HOUSING FINANCE COMPANY LIMITED

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

HOUSING FINANCE COMPANY LIMITED

TABLE OF CONTENTS - DECEMBER 31, 2016

CORPORATE INFORMATION

DIRECTORS	:	Ronny Palmyre (Chief Executive Officer) Daniel Frichot Yves Choppy Elizabeth Agathine Michel Marie
SECRETARY	:	Marilyn Port-Louis
REGISTERED OFFICE	:	1st Floor, Victoria House, P O Box 1112 Victoria, Mahé, Seychelles
PRINCIPAL PLACE OF BUSINESS	:	1st Floor, Victoria House, Victoria, Mahé, Seychelles
AUDITORS	:	BDO Associates Chartered Accountants Seychelles
BANKERS	:	Nouvobanq Barclays Bank (Seychelles) Ltd The Mauritius Commercial Bank (Seychelles) Ltd Habib Bank (Seychelles Seychelles Commercial Bank Ltd Bank of Baroda (Seychelles)

The Directors are pleased to present their report together with the audited financial statements of the Company for the financial year ended December 31, 2016.

PRINCIPAL ACTIVITIES & CURRENT YEAR EVENTS

The Company is engaged in the provision of finance to the housing sector and there has been no change in this activity for the financial year under review.

The Company has adopted International Financial Reporting Standards (IFRS) for the first time in 2016. Therefore, the date of transition is January 1, 2015 and as the requirements of IFRS 1, 'First-time adoption of International Financial Reporting Standards', comparatives include three Statements of Financial Position, two Statements of Cash Flows and two Statements of Changes in Equity and related notes including comparative information for all statements presented.

RESULTS

	SR
Profit before taxation	20,453,672
Taxation charge	(5,452,151)
Profit for the year	15,001,521
Retained earnings brought forward	21,499,815
Retained earnings carried forward	**36,501,336**

DIVIDENDS

The Directors did not recommend any dividends for the financial year under review (2015: Nil).

PROPERTY AND EQUIPMENT

Additions to property and equipment of **SR 330K** (2015: SR 208K) during the year comprised furniture and fittings, office equipment and computers.

The Directors are of the opinion that the carrying amount of property and equipment does not materially differ from its fair value as at December 31, 2016.

DIRECTORS AND DIRECTORS' INTEREST

The Directors of the Company from the date of the last report and to-date are:

Ronny Palmyre (Chief Executive Officer)
Daniel Frichot
Yves Choppy
Elizabeth Agathine
Michel Marie

None of the Directors held an interest in the shares of the Company during the year under review.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The Directors 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 Seychelles Companies Act, 1972. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances. The Directors have the general responsibility of safeguarding the assets, both owned by the Company and those that are held in trust and used by the Company.

The Directors consider they have met their aforesaid responsibilities.

AUDITORS

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

BOARD APPROVAL

Ronny Palmyre
Director

Daniel Frichot
Director

Yves Choppy
Director

Elizabeth Agathine
Director

Michel Marie
Director

Date: 1 9 MAY 2017
Victoria, Seychelles

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The Creole Spirit
Quincy Street, Mahé
Victoria, Seychelles

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS

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

Report on the Financial Statements

Opinion

We have audited the financial statements of Housing Finance Company Limited (the Company), on pages 4 to 32 which comprise the Statement of Financial Position as at December 31, 2016, the Statement of Profit or Loss and Other Comprehensive income, Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, and notes to the Financial Statements, including a summary of significant accounting policies.

In our opinion, the Financial Statements on pages 4 to 32 give a true and fair view of the financial position of the Company as at December 31, 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Companies Act, 1972.

Basis of Opinion

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

Responsibilities of Directors and Those Charged with Governance for the Financial Statements

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and in compliance with the requirements of the Companies Act, 1972, and for such internal control as the Directors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

Those Charged with Governance are responsible for overseeing the Company's financial reporting process.

HOUSING FINANCE COMPANY LIMITED

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

BDO

HOUSING FINANCE COMPANY LIMITED

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

Emphasis of Matter

Tax Assessment

We draw attention to note 24 which gives the details of the tax assessment undergone by the Company for the tax years 2009 to 2013.

Our opinion is not qualified in respect of the above.

Report on Other Legal Regulatory Requirements

Companies Act, 1972

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

We have obtained all information and explanations we have required.

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

Public Enterprise Monitoring Commission Act, 2013

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

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

Financial Institutions (Application of Act) Regulations, 2010

The Financial Institutions Act, 2004, *as amended* requires that in carrying out our audit, we consider and report to you the following matters. We confirm that:

- In our opinion, the financial statements have been prepared on a basis consistent with that of the preceding year and are complete, fair and properly drawn up and comply with provisions of the Financial Institutions (Application of Act) Regulations, 2010.

- The explanations or information called for or given to us by the employees of the Company were satisfactory.

- The Company did not carry out any fiduciary duties for the year under review.

BDO Associates

BDO ASSOCIATES
Chartered Accountants

Dated: 1 9 MAY 2017
Victoria, Seychelles

STATEMENTS OF FINANCIAL POSITION - DECEMBER 31, 2016

	Notes	2016	Restated 2015	Restated 2014
		SR	SR	SR
ASSETS				
Cash and bank balances	5	**43,094,807**	22,854,835	69,704,962
Loans and advances	6	**570,868,316**	435,293,869	384,412,579
Investment in financial asset	7	-	54,918,465	45,060,640
Property and equipment	8	**659,529**	928,453	1,222,496
Intangible asset	9	**1,261,657**	1,318,930	360,000
Other receivables	10	**6,318,427**	6,023,644	7,027,709
Deferred tax assets	11	**4,724,037**	4,388,458	4,340,257
Tax recoverable	12	-	1,263,010	3,585,356
Total assets		**626,926,773**	526,989,664	515,713,999
LIABILITIES AND SHAREHOLDERS' EQUITY				
LIABILITIES				
Borrowings	13	**144,285,824**	105,540,044	138,689,589
Deposits	14	**105,752,457**	84,005,661	60,274,520
Other payables	15	**11,395,398**	10,077,334	11,894,335
Retirement benefit obligations	16	**1,016,422**	921,233	896,934
Tax payable	12	**3,248,539**	-	-
Total liabilities		**265,698,640**	200,544,272	211,755,378
EQUITY				
Share capital	17	**20,000,000**	20,000,000	20,000,000
Capital reserve	2(f)	**269,726,999**	256,967,434	239,187,633
Retained earnings		**36,501,336**	21,499,815	20,891,152
Contingency reserve	18	**34,999,798**	27,978,143	23,879,836
Total shareholders' equity		**361,228,133**	326,445,392	303,958,621
Total liabilities and shareholders' equity		**626,926,773**	526,989,664	515,713,999

The financial statements have been approved for issue by the Board of Directors on 19 MAY 2017

Ronny Palmyre
Director

Daniel Frichot
Director

Yves Choppy
Director

Elizabeth Agathine
Director

Michel Marie
Director

The notes on pages 8 to 32 form an integral part of these financial statements.
Auditors' report on pages 3 to 3(b).

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME - YEAR ENDED DECEMBER 31, 2016

	Notes	2016 SR	Restated 2015 SR
Interest income	19 & 2(j)	42,576,659	39,278,581
Interest expense	19,2(j)	(11,861,017)	(10,678,960)
Net interest income	19	30,715,642	28,599,621
Fee income	2(k)	2,869,889	2,039,686
Other income	20	4,624,511	1,547,435
Operating expenses	21	(16,558,743)	(14,118,024)
Profit before provision for credit impairment		21,651,299	18,068,718
Provision for credit impairment	6(iv)	(1,197,627)	(8,130,254)
Profit before tax		20,453,672	9,938,464
Tax expense	12(ii)	(5,452,151)	(1,096,679)
Profit for the year		15,001,521	8,841,785

The notes on pages 8 to 32 form an integral part of these financial statements.
Auditors' report on pages 3 to 3(b).

STATEMENT OF CHANGES IN EQUITY - YEAR ENDED DECEMBER 31, 2016

	Notes	Share capital	Capital Reserve	Retained earnings	Contingency reserve	Total
		SR	SR	SR	SR	SR
At January 1, 2016		**20,000,000**	**256,967,434**	**21,499,815**	**27,978,143**	**326,445,392**
Profit for the year		**-**	**-**	**15,001,521**	**-**	**15,001,521**
Charge for the year	**18**	**-**	**-**	**-**	**7,021,655**	**7,021,655**
Movement in Housing Subsidy scheme						
- Subsidy received during the year	**22**	**-**	**31,676,772**	**-**	**-**	**31,676,772**
- Disbursed during the year	**22**	**-**	**(18,917,207)**	**-**	**-**	**(18,917,207)**
At December 31, 2016		**20,000,000**	**269,726,999**	**36,501,336**	**34,999,798**	**361,228,133**
At January 1, 2015						
- As previously reported		20,000,000	239,187,633	16,550,895	23,879,836	299,618,364
- Adjustment for credit impairment	6(iv)	-	-	(8,233,122)	-	(8,233,122)
- Adjustment for deferred tax	11(ii)	-	-	4,340,257	-	4,340,257
As restated		20,000,000	239,187,633	12,658,030	23,879,836	295,725,499
Profit for the year		-	-	8,841,785	-	8,841,785
Charge for the year		-	-	-	4,098,307	4,098,307
Movement in Housing Subsidy scheme						
- Subsidy received during the year	22	-	30,821,055	-	-	30,821,055
- Disbursed during the year	22	-	(13,041,254)	-	-	(13,041,254)
At December 31, 2015		20,000,000	256,967,434	21,499,815	27,978,143	326,445,392

The notes on pages 8 to 32 form an integral part of these financial statements.
Auditors' report on pages 3 to 3(b).

STATEMENT OF CASH FLOWS - YEAR ENDED DECEMBER 31, 2016

	Notes	2016 SR	2015 SR
Cash flows from operating activities			
Profit before tax		**20,453,672**	9,938,464
Adjustments for:			
Depreciation of property and equipment	8	**598,954**	501,622
Amortisation of intangible asset	9	**346,341**	206,548
Interest accrued on investments in financial assets	7(iii)	**(943,773)**	(2,923,125)
Interest accrued on deposits	14	**2,847,268**	2,349,291
Movement in provision for credit impairment	6(iv)	**1,197,627**	8,130,254
Loans written off in provision for credit impairment	6(iv)	**(378,041)**	(24,944,942)
Contributions & subsidy received during the year	22(i)	**31,676,772**	30,821,055
Subsidy disbursed during the year	22(i)	**(18,917,207)**	(13,041,254)
Received on Home Savings scheme	14	**32,802,520**	29,970,265
Repayment on Home Savings scheme	14	**(13,902,992)**	(8,588,415)
Movement in retirement benefit obligations	16	**682,629**	563,591
Movement in contingency reserve	17	**7,021,655**	4,098,307
		63,485,425	37,081,661
Changes in working capital			
- Loans and advances		**(136,394,033)**	(42,299,724)
- Other receivables		**(294,783)**	1,004,064
- Other payables		**1,318,064**	(1,817,001)
Net cash used from operations		**(71,885,327)**	(6,031,000)
Tax refund received during the year		**-**	3,393,226
Tax paid during the year	12(a)	**(1,276,181)**	(2,215,759)
Retirement benefit obligation paid	16	**(587,440)**	(539,292)
Net cash outflow from operating activities		**(73,748,948)**	(5,392,825)
Cash flows from investing activities			
Purchase of property and equipment	8	**(330,030)**	(207,579)
Addition to intangible asset	9	**(289,068)**	(1,165,478)
Additions to investment in financial assets	7(iii)	**-**	(25,000,000)
Redemption of financial asset	7(iii)	**55,862,238**	18,065,300
Net cash inflow/(outflow) from investing activities		**55,243,140**	(8,307,757)
Cash flow from financing activities			
Borrowings received	13(iv)	**50,770,429**	-
Repayment of borrowings	13(iv)	**(3,010,900)**	(24,819,876)
Repayment of interest on borrowings	13(iv)	**(9,013,749)**	(8,329,669)
Net cash inflow/(outflow) from financing activities		**38,745,780**	(33,149,545)
Net increase/(decrease) in cash and cash equivalents		**20,239,972**	(46,850,127)
Movement in cash and cash equivalents			
At January 1,		**22,854,835**	69,704,962
Increase/(decrease)		**20,239,972**	(46,850,127)
At December 31,	5	**43,094,807**	22,854,835

The notes on pages 8 to 32 form an integral part of these financial statements.
Auditors' report on pages 3 to 3(b).

1. GENERAL INFORMATION

Housing Finance Company Limited is a limited liability company, incorporated and domiciled in Seychelles and is involved in providing finance to the housing sector.

The principal place of business is situated at the Victoria House, Mahé, Seychelles.

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) and comply with the Companies Act, 1972. Where necessary, comparative figures have been amended to conform with change in presentation in the current year. The financial statements are prepared under the historical cost convention, except that vehicles are stated at deemed cost.

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

IFRS 14 Regulatory Deferral Accounts provides relief for first-adopters of IFRS in relation to accounting for certain balances that arise from rate-regulated activities ('regulatory deferral accounts'). IFRS 14 permits these entities to apply their previous accounting policies for the recognition, measurement, impairment and derecognition of regulatory deferral accounts. *The standard is not expected to have any impact on the Company's financial statements.*

Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11). The amendments clarify the accounting for the acquisition of an interest in a joint operation where the activities of the operation constitute a business. They require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a business. Existing interests in the joint operation are not remeasured on acquisition of an additional interest, provided joint control is maintained. The amendments also apply when a joint operation is formed and an existing business is contributed. *The standard is not expected to have any impact on the Company's financial statements.*

Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38). The amendments clarify that a revenue-based method of depreciation or amortisation is generally not appropriate. Amendments clarify that a revenue-based method should not be used to calculate the depreciation of items of property, plant and equipment. IAS 38 now includes a rebuttable presumption that the amortisation of intangible assets based on revenue is inappropriate. This presumption can be overcome under specific conditions. *The amendment has no impact on the Company's financial statements.*

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(a) Basis of preparation (Cont'd)

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

Equity method in separate financial statements (Amendments to IAS 27). The amendments allow entities to use the equity method in their separate financial statements to measure investments in subsidiaries, joint ventures and associates. IAS 27 currently allows entities to measure their investments in subsidiaries, joint ventures and associates either at cost or at fair value in their separate FS. The amendments introduce the equity method as a third option. The election can be made independently for each category of investment (subsidiaries, joint ventures and associates). Entities wishing to change to the equity method must do so retrospectively. *The amendment has no impact on the Company's financial statements.*

Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41). IAS 41 now distinguishes between bearer plants and other biological asset. Bearer plants must be accounted for as property plant and equipment and measured either at cost or revalued amounts, less accumulated depreciation and impairment losses. *The amendment has no impact on the Company's financial statements.*

Annual Improvements to IFRSs 2012-2014 cycle

IFRS 5 is amended to clarify that when an asset (or disposal group) is reclassified from 'held for sale' to 'held for distribution' or vice versa, this does not constitute a change to a plan of sale or distribution and does not have to be accounted for as such. *The amendment has no impact on the Company's financial statements.*

IFRS 7 amendment provides specific guidance for transferred financial assets to help management determine whether the terms of a servicing arrangement constitute 'continuing involvement' and, therefore, whether the asset qualifies for derecognition. *The amendment has no impact on the Company's financial statements.*

IFRS 7 is amended to clarify that the additional disclosures relating to the offsetting of financial assets and financial liabilities only need to be included in interim reports if required by IAS 34. *The amendment has no impact on the Company's financial statements.*

IAS 19 amendment clarifies that when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important and not the country where they arise. *The amendment has no impact on the Company's financial statements.*

IAS 34 amendment clarifies what is meant by the reference in the standard to 'information disclosed elsewhere in the interim financial report' and adds a requirement to cross-reference from the interim financial statements to the location of that information. *The amendment has no impact on the Company's financial statements.*

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(a) Basis of preparation (Cont'd)

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

Disclosure Initiative (Amendments to IAS 1). The amendments to IAS 1 provide clarifications on a number of issues. An entity should not aggregate or disaggregate information in a manner that obscures useful information. Where items are material, sufficient information must be provided to explain the impact on the financial position or performance. Line items specified in IAS 1 may need to be disaggregated where this is relevant to an understanding of the entity's financial position or performance. There is also new guidance on the use of subtotals. Confirmation that the notes do not need to be presented in a particular order. The share of OCI arising from equity-accounted investments is grouped based on whether the items will or will not subsequently be reclassified to profit or loss. Each group should then be presented as a single line item in the statement of other comprehensive income.

Investment entities: Applying the consolidation exception (Amendments to IFRS 10, IFRS 12 and IAS 28). The amendments clarify that the exception from preparing consolidated financial statements is also available to intermediate parent entities which are subsidiaries of investment entities. An investment entity should consolidate a subsidiary which is not an investment entity and whose main purpose and activity is to provide services in support of the investment entity's investment activities. Entities which are not investment entities but have an interest in an associate or joint venture which is an investment entity have a policy choice when applying the equity method of accounting. The fair value measurement applied by the investment entity associate or joint venture can either be retained, or a consolidation may be performed at the level of the associate or joint venture, which would then unwind the fair value measurement. *The amendment has no impact on the Company's financial statements.*

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

Certain standards, amendments to published standards and interpretations have been issued that are mandatory for accounting periods beginning on or after 1 January 2017 or later periods, but which the Company has not early adopted.

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

IFRS 9 Financial Instruments
IFRS 15 Revenue from Contract with Customers
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)
IFRS 16 Leases
Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)
Amendments to IAS 7 Statement of Cash Flows
Clarifications to IFRS 15 Revenue from Contracts with Customers
Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)
Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments to IFRS 4)
Annual Improvements to IFRSs 2014-2016 Cycle
IFRIC 22 Foreign Currency Transactions and Advance Consideration
Transfers of Investment Property (Amendments to IAS 40)

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(a) Basis of preparation (Cont'd)

Where relevant, the Company is still evaluating the effect of these Standards, amendments to published Standards and Interpretations issued but not yet effective, on the presentation of its financial statements.

The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

(b) Property and equipment

The cost of an asset comprises its purchase price and any attributable costs of bringing the asset to working condition for its intended use. Expenditure for additions, improvements and renewals are capitalised and expenditure for maintenance and repairs is charged to the Statement of Profit or Loss.

Land is stated at cost and is not depreciated. Vehicles are stated at deemed cost less accumulated depreciation. All other equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the assets carrying amount or recognised as a separate asset as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

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

Depreciation is calculated on the straight line method to write off the cost of the assets, to their residual values over their estimated useful life. The main annual rates applied for depreciation are as follows:

	Years
Leasehold improvements	5
Furniture and fittings	3
Computer equipment	3
Office equipment	5
Motor vehicles	3

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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

Gains and losses on disposal of property and equipment are determined by comparing proceeds with carrying amount and are included in the Statement of Profit or Loss.

(c) Intangible asset

Intangible asset comprises costs incurred on know-how capitalised and new software "Probanx" and are amortised using the straight line method over its estimated useful life of 5 years.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Loans and advances and provision for credit impairment

Loans originated by the Company by providing money directly to the borrower at draw down are categorised as loans originated by the Company and are carried at amortised cost.

Loans taken over from Seychelles Housing Development Corporation (SHDC) are stated at the amount stated by that Corporation and interest accrued by them from the date of transfer reduced by the repayments received by the Company during the year.

All loans and advances are recognised when cash is advanced to the borrowers. The Company also follows the regulations on Credit Classification and Provisioning Regulations 2010, as amended in 2011 issued by the Central Bank of Seychelles. An allowance for credit impairment is established when there is objective evidence that the Company will not be able to collect all amounts due according to the contractual terms of the loans. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, including amounts recoverable from guarantees and collaterals, discounted at the original effective interest rate of the loans.

If the amount of the impairment subsequently decreases due to an event occurring after a write down, the release of the provision is credited as a reduction of the provision for credit impairment in the Statement of Profit or Loss.

(e) Financial instruments

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

(i) *Loans and advances and provision for credit impairment*

Funds originated from the company and provided directly to the borrower are categorised as loans and advances and are carried at amortised cost, which is defined as the fair value of cash consideration given to originate these loans and advances as is determinable by reference to market prices at origination date.

(ii) *Held-to-maturity financial assets*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the company has the positive intention and ability to hold to maturity. Held-to-maturity investments are recognised initially at fair value plus directly attributable transaction costs. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment.

Recognition and measurement

Purchases and sales of financial assets are recognised on trade-date(or settlement date), the date on which the Company commits to purchase or sell the asset. Investments are initially measured at fair value plus transaction costs for all financial assets except those that are carried at fair value through Statement of Profit or Loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Financial instruments (cont'd)

(ii) *Held-to-maturity financial assets (cont'd)*

Financial assets carried at amortised cost

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and, the amount of the loss is recognised in Statement of Profit or Loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be relatively objectively to an event occuring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(iii) *Other receivables*

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 other receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables.

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of provision is recognised in the Statement of Profit or Loss.

(iv) *Deposits*

Deposits are initially recognised on the day they are originated. Other financial liabilities are initially recognised on the trade date at which the company becomes a party to the contractual provisions of the instrument.

(v) *Other payables*

Other payables are stated at fair value and subsequently measured at amortised cost using the effective interest method.

(vi) *Cash and cash equivalents*

Cash and cash equivalents comprise cash in hand and highly liquid financial assets that are subject to an insignificant risk of changes in their fair value and are used by the Company in the management of its short-term commitments. Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of 3 months or less, and bank overdrafts. Bank overdrafts are shown within borrowing in current liabilities on the statement of financial position.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Financial instruments (cont'd)

(vii) *Borrowings*

Borrowings are recognised initially at their fair value being their issue proceeds net transactions costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds and the redemption value is recognised in the Statement of Profit or Loss over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period.

(viii) *Share capital*

Ordinary shares are classified as equity.

(f) Capital reserve

The capital reserve originally arose from contra credit entries to net assets transferred from SHDC to the Company at nil consideration in 2005. Subsequent movements represent further additions to properties transferred from the Government of Seychelles also at nil consideration and cash grants. It also includes revaluations by Directors of assets previously transferred.

(g) Retirement benefit obligations

(i) *Defined contribution plans*

A defined contribution plan is a pension plan under which the Company pays a fixed contribution into a separate entity, i.e. the Seychelles Pension Fund. The Company has no legal or constructive obligations to pay further contributions if the funds do not hold sufficient assets to pay all employees the benefits relating to employees service in the current and prior periods.

(ii) *Gratuity*

The Company provides for a payment of compensation based on contractual terms for two years. The amount provisioned every year is based on the number of years the employee has worked after the last payment date. The liability recognised in the balance sheet is the present value of the defined obligation at the reporting date less fair value of plan assets together with adjustments for unrecognised actuarial gains and losses and past service costs.

(iii) *Provision for length of service*

Provision for compensation is provided as per the contractual terms as follows:

a) Staff below management level, compensation equals 10% of total salaries for two years.
b) Staff above management level, compensation equals 10% - 30% of total salaries for two years.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Impairment of assets

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

(i) Revenue recognition

Revenue comprises interest on loans and advances and other related income. Interest on loans and advances are recognised on accrual basis using the effective yield method. Other revenues earned by the Company comprises interest income which is recognised on a time-proportion basis using the effective interest method.

(j) Interest income and expense

Interest income and expense are recognised in the Statement of Profit or Loss for interest bearing instruments on an accrual basis using the effective yield method based on actual purchase price.

(k) Fees and commission income

Fees and commissions are generally recognised on an accrual basis. Commissions and fees arising from negotiating, or participating in the negotiations of a transaction for a third party, such as the acquisition of loans are recognised on completion of the underlying transaction.

(l) Taxation

Current tax

Current tax is the expected amount of business taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at Statement of Financial Position date.

Deferred tax

Deferred tax is provided for using the liability method on all taxable temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The principal temporary differences arise from depreciation of equipment, provision for credit impairment on loans and advances and provision for retirement benefit obligation. The rates enacted or subsequently enacted at the date of the reporting period are used to determine deferred tax.

Deferred tax assets are recognised to the extent that it is possible that future taxable profit will be available against which the temporary differences can be utilised.

(m) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event. It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

3. FINANCIAL RISK MANAGEMENT

(a) Interest rate risk

The Company takes term loans at floating rates and for various periods and earns interest margins by providing finance to the housing sector. The Company seeks to increase interest margins by rolling over short-term funds and lending for longer periods at higher rates.

At December 31, 2016

	Less than 1 year	Between 1 and 3 years	Greater than 3 years	Non-Interest bearing	Total
	SR	SR	SR	SR	SR
Assets					
Cash and bank balances	-	-	-	43,094,807	43,094,807
Loans and advances	40,398,112	38,803,284	543,921,292	-	623,122,688
Property and equipment	-	-	-	659,529	659,529
Intangible asset	-	-	-	1,261,657	1,261,657
Other receivables	-	6,318,427	-	-	6,318,427
Deferred tax assets	-	-	-	4,724,037	4,724,037
	40,398,112	45,121,711	543,921,292	49,740,030	679,181,145
Less allowances for credit impairment					(52,254,372)
					626,926,773
Liabilities					
Borrowings	27,083,904	54,167,808	63,034,112	-	144,285,824
Deposits	-	-	105,752,457	-	105,752,457
Other payables	-	-	-	11,395,398	11,395,398
Retirement benefit obligations	-	-	-	1,016,422	1,016,422
Tax payable	-	-	-	3,248,539	3,248,539
	27,083,904	54,167,808	168,786,569	15,660,359	265,698,640
Interest sensitivity gap	13,314,208	(9,046,097)	375,134,723	34,079,671	413,482,505
Less: Allowances for credit impairment					(52,254,372)
					361,228,133

3. FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Interest rate risk (cont'd)

At December 31, 2015

	Less than 1 year	Between 1 and 3 years	Greater than 3 years	Non-Interest bearing	Total
	SR	SR	SR	SR	SR
Assets					
Cash and bank balances	-	-	-	22,854,835	22,854,835
Loans and advances	47,181,097	45,136,263	394,411,295	-	486,728,655
Investment in financial asset	54,918,465	-	-	-	54,918,465
Property and equipment	-	-	-	928,453	928,453
Intangible asset	-	-	-	1,318,930	1,318,930
Other receivables	-	6,023,644	-	-	6,023,644
Deferred tax assets	-	-	-	4,388,458	4,388,458
Tax recoverable	-	-	-	1,263,010	1,263,010
	102,099,562	51,159,907	394,411,295	30,753,686	578,424,450
Less allowances for credit impairment					(51,434,786)
					526,989,664
Liabilities					
Borrowings	26,728,980	53,457,960	25,353,104	-	105,540,044
Deposits	-	-	84,005,661	-	84,005,661
Other payables	-	-	-	10,077,334	10,077,334
Retirement benefit obligations	-	-	-	921,233	921,233
Tax payable	-	-	-	-	-
	26,728,980	53,457,960	109,358,765	10,998,567	200,544,272
Interest sensitivity gap	75,370,582	(2,298,053)	285,052,530	19,755,119	377,880,178
Less: Allowances for credit impairment					(51,434,786)
					326,445,392

Sensitivity analysis

If interest rates had been 5 points higher/lower and all other variables were held constant as at year-end, the Bank's results would have been increased/decreased as follows:

	2016	2015
	SR	SR
Impact on results	± 2,067,413	± 1,889,401

3. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Liquidity risk

The Company is exposed to call back of term loans from commercial banks. The Board sets limits on the ratio of borrowing for loans and advances. Prudent liquidity risk management implies maintaining sufficient cash and availability of funding through an adequate amount of committed credit facilities. Furthermore, management monitors rolling forecasts of the Company's liquidity reserve on the basis of expected cash flows.

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

At December 31, 2016	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 Years	Total
	SR	SR	SR	SR	SR
Assets					
Cash and bank balances	43,094,807	-	-	-	43,094,807
Loans and advances	40,398,112	15,957,345	121,399,571	445,367,660	623,122,688
Property and equipment	-	-	-	659,529	659,529
Intangible asset	-	1,261,657	-	-	1,261,657
Other receivables	-	-	6,318,427	-	6,318,427
Deferred tax assets	-	-	4,724,037	-	4,724,037
	83,492,919	17,219,002	132,442,035	446,027,189	679,181,145
Less allowances for credit impairment					(52,254,372)
					626,926,773
Liabilities					
Borrowing	27,083,904	27,083,904	81,251,712	8,866,304	144,285,824
Deposits	-	-	-	105,752,457	105,752,457
Other payables	2,325,230	-	9,070,168	-	11,395,398
Retirement benefit obligations	-	1,016,422	-	-	1,016,422
Tax payable	3,248,539	-	-	-	3,248,539
	32,657,673	28,100,326	90,321,880	114,618,761	265,698,640
Maturity gap	50,835,246	(10,881,324)	42,120,155	331,408,428	361,228,133

3. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Liquidity risk (cont'd)

At December 31, 2015	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 Years	Total
	SR	SR	SR	SR	SR
Assets					
Cash and bank balances	22,854,835	-	-	-	22,854,835
Loans and advances	47,181,097	15,136,263	115,363,845	309,047,450	486,728,655
Investment in financial asset	54,918,465	-	-	-	54,918,465
Property and equipment	-	-	-	928,453	928,453
Intangible asset	-	-	1,318,930	-	1,318,930
Other receivables	-	-	6,023,644	-	6,023,644
Deferred tax assets	-	-	4,388,458	-	4,388,458
Tax recoverable	1,263,010	-	-	-	1,263,010
	126,217,407	15,136,263	127,094,877	309,975,903	578,424,450
Less allowances for credit impairment					(51,434,786)
					526,989,664
Liabilities					
Borrowing	26,728,980	26,728,980	52,082,084	-	105,540,044
Deposits	-	-	-	84,005,661	84,005,661
Other payables	2,561,239	-	7,516,095	-	10,077,334
Retirement benefit obligations	-	921,233	-	-	921,233
	29,290,219	27,650,213	59,598,179	84,005,661	200,544,272
Maturity gap	96,927,188	(12,513,950)	67,496,698	225,970,242	326,445,392

(c) Credit risk

Substantial portion of loans and advances are secured by mortgage over the properties of the borrowers. For unsecured loans, the Company is exposed to credit risk which is the risk that a counterparty will be unable to pay amounts in full when due. The Company structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower. Such risks are monitored on a revolving basis and subject to an annual or more frequent review. Limits on the level of credit risk ranges from SR 25,000 up to a maximum of SR 850,000 per client depending on the scheme under which credit was obtained. These schemes are per Government of Seychelles policy and are approved by the Board of Directors.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these limits where appropriate. Exposure to credit risk is also managed by obtaining collateral and personal guarantees.

The Company does not have a significant concentration of credit risk, since exposure is spread over a large number of customers. However, the Company has policies in place to ensure that collections are made on a timely basis.

3. **FINANCIAL RISK MANAGEMENT (CONT'D)**

(d) Cash flow and fair value interest rate risk

The Company is exposed to the effects of mismatch in tenure on term loans obtained from commercial banks and loans advanced to customers. Increase in interest rates would result in increasing the interest rates on loans advanced to customers resulting in no overall increase in interest margins. However, decrease in interest rates would result in lower interest expense on term loans obtained. Increase and decrease in market interest rates would not have substantial effect on interest margins as the Company reserves the right to increase interest rates on loans and advances reducing the Company's exposure due to changes in interest rates.

(e) Fair value estimation

The carrying amounts of financial assets and liabilities of the Company at balance sheet date approximate 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 Company for similar financial instruments.

(f) Capital risk management

The Company's objectives when managing capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Company sets the amount of capital in proportion to risk. It manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt. The Company monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt adjusted capital. Net debt is calculated as total debt less cash and cash equivalents. Adjusted capital comprises all components of equity (i.e. share capital, retained earnings and capital reserve).

During 2016, the Company's strategy, which was unchanged from 2015, was to maintain the debt-to-adjusted capital ratio at a reasonable level in order to secure access to finance at a reasonable cost. The debt-to-adjusted capital ratios at December 31, 2016 were as follows:

	2016	2015
	SR	SR
Total debt	**144,285,824**	105,540,044
Less: Cash and cash equivalents	**(43,094,807)**	(22,854,835)
Net debt	**101,191,017**	82,685,209
Total equity	**361,228,133**	326,445,392
Debt-to-adjusted capital ratio	**28%**	25%

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Critical accounting estimates and assumptions

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

(i) *Impairment of loans and advances*

The Company reviews its loans and advances portfolio on a regular basis to assess whether any allowance for credit impairment losses for loans and advances should be recognised in the Statement of Profit or Loss. In particular, judgement is made about the amount and timing of future cash flows when determining the level of allowance required. The allowance for credit impairment losses is based on the best estimates available. However, the actual amount of impairment may differ from amount provided resulting in higher or lower charges to the Statement of Profit or Loss.

(ii) *Useful lives and residual values of property and equipment and intangible asset*

Determining the carrying amounts of company's assets requires the estimation of the useful lives and residual values of these assets which carry a degree of uncertainty. The Directors have used historical information relating to the Company and the relevant industry in which it operates in order to best determine the useful lives and residual values of equipment.

(iii) *Capital Reserve*

Investment properties and cash are granted to the Company by the Government of Seychelles. The corresponding credits are accounted under Capital Reserve. Capital reserve also includes revaluation of assets previously granted to the Company.

(iv) *Retirement benefit obligations*

The cost of retitement benefit has been determined based on the contractual terms for two years and the Directors have estimated that the amount of liability provided will not be materially different had it been computed by an external Actuary.

5. CASH AND BANK BALANCES

	2016	2015
	SR	SR
Cash at bank	43,081,567	22,841,595
Cash in hand	13,240	13,240
	43,094,807	22,854,835

(i) Cash and bank balances are denominated in Seychelles Rupees.

6. LOANS AND ADVANCES

	2016	2015
	SR	SR
Gross loans taken over from Seychelles Housing Development Corporation (SHDC) (see notes (ii) & (v) below)	28,105,082	31,271,243
Loans advanced by the Company (see notes (iii) & (vi) below)	595,017,606	455,457,412
	623,122,688	486,728,655
Provision for credit impairment (see note (iv) below)	(52,254,372)	(51,434,786)
	570,868,316	435,293,869

(i) *Analysed as follows:*

	2016	2015
Non-current	582,724,576	439,547,558
Current	40,398,112	47,181,097
	623,122,688	486,728,655

(ii) Movement in loans taken over from SHDC

	2016	2015
	SR	SR
At January 1,	31,271,243	61,260,276
Interest charged during the year	1,216,357	3,035,372
Write off from provision for credit impairment (note(iv))	(378,041)	(24,944,942)
Repayments during the year	(4,004,477)	(8,079,463)
At December 31,	28,105,082	31,271,243

(iii) Loans granted by the Company

	2016	2015
	SR	SR
At January 1,	455,457,412	383,168,655
Loans disbursed during the year	269,744,591	185,985,637
Interest for the year	41,628,798	33,320,084
Repayments during the year	(171,813,195)	(147,016,964)
At December 31,	595,017,606	455,457,412

(iv) Movement in provision for credit impairment

	2016	2015
	SR	SR
At January 1,		
- As previously reported	35,071,410	60,016,352
- Adjustment for credit impairment	16,363,376	8,233,122
As restated	51,434,786	68,249,474
Charge for the year (2015: restated)	1,197,627	8,130,254
Write off during the year (note (ii))	(378,041)	(24,944,942)
At December 31,	52,254,372	51,434,786

6. LOANS AND ADVANCES (CONT'D)

(v) Loans taken over from SHDC represent outstanding balances due from ex clients of SHDC transferred to HFC upon liquidation of former net of discounts (note (vii) below). Interest varied from **3%** to **10%.** (2015: 3% to 10%).

(vi) Loans advanced by the Company are granted from own funds and interest rates varied from **7%** to **10%.** (2015: 7% to 10%).

(vii) Discounts granted to ex-SHDC borrowers were based on the applicable terms as per the Discount Scheme announced in 2005 by the Government of Seychelles.

7. INVESTMENT IN FINANCIAL ASSET

	2016	2015
	SR	SR
Held-to-maturity financial assets		
Treasury bills	-	4,890,212
Term deposits	-	50,028,253
	-	54,918,465

(i) Investment in treasury bills in 2015 bear interest at the rate of 11%, matured within 3 months of period end and was denominated in Seychelles Rupee.

(ii) Investment in fixed deposit bear interest at the rate of 3.75%, matured within 3 to 6 months of period end and was denominated in Seychelles Rupee.

(iii) The movements on the financial assets during the year were as follows:

	2016			2015
	Treasury Bills	Term deposits	Total	Total
	SR	SR	SR	SR
At January 1,	4,890,212	50,028,253	54,918,465	45,060,640
Additions during the year	-	-	-	25,000,000
Matured during the year	(4,919,481)	(50,942,757)	(55,862,238)	(18,065,300)
Interest accrued	29,269	914,504	943,773	2,923,125
At December 31,	-	-	-	54,918,465

8. PROPERTY AND EQUIPMENT

	Leasehold Improvements	Furniture and fittings	Office equipment	Computer equipment	Motor Vehicles	Total
	SR	SR	SR	SR	SR	SR
COST						
At January 1, 2015	1,419,409	1,159,440	1,685,095	1,944,465	923,876	7,132,285
Additions	-	80,407	91,692	35,480	-	207,579
At January 1, 2016	**1,419,409**	**1,239,847**	**1,776,787**	**1,979,945**	**923,876**	**7,339,864**
Additions	**-**	**156,995**	**55,292**	**117,743**	**-**	**330,030**
At December 31, 2016	**1,419,409**	**1,396,842**	**1,832,079**	**2,097,688**	**923,876**	**7,669,894**
ACCUMULATED DEPRECIATION						
At January 1, 2015	1,419,409	994,437	1,484,399	1,309,279	702,265	5,909,789
Charge for the year	-	84,754	7,890	308,231	100,747	501,622
At January 1, 2016	**1,419,409**	**1,079,191**	**1,492,289**	**1,617,510**	**803,012**	**6,411,411**
Charge for the year	**-**	**115,086**	**120,660**	**242,344**	**120,864**	**598,954**
At December 31, 2016	**1,419,409**	**1,194,277**	**1,612,949**	**1,859,854**	**923,876**	**7,010,365**
NET BOOK VALUE						
At December 31, 2016	**-**	**202,565**	**219,130**	**237,834**	**-**	**659,529**
At December 31, 2015	-	160,656	284,498	362,435	120,864	928,453

9. INTANGIBLE ASSET

	Computer Software	Others	Total
COST	SR	SR	SR
At January 1, 2015	-	450,000	450,000
Additions	1,165,478	-	1,165,478
At December 31, 2015	**1,165,478**	**450,000**	**1,615,478**
Additions	**289,068**	**-**	**289,068**
At December 31, 2016	**1,454,546**	**450,000**	**1,904,546**
AMORTISATION			
At January 1, 2015	-	90,000	90,000
Charge for the year	116,548	90,000	206,548
At December 31, 2015	**116,548**	**180,000**	**296,548**
Charge for the year	**256,341**	**90,000**	**346,341**
At December 31, 2016	**372,889**	**270,000**	**642,889**
NET BOOK VALUE			
At December 31, 2016	**1,081,657**	**180,000**	**1,261,657**
At December 31, 2015	1,048,930	270,000	1,318,930

10. OTHER RECEIVABLES

	2016	2015
	SR	SR
Staff loans	2,008,163	1,703,380
Prepayments	2,681,227	2,681,227
Other receivables	1,629,037	1,639,037
	6,318,427	6,023,644

(i) The carrying amounts of other receivables approximate their fair value.

(ii) Other receivables are denominated in Seychelles rupees.

(iii) The Directors have estimated that no impairment is required with respect to other receivables at December 31, 2016 (2015: Nil)

11. DEFERRED TAX ASSETS

Deferred taxes are calculated on all temporary differences under the liability method at 30% (2015: 30%).

(i) There is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets and liabilities when the deferred tax rates relate to the same fiscal authority on the same entity. The following amounts are shown in the statement of financial position:

	2016	2015
	SR	SR
Net deferred tax assets (note(c))	4,724,037	4,388,458

(ii) The movement on the deferred tax account is as follows:

	2016	2015
	SR	SR
At January 1,		
- As previous stated	-	-
- Adjustment for deferred tax	-	4,340,257
- As restated	4,388,458	4,340,257
Credit to Statement of Profit or Loss (note 12(ii))	335,579	48,201
At December 31,	4,724,037	4,388,458

11. DEFERRED TAX ASSETS (CONT'D)

(iii) The movements in deferred tax assets during the year, without taking into consideration the offsetting of balances within the same fiscal authority on the Company are as follows:

	Excess of Depreciation over Capital allowances	Provision for credit impairment	Retirement benefit obligations	Total
	SR	SR	SR	SR
At January 1, 2015				
- As restated	69,921	4,001,256	269,080	4,340,257
Credit to Statement of Profit or Loss	40,911	-	7,290	48,201
At December 31, 2015	**110,832**	**4,001,256**	**276,370**	**4,388,458**
Credit to Statement of Profit or Loss	**61,146**	**245,876**	**28,557**	**335,579**
At December 31, 2016	**171,978**	**4,247,132**	**304,927**	**4,724,037**

12. TAX (PAYABLE)/RECOVERABLE

(i) Balance sheet

	2016	2015
	SR	SR
At January 1,	**1,263,010**	3,585,356
Charge for the year (see note (ii) below)	**(5,787,730)**	(1,144,880)
Refund received during the year	**-**	(3,393,225)
Payments effected during the year	**1,276,181**	2,215,759
At December 31,	**(3,248,539)**	1,263,010

(ii) Income statement

	2016	2015
	SR	SR
Current tax on adjusted profit for the year at applicable tax rates (see note (iii))	**5,787,730**	1,144,880
Deferred tax credit for the year (note 11(ii))	**(335,579)**	(48,201)
	5,452,151	1,096,679

(iii) Tax on the Company's profit before tax differs from the theoretical amount that would arise using the basic tax rate of the Company as follows:

	2016	2015
	SR	SR
Profit before tax	**20,453,672**	9,938,464
Tax calculated at applicable tax rates (note 12(iv))	**6,445,390**	1,399,122
Income not subject to tax	**(923,595)**	(464,230)
Expenses not deductible for tax purposes	**204,789**	169,077
Excess of depreciation over capital allowance	**61,146**	40,911
	5,787,730	1,144,880

(iv) Applicable tax rates are as follows:

Taxable income threshold	Tax rates - % 2016 & 2015
≤ SR. 1,000,000	**25%**
> SR. 1,000,000	**30%**

13. BORROWINGS

	2016	2015
	SR	SR
- Seychelles Commercial Bank (see note (ii))	**144,285,824**	105,540,044

(i) Analysed as follows:

	2016	2015
	SR	SR
Non-current	**117,201,920**	78,811,064
Current	**27,083,904**	26,728,980
	144,285,824	105,540,044

(ii) Term loan from Seychelles Commercial Bank is in Seychelles Rupee, is secured by a guarantee from the Government of Seychelles, bear interest at 7.25% per annum (2015: 7% per annum) and is repayable in 84 monthly instalment of SR 2.25 M starting from October 31, 2016.

(iii) Please refer to notes 3(a) & (c) for interest rate and liquidity risks.

(iv) Movement in borrowings is as follows:

	2016	2015
	SR	SR
At January 1,	**105,540,044**	138,689,589
Received during the year	**50,770,429**	-
Repaid during the year	**(3,010,900)**	(24,819,876)
Repayment of interest	**(9,013,749)**	(8,329,669)
At December 31,	**144,285,824**	105,540,044

14. DEPOSITS

	2016	2015
	SR	SR
Home Saving Scheme		
At January 1,	**84,005,661**	60,274,520
Received during the year	**32,802,520**	29,970,265
Refund during the year	**(13,902,992)**	(8,588,415)
Accrued interest	**2,847,268**	2,349,291
At December 31,	**105,752,457**	84,005,661

(i) Analysed as follows:

	2016	2015
	SR	SR
Non-current	**105,752,457**	84,005,661

(ii) Deposits approximate their fair values.

(iii) Deposits are denominated in Seychelles Rupee.

15. OTHER PAYABLES

	2016	2015
	SR	SR
Payable to Property management corporation	9,070,168	7,516,095
Project commitments	114,412	756,535
Other payables	2,210,818	1,804,704
	11,395,398	10,077,334

(i) Analysed as follows:

	2016	2015
	SR	SR
Non-current	9,070,168	7,516,095
Current	2,325,230	2,561,239
	11,395,398	10,077,334

(ii) Other payables approximate their fair values.

(iii) Other payables are denominated in Seychelles Rupee.

16. RETIREMENT BENEFIT OBLIGATIONS

Movement in provision for length-of-service compensation is shown below:

	2016	2015
	SR	SR
At January 1,	921,233	896,934
Charge for the year (note 21(i))	682,629	563,591
Paid during the year	(587,440)	(539,292)
At December 31,	1,016,422	921,233

17. SHARE CAPITAL

	2016 & 2015
	SR
Authorised, issued and paid up	
- 20,000 ordinary shares of SR. 1,000 each	20,000,000

18. CONTINGENCY RESERVE

	2016	2015
	SR	SR
At January 1,	27,978,143	23,879,836
Charge for the year	7,021,655	4,098,307
At December 31,	34,999,798	27,978,143

Note:
Contingency reserve is in respect of an extra 4% - 5% on all mortgage loans sanctioned to borrowers whose lives are not insured. The reserve is to be used as recovery against future losses in the event of the sudden death of the borrowers.

19. NET INTEREST INCOME

	2016	2015
	SR	SR
- Loans and advances	41,632,886	36,355,456
- Deposits	943,773	2,923,125
	42,576,659	39,278,581
Interest expense		
- Bank loans	(9,013,749)	(8,329,669)
- Home Saving Scheme	(2,847,268)	(2,349,291)
	(11,861,017)	(10,678,960)
Net interest income	30,715,642	28,599,621

20. OTHER INCOME

Other income represent the repayment of the debt assumed by the Seychelles Government on behalf of Island Development Company (IDC) with a principal amount of SR 7,696,625. Repayments were expected to be in 10 equal semi-annual installments over a period of 5 years starting from 2014. During the year under review, the full outstanding amounts for the years 2017 and 2018 were repaid and recognised as Other Income in the Statement of Profit or Loss.

21. OPERATING EXPENSES

	2016	2015
	SR	SR
Administrative expenses	3,217,885	3,197,706
Auditors' remuneration	230,000	230,000
Depreciation on property and equipment (note 8)	598,954	501,622
Amortisation of intangible assets (note 9)	346,341	206,548
Maintenance costs	252,377	189,089
Rental expense	2,649,834	1,965,139
Employee benefit expenses (see note (i))	9,263,352	7,827,920
	16,558,743	14,118,024

(i) Employee benefit expenses

	2016	2015
	SR	SR
Salaries and wages	7,395,374	6,281,955
Directors' emoluments (see note (ii) below)	663,440	661,176
Pension contribution	137,731	118,486
Provision for length-of-service compensation (note 16)	682,629	563,591
Other staff costs	384,178	202,712
	9,263,352	7,827,920

(ii) Directors' emoluments

	2016	2015
	SR	SR
Directors' fees		
Ronny Palmyre	4,000	24,000
Daniel Frichot	34,816	24,000
Ronald Cafrine	-	21,000
Yves Choppy	34,816	24,000
Elizabeth Agathine	34,816	24,000
Michel Marie	34,816	24,000
	143,264	141,000
Other emoluments		
Ronny Palmyre	520,176	520,176
Total Directors' emoluments	663,440	661,176

22. HOUSING SUBSIDY SCHEME

Housing Subsidy Scheme is an iniative undertaken by the Company based on Government of Seychelles recommendation, wherein subsidy is provided to borrowers eligible for social housing. Funds received from the Government are allocated to borrowers based on the criteria for eligibility.

(i) The movements in Housing Subsidy Scheme during the year is as follows:

	2016	2015
	SR	SR
At January 1,	**32,465,441**	14,685,640
Contributions & subsidy received during the year	**31,676,772**	30,821,055
Disbursed during the year	**(18,917,207)**	(13,041,254)
At December 31,	**45,225,006**	32,465,441

23. CONTINGENT LIABILITIES

There were no contingent liabilities at December 31, 2016 (2015: Nil).

24. TAX ASSESSMENT

During the year under review, the Tax Regulatory Authority, the Seychelles Revenue Commission (SRC) carried out the audit of the Company for the years 2009 to 2013 and assessed business tax payable together with interest and penalty of SR 16.2 million. The Directors of the Company intend to take up the issue with the Ministry of Finance and no provision for the same has been made in these financial statements since they are confident that the assessed amount will be successfully waived in full.

25. FIVE YEAR FINANCIAL SUMMARY

	2016	Restated 2015	Restated 2014	2013*	2012*
	SR'000	SR'000	SR'000	SR'000	SR'000
Profit before tax - As previously reported	**20,454**	9,938	10,125	7,454	13,122
Tax charge - As re-stated	**(5,453)**	(1,144)	(1,892)	(518)	(1,306)
Effect of transition to IFRS	**-**	(8,184)	-	-	-
Profit for the year - As re-stated	**15,001**	610	8,233	6,936	11,816
Retained earnings brought forward-As	**21,500**	20,890	8,317	9,255	(2,561)
Effect of transition to IFRS	**-**	-	4,340	-	-
Retained earnings brought forward-As	**36,501**	21,500	20,890	16,191	9,255
Transfer to Property Mangement Corporation	**-**	-	-	(7,874)	-
Retained earnings carried forward	**36,501**	21,500	20,890	8,317	9,255
EQUITY					
Share capital	**20,000**	20,000	20,000	20,000	20,000
Capital reserve	**269,727**	256,967	239,187	224,502	854,898
Retained earnings	**36,501**	21,500	20,890	8,317	9,255
Contingency reserve	**35,000**	27,978	23,880	21,426	20,984
	361,228	326,445	303,957	274,245	905,137

* For reasons of practicability, the figures of 2013 & 2012 have not been restated to comply with conversion from Seychelles GAAP to IFRS

26. RECONCILIATION OF TRANSITION FROM SEYCHELLES GAAP TO IFRS

(i) Reconciliation of retained earnings

	Notes	2015
		SR
Retained earnings as reported under Seychelles GAAP		16,550,895
Adjustments under IFRS		
- Credit impairment on loans and advances	6(iv)	(8,233,122)
- Deferred taxes	11(ii)	4,340,257
		(3,892,865)
Retained earnings as reported under IFRS		12,658,030

(ii) Reconciliation of total comprehensive income

		2015
		SR
Total comprehensive income as reported under Seychelles GAAP		16,923,838
Adjustments under IFRS		
- Credit impairment on loans and advances	6(iv)	(8,130,254)
- Deferred taxes	11(ii) & 12(ii)	48,201
		(8,082,053)
Total comprehensive income as reported under IFRS		8,841,785

(iii) Analysis of adjustments arising on transition from Seychelles GAAP to IFRS

(i) *Deferred tax*

		2015
		SR
Balance as reported under Seychelles GAAP		-
Adjustments under IFRS		
- Reclassification to retained earnings	11(ii)	4,340,257
-Reclassified to total comprehensive income	11(ii) & 12(ii)	48,201
		4,388,458
Balance as reported under IFRS	11(i)	4,388,458