085,018	25,844,449
	<u>112,761,356</u>	<u>111,245,409</u>	<u>121,847,033</u>
Analysed as:			
Due beyond one year	30,194,424	29,085,018	25,844,449
Due within one year	82,566,932	82,160,391	96,002,584
	<u>112,761,356</u>	<u>111,245,409</u>	<u>121,847,033</u>

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

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

	2014	<i>As restated</i> 2013	<i>As restated</i> 2012
	SR	SR	SR
Euro	42,907,368	17,896,527	583,780
USD	48,256,679	11,756,299	1,360,755
SGD	5,450,467	45,563,712	11,683
ZAR	34,591	2,363,237	-
GBP	54,179	11,856,447	1,365,107
SR	16,058,072	21,809,187	118,525,708
	<u>112,761,356</u>	<u>111,245,409</u>	<u>121,847,033</u>

- (c) The Corporation did not offer any securities with respect to Trade and other payables.

- (d) Trade payables includes an overdue amount of SGD 510,778 equivalent to SR. 5,530,606 (2013 : SR. 4,814,266) which the Corporation is contesting payment since the year 2007. The amount due is restated at each balance sheet date and the exchange difference arising is charged to the Income Statement each year.

Notes to the financial statements for the year ended December 31, 2014

15. TRADE AND OTHER PAYABLES *Continued*

(e) Customer deposits comprise the following:

	2014	<i>As restated</i> 2013	<i>As restated</i> 2012
	SR	SR	SR
Electricity	26,623,007	25,656,092	22,495,463
Water	3,571,417	3,428,926	3,348,986
	<u>30,194,424</u>	<u>29,085,018</u>	<u>25,844,449</u>

16. EMPLOYEE BENEFIT LIABILITIES

	2014	<i>As restated</i> 2013	<i>As restated</i> 2012
	SR	SR	SR
Accrued leave	7,781,324	7,936,278	5,760,642
Gratuity	3,282,110	3,489,090	3,013,162
Length of service compensation	44,422,415	36,094,992	34,438,686
Total employee benefit liabilities	55,485,849	47,520,360	43,212,490
Due within one year	(2,690,133)	(6,119,318)	(4,205,610)
Due beyond one year	52,795,716	41,401,042	39,006,880
Analysis of amounts due within one year:			
Accrued leave	61,434	429,195	603,702
Gratuity	1,081,868	1,696,916	1,086,804
Length of service compensation	1,546,831	3,993,207	2,515,104
	<u>2,690,133</u>	<u>6,119,318</u>	<u>4,205,610</u>

- (a) The Corporation recognised and provided for employee benefit obligations arising on account of gratuity based on the regulations applicable to parastatal organisations; leave salary and length of service severance compensation based on the provisions of Seychelles Employment Act. With respect to fixed term employees, the Corporation used average grades of past years to compute the estimated end of contract bonus. The Corporation proposes to meet these liabilities as and when they fall due, out of its working capital.
- (b) The Members have 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. REVENUES FORM OPERATIONS

	2014	2013
	SR	SR
Supply of electricity	1,272,625,308	1,256,074,660
Supply of water	177,406,189	137,530,674
Disposal fees	21,310,147	15,419,541
Services	21,020,444	14,234,279
	<u>1,492,362,088</u>	<u>1,423,259,154</u>

Notes to the financial statements for the year ended December 31, 2014

17. REVENUE FROM OPERATIONS

Revenue from related parties:

Income from sales to Government and Government related:

	2014	2013
	SR	SR
Supply of electricity	126,770,047	121,375,528
Supply of water	25,738,596	17,482,738
Disposal fees	4,097,809	3,395,615
	<u>156,606,452</u>	<u>142,253,881</u>

18. OTHER INCOME

	2014	2013
	SR	SR
Grant Income	64,607,167	49,461,158
Interest receivable on overdue trade debtors	15,182,957	16,285,757
Interest on term Deposits	1,082,873	1,608,152
Interest on loan to employees	94,809	24,994
Inter-corporation cost recoveries	1,554,614	1,358,862
Foreign exchange gain	6,768,390	578,465
(Loss)/Profit on disposal of fixed assets	(59,493)	719,283
	<u>89,231,317</u>	<u>70,036,671</u>

19. CONSUMABLES AND SPARES

	2014	2013
	SR	SR
Generation fuel and lubricants	824,020,656	808,246,914
Materials and equipment charges	43,351,144	41,638,558
Other Consumables	7,002,161	4,690,363
Fuel and oil	7,827,893	8,735,416
	<u>882,201,854</u>	<u>863,311,251</u>

Purchase from related parties:

Purchase of fuel from a Government Company:

	2014	2013
	SR	SR
Heavy fuel oil	659,864,675	610,821,300
Light fuel oil	147,686,191	154,385,239
	<u>807,550,866</u>	<u>765,206,539</u>

Notes to the financial statements for the year ended December 31, 2014

20. STAFF COST

	2014	2013
	SR	SR
Salaries	131,724,355	106,416,994
Members' emoluments (note (a))	1,243,691	1,415,351
Pension contribution	2,789,843	1,812,066
Long service gratuities and compensation (notes (b to d))	14,038,566	5,734,141
Other employee related costs	12,812,932	10,852,877
	<u>162,609,387</u>	<u>126,231,429</u>

(a) *Members' emoluments:*

Mr. Eddie Belle	Chairman	84,000	110,000
Mr. Philippe Morin	Chief Executive Officer	976,691	848,880
Other fees	Non-executive members	183,000	456,471
		<u>1,243,691</u>	<u>1,415,351</u>

- (b) Effective the financial year under review, the Corporation started to provide for end of contract bonus with respect to fixed term employees. The amount provided during the financial year under review is SR. 1,361,053 with respect to all existing fixed term contracted employees. End of contract bonus is payable based on their individual performance which is assessed at the end of the contract. For the purpose of provision, the Management estimated the liability based on the prior years' average.
- (c) 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.
- (d) 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. OPERATING AND OTHER EXPENSES

	2014	2013
	SR	SR
Electricity	61,035,980	76,462,797
Repairs and maintenance	117,338,570	60,833,338
Tree clearance	4,048,052	2,588,798
Drought expenses	2,196	12,178,320
Utility charges	4,091,416	2,845,515
Rent	2,262,413	456,177
Others	-	10,022
Hire	13,262,057	8,061,194
Licenses and insurance	1,201,751	1,271,148
Administration expenses	17,462,284	19,401,904
Value added tax	650,302	25,303,134
Bad debts net of recoveries	1,059,724	(36,099)
Impairment loss on property and equipment	3,705,149	-
	<u>226,119,894</u>	<u>209,376,248</u>

Notes to the financial statements for the year ended December 31, 2014

22. CAPITAL COMMITMENTS

	<u>2014</u>	<u>2013</u>
	SR	SR
Major capital commitments for capital projects	<u>895,921,373</u>	<u>205,486,616</u>

23. CONTINGENT LIABILITIES

	<u>2014</u>	<u>2013</u>
	SR	SR
Litigations with third parties	<u>4,000,000</u>	<u>2,500,000</u>

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

Notes to the financial statements for the year ended December 31, 2014

24. SEGMENTAL REPORTING

Segmental Information for the year ended December 31, 2014

Particulars	Electricity	Water	Sewerage	Total Segments	Adjustments and eliminations	Consolidated
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
Income						
Revenue from operations	1,288,918	181,511	21,933	1,492,362	-	1,492,362
Other income	36,806	43,742	1,598	82,146	7,085	89,231
	1,325,724	225,253	23,531	1,574,508	7,085	1,581,593
Expenditure						
Consumables and spares	843,865	33,253	5,084	882,202	-	882,202
Employee benefit expenses	78,554	73,766	10,289	162,609	-	162,609
Finance expense	-	-	-	-	9,089	9,089
Depreciation and amortisation	38,886	55,276	9,088	103,250	-	103,250
Other operating overheads	117,403	88,863	19,227	225,493	627	226,120
	1,078,708	251,158	43,688	1,373,554	9,716	1,383,270
Profit/(Loss) from operations	247,016	(25,905)	(20,157)	200,954	(2,631)	198,323
Operating assets						
Inventories	27,225	3,631	-	30,856	288,486	319,342
Trade and other receivables	158,057	28,847	54	186,958	58,501	245,459
Cash and cash equivalents	-	93,509	-	93,509	201,128	294,637
	185,282	125,986	54	311,323	548,115	859,438
Operating liabilities						
Trade and other payables	-	8,072	-	8,072	74,494	82,566
	-	8,072	-	8,072	74,494	82,566
Other Disclosures						
Property, plant and equipment	651,331	628,363	142,688	1,422,382	20,623	1,443,005
Intangibles	289	-	-	289	1,382	1,671
Capital work in progress	100,673	279,522	13,957	394,152	22,265	416,417
Customer Deposits	-	-	-	-	1,908	1,908
Borrowings	(41,190)	(142,666)	-	(183,856)	-	(183,856)
Trade and other payables	(26,623)	(11,481)	-	(38,104)	7,910	(30,194)
Employee benefit liabilities	(14,361)	(13,439)	(1,322)	(29,122)	(26,364)	(55,486)
Deferred Grants	(495,132)	(492,797)	(13,695)	(1,001,624)	(51,741)	(1,053,365)
Assigned capital	-	-	-	-	(1,439,744)	(1,439,744)
Revenue deficit	-	-	-	-	122,772	122,772
	174,987	247,502	141,628	564,117	(1,340,989)	(776,872)

Notes to the financial statements for the year ended December 31, 2014

24. SEGMENTAL REPORTING *Continued*

Segmental Information for the year ended December 31, 2013

Particulars	Electricity	Water	Sewerage	Total Segments	Adjustments and eliminations	Consolidated
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
Income						
Revenue from operations	1,265,682	141,085	16,492	1,423,259	-	1,423,259
Other income	31,278	34,899	1,079	67,256	2,781	70,037
	1,296,960	175,984	17,571	1,490,515	2,781	1,493,296
Expenditure						
Consumables and spares	840,851	19,274	3,186	863,311	-	863,311
Employee benefit expenses	61,806	56,694	7,732	126,232	-	126,232
Finance expense	-	-	-	-	2,183	2,183
Depreciation and amortisation	38,197	40,894	8,928	88,019	-	88,019
Other operating overheads	75,981	116,207	16,591	208,779	598	209,377
	1,016,835	233,069	36,437	1,286,341	2,781	1,289,122
Profit/(Loss) from operations	280,125	(57,085)	(18,866)	204,174	-	204,174
Operating assets						
Inventories	29,102	2,494	-	31,596	188,411	220,007
Trade and other receivables	169,095	26,886	-	195,981	2,833	198,814
Cash and cash equivalents	-	101,888	-	101,888	251,215	353,103
	198,197	131,268	-	329,465	442,459	771,924
Operating liabilities						
Trade and other payables	14,896	12,478	2,649	30,023	52,137	82,160
	14,896	12,478	2,649	30,023	52,137	82,160
Other Disclosures						
Property, plant and equipment	645,053	625,055	153,797	1,423,905	11,969	1,435,874
Intangibles	385	-	-	385	1,760	2,145
Capital work in progress	58,333	157,045	13,957	229,335	195	229,530
Customer Deposits	-	-	-	-	-	-
Borrowings	-	(118,330)	-	(118,330)	-	(118,330)
Trade and other payables	(25,656)	(3,429)	-	(29,085)	-	(29,085)
Employee benefit liabilities	(12,789)	(10,936)	(970)	(24,695)	(22,825)	(47,520)
Deferred Grants	(425,903)	(588,590)	(14,666)	(1,029,159)	(14,571)	(1,043,730)
Assigned capital	-	-	-	-	(1,439,744)	(1,439,744)
Revenue deficit	-	-	-	-	321,096	321,096
	239,423	60,815	152,118	452,356	(1,142,120)	(689,764)