

**PROPERTY MANAGEMENT CORPORATION**

**FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2014**

**PROPERTY MANAGEMENT CORPORATION**

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**PROPERTY MANAGEMENT CORPORATION**

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**CORPORATE INFORMATION**

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**DIRECTORS**

: Yves Choppy  
Timothe Sinon  
Ronny Palmyre  
Marie-Celine Vidot  
Wallace Cosgrow  
Linda William-Melanie  
Elizabeth Charles

**SECRETARY**

: Imelda Anette Aglae

**REGISTERED OFFICE**

: Victoria, Mahé,  
Seychelles

**PRINCIPAL PLACE OF  
BUSINESS**

: Victoria, Mahé,  
Seychelles

**AUDITORS**

: BDO Associates  
Chartered Accountants  
Seychelles

**MAIN BANKERS**

: Habib Bank Limited  
Bank of Baroda  
The Mauritius Commercial Bank (Seychelles) Limited  
Seychelles Commercial Bank Limited  
Barclays Bank (Seychelles) Ltd

## DIRECTORS' REPORT

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The Directors have pleasure in submitting their report together with the audited financial statements of the Corporation for the year ended December 31, 2014.

## PRINCIPAL ACTIVITIES

The Corporation was created under the Property Management Corporation (PMC) Act, 2004 and is engaged in the sale, lease or rental of flats and houses. The operations and activities of PMC was previously integrated within those of HFC but the two entities were separated effective September 1, 2013.

## RESULTS

Profit for the year	SR 778,317
Retained earnings brought forward	3,416,458
<b>Retained earnings carried forward</b>	<u><u>4,194,775</u></u>

## EQUIPMENT AND INVESTMENT PROPERTIES

Additions to equipment of SR 0.7m during the year comprised land, furniture & equipment and Vehicle. Additions to investment properties was SR 12m and disposals amounted to SR 2.6m during the year under review.

The Directors are of the opinion that fair values of equipment of the Corporation at December 31, 2014 do not differ materially from their carrying amounts at the end of the reporting year.

## DIRECTORS AND DIRECTORS' INTEREST

The Directors of the Corporation from the date of the split to the date of this report are:

Yves Choppy  
Timothe Sinon  
Ronny Palmyre  
Marie-Celine Vidot  
Wallace Cosgrow  
Linda William-Melanie  
Elizabeth Charles

None of the Directors holds any interest directly or indirectly in the Corporation.



DIRECTORS' REPORT (CONT'D)

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**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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

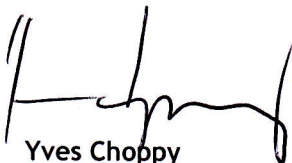
The Board is responsible for the preparation and fair presentation of these financial statements in accordance with Generally Accepted Accounting Standards in Seychelles and in compliance with the Property Management Corporation Act, 2004. This responsibility includes: designing, implementing and maintaining 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 Corporation and those that are held in trust and used by the Corporation.

The Directors consider they have met their aforesaid responsibilities.

**AUDITORS**

The Auditor General of Seychelles has been mandated to audit the financial statements of the Corporation pursuant to Section 21 of Part IV- Financial Provisions of the Property Management Corporation Act, 2004.


**BOARD APPROVAL**



Yves Choppy  
Director



Timothe Sinon  
Director



Marie-Celine Vidot  
Director



Ronny Palmyre  
Director



Wallace Cosgrow  
Director



Elizabeth Charles  
Director



Linda William-Melanie  
Director

Dated: April 18, 2015  
Victoria, Seychelles

## PROPERTY MANAGEMENT CORPORATION

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### INDEPENDENT AUDITORS' REPORT TO THE AUDITOR GENERAL

This report is made solely to the Auditor General of Seychelles, in terms of our engagement to conduct the audit of the financial statements of Property Management Corporation on his behalf. Our audit work has been undertaken so that we might state to the Auditor General 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, for our audit work, for this report, or for the opinions we have formed.

#### Report on the Financial Statements

We have audited the financial statements of Property Management Corporation set out on pages 4 to 18 which comprise the Balance Sheet at December 31, 2014, the Income Statement, the Statement of changes in Equity and the Cash Flow Statement for the period then ended and a summary of significant accounting policies and other explanatory notes.

#### Board's Responsibility for the Financial Statements

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

#### Auditors' Responsibility

Our responsibility is to express an opinion on those financial statements based on our audit. We conducted our audit in accordance with Generally Accepted Auditing Standards in Seychelles. 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 Board of Directors as well as evaluating the overall presentation of the financial statements.

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





PROPERTY MANAGEMENT CORPORATION

3(a)

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

Basis of qualified opinion

*Provision for credit impairment*

The Corporation's accounting system cannot provide an ageing of rent receivable from tenants. In the absence of an aged analysis of rental due or other documents giving such details, we were unable to perform adequate audit procedures in respect of those receivables and could not ascertain the adequacy of provision for credit impairment.

Opinion

In our opinion, except for the financial impact of any of the matter described above, the financial statements on pages 4 to 18 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 period then ended in accordance with Generally Accepted Accounting Standards in Seychelles and comply with the provisions of the Property Management Corporation Act, 2004.

Report on Other Legal Regulatory Requirements

*Property Management Corporation Act, 2004*

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.

*Public Enterprise Monitoring Commission Act, 2013*

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

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

*BDO Associates*  
BDO ASSOCIATES  
Chartered Accountants

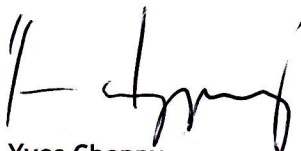
Dated: 18<sup>th</sup> April, 2015  
Mahé, Seychelles

PROPERTY MANAGEMENT CORPORATION

BALANCE SHEET AS AT DECEMBER 31, 2014


	Notes	2014 SR	2013 SR
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment	5	1,284,368	1,027,361
Investment properties	6	187,561,780	186,636,774
Finance lease receivables	7	539,350,045	495,351,215
		<u>728,196,193</u>	<u>683,015,350</u>
<b>Current assets</b>			
Trade and other receivables	8	13,981,687	12,410,126
Cash and bank balances		17,655,757	6,721,695
		<u>31,637,444</u>	<u>19,131,821</u>
<b>TOTAL ASSETS</b>		<u><u>759,833,637</u></u>	<u><u>702,147,171</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Capital reserve	9	754,488,568	695,759,650
Retained earnings		4,194,775	3,416,458
		<u>758,683,343</u>	<u>699,176,108</u>
<b>LIABILITIES</b>			
<b>Non-current liability</b>			
Retirement benefit obligations	10	543,441	113,429
<b>Current liability</b>			
Trade and other payables	11	606,853	2,857,634
<b>Total liabilities</b>		<u>1,150,294</u>	<u>2,971,063</u>
<b>Total equity and liabilities</b>		<u><u>759,833,637</u></u>	<u><u>702,147,171</u></u>


These financial statements have been approved for issue by the Board of Directors on **April 18, 2015**


  
Yves Choppy  
Director

  
Timothee Sinon  
Director

  
Ronny Palmyre  
Director

  
Marie-Celine Vidot  
Director

  
Wallace Cosgrow  
Director

  
Elizabeth Charles  
Director

  
Linda William-Melanie  
Director

The notes on pages 8 to 18 form an integral part of these financial statements  
Auditors' Report on pages 3 and 3(a)



## INCOME STATEMENT - YEAR ENDED DECEMBER 31, 2014

	<u>Notes</u>	<u>Year 2014 SR</u>	<u>Period 2013 SR</u>
Revenue	12	47,235,566	15,365,024
Operating expenses	13(a)	<u>(41,154,756)</u>	<u>(14,646,751)</u>
Gross profit		6,080,810	718,273
Administrative expenses	13(a)	(7,187,343)	(6,583,298)
Other income	14	1,884,850	3,170,960
 		<hr/>	<hr/>
Profit/(loss) for the year/period	16	<u><u>778,317</u></u>	<u><u>(2,694,065)</u></u>

The notes on pages 8 to 18 form an integral part of these financial statements  
Auditors' Report on pages 3 and 3(a)

## STATEMENT OF CHANGES IN EQUITY - YEAR ENDED DECEMBER 31, 2014

	Notes	Capital reserve SR	Retained earnings SR	Total SR
At January 1, 2014		695,759,650	3,416,458	699,176,108
Profit for the year		-	778,317	778,317
Movements during the year		58,728,918	-	58,728,918
At December 31, 2014		<u>754,488,568</u>	<u>4,194,775</u>	<u>758,683,343</u>
Equity transferred from HFC at September 1, 2013	17	637,441,040	7,874,180	645,315,220
Post transfer adjustments	18	58,318,610	(1,763,657)	56,554,953
Loss for the period		-	(2,694,065)	(2,694,065)
At December 31, 2013		<u>695,759,650</u>	<u>3,416,458</u>	<u>699,176,108</u>

The notes on pages 8 to 18 form an integral part of these financial statements  
Auditors' Report on pages 3 and 3(a)



## CASH FLOW STATEMENT - YEAR ENDED DECEMBER 31, 2014

	Notes	Year 2014 SR	Period 2013 SR
Cash generated from operations			
Profit/(loss) for the year/period		778,317	(2,694,065)
<i>Adjustments for:</i>			
Depreciation of property and equipment	5	465,638	143,083
Amortisation of investment properties	6	9,333,956	8,664,614
Interest charge on finance lease	7	(13,892,568)	-
Movement in provision for credit impairment		(1,992,082)	1,375,331
Movement in capital reserve	9	58,728,918	-
Movement in retirement benefit obligations	10	430,012	113,429
Post transfer adjustments	17	-	56,554,953
		<u>53,852,191</u>	<u>64,157,345</u>
<i>Changes in working capital items:</i>			
Trade and other receivables		960,411	(1,382,664)
Trade and other payables		(2,250,781)	2,857,634
<b>Net cash generated from operating activities</b>		<u>52,561,821</u>	<u>65,632,315</u>
<b>Cash flows from investing activities</b>			
Additions to property and equipment	5	(722,645)	(301,132)
Additions to investment properties	6	(12,816,962)	(26,155,385)
Disposal proceeds of investment properties		2,558,000	-
<b>Net cash used in investing activities</b>		<u>(10,981,607)</u>	<u>(26,456,517)</u>
<b>Cash flows from financing activities</b>			
Additions to finance lease	7	(61,238,348)	(41,916,248)
Net repayment of finance leases	7	30,592,196	8,823,312
<b>Net cash used in financing activities</b>		<u>(30,646,152)</u>	<u>(33,092,936)</u>
<b>Net increase in cash and cash equivalents</b>		<u>10,934,062</u>	<u>6,082,862</u>
<b>Movements in cash and cash equivalents:</b>			
At January 1/ September 1	17	6,721,695	638,833
Increase		10,934,062	6,082,862
<b>At December 31,</b>		<u>17,655,757</u>	<u>6,721,695</u>

The notes on pages 8 to 18 form an integral part of these financial statements  
Auditors' Report on pages 3 and 3(a)

**1. GENERAL INFORMATION**

Property Management Corporation is a corporate body incorporated under the Property Management Corporation Act, 2004 with perpetual succession and a common seal and is domiciled in Seychelles. Its objectives are to ensure the equitable provision of living accommodation to the people of Seychelles by sale, lease or rental of flats and houses in accordance with the policy of the Government; to manage and maintain buildings and other property on behalf of the Government; and to ensure the provision of utility services for the rental of flats and houses.

The Corporation is wholly owned by the Government of Seychelles and the principal place of business is located at Oceangate House, Victoria, Seychelles.

**2. PRINCIPAL ACCOUNTING POLICIES**

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

**(a) Basis of preparation**

The financial statements of Property Management Corporation comply with the Property Management Corporation Act, 2004 and have been prepared in accordance with Generally Accepted Accounting Standards in Seychelles. Where necessary, comparative figures have been amended to conform with change in presentation in the current period. The financial statements are prepared under the historical cost convention, except that:

- (i) Finance Lease receivables from lessees under the House Purchase Scheme are stated at their fair values and comprise costs of houses including discounts and capitalised interest.
- (ii) Investment properties are stated at their costs/deemed costs.

**(b) Property and equipment at costs/deemed costs**

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 Corporation and the cost of the item can be measured reliably.

Properties in the course of construction for leasing and sale 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.



**2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)****(b) Property and equipment (Cont'd)**

Depreciation is calculated on the straight line method to write off the cost or revalued of the assets, to their residual values over their estimated useful life as follows:

Furniture, equipment and vehicles	3 - 5 years
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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 Income Statement.

**(c) Investment properties**

Investment properties comprising flats and houses rented out are amortised over 25 years. These are stated at their costs/deemed costs.

Costs associated with developing or maintaining investment properties are recognised as an expense in the income statement.

**(d) Financial instruments**

Financial assets and liabilities are recognised on the Corporation's balance sheet 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.

**(i) Trade and other receivables**

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Corporation will not be able to collect all amounts due according to the original terms of receivables.

The amount of 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 income statement.

The carrying amount of trade and other receivables approximate their fair value.

NOTES TO THE FINANCIAL STATEMENT - YEAR ENDED DECEMBER 31, 2014

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**2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)****(d) Financial instruments (Cont'd)****(ii) Cash and cash equivalents**

Cash and cash equivalents include cash in hand, cash at banks and bank overdrafts. Bank overdrafts are shown within borrowings under current liabilities on the balance sheet.

**(iii) Trade and other payables**

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

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

**(e) Finance lease receivables**

Receivable for finance leases from lessees under the House Purchase Scheme are stated at the values agreed with the lessees for cost of the house including capitalised interest, if any. This is a House Purchase Scheme offered to the lessees. Risks and rewards are vested and the ownership passed to the lessees upon repayment of full amount due to the Corporation.

Payments made by the lessees under finance leases are treated as repayment over the period of the lease and are recognised in the Income Statement.

Interest on the House Purchase Scheme varies according to the social housing scheme of the Government which determines the instalment based on the income and repaying capacity of the lessees.

Instalments received are recognised on a cash basis.

**(f) Capital reserve**

The stated capital originates from the contra credit entries to net assets transferred from HFC transferred to the Corporation at nil consideration in 2013. 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. Releases from capital reserve to the income statement are in respect of the followings:

- (i) Investment properties - based on corresponding amortisation charge; and
- (ii) Finance lease receivables - based on repayment amounts by lessees.

**(h) Retirement benefit obligations**

The Company provides for a payment of gratuity to permanent employees. Gratuities are paid every five years (except in the case of early retirement) as from January 2007, for continuous service. The amount provisioned every year is based on the number of years the employee has worked after the last payment date. 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.



NOTES TO THE FINANCIAL STATEMENT - YEAR ENDED DECEMBER 31, 2014

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**2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)****(i) Impairment of assets**

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

**(j) Revenue recognition**

Revenue comprises proceeds from rental of flats, sale of property and other related income. Rental of flats is accounted on accrual basis whereas sale of property and other related income are accounted on a cash basis.

**(k) Provisions**

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

**(l) Tax**

No provision for tax is required as the corporation is exempted from the provisions of the Business Tax Act, 2009.

**3. FINANCIAL RISK MANAGEMENT****3.1 Financial risk factors**

The Corporation's activities expose it to a variety of financial risks: (including fair value interest risk), credit risk and liquidity risk. The Corporation's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effect of its financial performance.

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

**(a) Credit risk**

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



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

#### 3.1 Financial risk factors (cont'd)

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

The Corporation does not carry significant interest-bearing asset and its income and operating cash flows are not dependent on the changes in market interest rates. In addition, since the Corporation received its finance lease assets and investment properties at nil consideration and no major projects are on-going, the risk is minimal. The Corporation does not have any interest bearing risks with respect to borrowings.

##### (c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and availability of funding through an adequate amount of inflows from borrowers. Management monitors rolling forecasts of the Corporation's liquidity reserve on the basis of expected cash flow.

#### 3.2 Fair value estimation

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to 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 Corporation for similar financial instruments.

### 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 Corporation 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 are discussed below.

##### (a) *Impairment of other assets*

At the end of each reporting period, management reviews and assesses the carrying amounts of other assets and where relevant writes them down to their recoverable amounts based on their best estimates and experience.

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

Critical accounting estimates and assumptions (cont'd)

(b) *Valuation of investment properties*

The Corporation is carrying forward in its books investment properties which was counted and valued. These values have been recognised as being deemed costs of the investment properties.

(c) *Carrying amounts of finance leases*

No separate valuation nor any impairment exercises were carried with respect to finance leases taken over from HFC. The Directors have estimated that the carrying amount of the finance leases approximate their fair values.

## NOTES TO THE FINANCIAL STATEMENT - YEAR ENDED DECEMBER 31, 2014

## 5. PROPERTY AND EQUIPMENT

	Land	Furniture & Equipment	Vehicles	Total
	SR	SR	SR	SR
<b>COST</b>				
At September 1, 2013	-	1,308,549	398,188	1,706,737
Additions	-	301,132	-	301,132
At January 1, 2014	-	1,609,681	398,188	2,007,869
Additions	60,000	394,645	268,000	722,645
At December 31, 2014	60,000	2,004,326	666,188	2,730,514
<b>DEPRECIATION</b>				
At September 1, 2013	-	549,874	287,551	837,425
Charge for the period	-	98,845	44,238	143,083
At January 1, 2014	-	648,719	331,789	980,508
Charge for the year	-	369,464	96,174	465,638
At December 31, 2014	-	1,018,183	427,963	1,446,146
<b>NET BOOK VALUES</b>				
At December 31, 2014	60,000	986,143	238,225	1,284,368
At December 31, 2013	-	960,962	66,399	1,027,361

## 6. INVESTMENT PROPERTIES

	2014	2013
	SR	SR
<b>COSTS / DEEMED COSTS</b>		
At January 1 / September 1	230,511,724	204,356,339
Additions during the year/period	12,816,962	26,155,385
Disposals during the year	(1,995,733)	-
At December 31,	241,332,953	230,511,724
<b>AMORTISATION</b>		
At January 1 / September 1	43,874,950	35,210,336
Disposal adjustment	562,267	-
Charge for the year/period	9,333,956	8,664,614
At December 31,	53,771,173	43,874,950
<b>NET BOOK VALUE</b>		
At December 31,	187,561,780	186,636,774

(a) Amortisation charge has been fully recognised under operating expenses.



## NOTES TO THE FINANCIAL STATEMENT - YEAR ENDED DECEMBER 31, 2014

## 7. FINANCE LEASE RECEIVABLES

	2014	2013
	SR	SR
At January 1,	495,351,215	-
Transfer from HFC at September 1, 2013	-	462,258,279
Leases granted during the year/period	61,238,348	41,916,248
Repayments received during the year/period	(30,592,196)	(8,823,312)
Interest charged	13,892,568	-
Provision for credit impairment	(539,890)	-
<b>At December 31,</b>	<b>539,350,045</b>	<b>495,351,215</b>

(a) The carrying amounts of finance lease receivables approximate their fair value.

## 8. TRADE AND OTHER RECEIVABLES

	2014	2013
	SR	SR
Rent receivable	6,636,746	12,874,282
Advances to staff	876,452	-
Deposit receivable	76,647	180,979
Expenses rechargeable	2,608,856	1,705,847
Provision for credit impairment (see note (a))	(2,773,562)	(5,305,534)
	7,425,139	9,455,574
Other debtors and prepayments	6,556,548	2,954,552
	<b>13,981,687</b>	<b>12,410,126</b>

(a) Movement in provision for credit impairment

	2014	2013
	SR	SR
At January 1 / September 1	5,305,534	3,930,203
(Reversed)/charge for the year (note 12)	(2,531,972)	1,375,331
<b>At December 31,</b>	<b>2,773,562</b>	<b>5,305,534</b>

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

## 9. CAPITAL RESERVE

	2014	2013
	SR	SR
At January 1	695,759,650	-
Balance taken over from HFC (note 17)	-	637,441,040
Post transfer adjustment (note 18)	-	58,318,610
Finance lease adjustments	(9,458,480)	-
Property transferred from Ministry of Land Use & Habitat	68,187,398	-
<b>At December 31,</b>	<b>754,488,568</b>	<b>695,759,650</b>

## NOTES TO THE FINANCIAL STATEMENT - YEAR ENDED DECEMBER 31, 2014

10. RETIREMENT BENEFIT OBLIGATIONS	2014	2013
	SR	SR
At January 1,	113,429	-
Paid during the year	(63,364)	-
Charge for the year (note 15)	493,376	113,429
<b>At December 31,</b>	<b>543,441</b>	<b>113,429</b>

- (a) The Corporation provides for gratuity in line with the requirements for parastatal organisations which is calculated as follows:
- Staff below management level, compensation equals 5% - 10% of total salaries for two years.
  - Staff above management level, compensation equals 10% - 15% of total salaries for two years.

11. TRADE AND OTHER PAYABLES	2014	2013
	SR	SR
Trade payables	63,902	124,214
Payable to Ministry of Land Use and Habitat	-	2,000,000
Other creditors and accrued expenses	542,951	733,420
	<b>606,853</b>	<b>2,857,634</b>

- (a) Trade and other payables approximate their amortised cost.

12. REVENUE	Year	Period
	2014	2013
	SR	SR
Rental income	45,264,738	14,074,332
Interest income	1,970,828	1,290,692
	<b>47,235,566</b>	<b>15,365,024</b>

13. EXPENSES BY NATURE	Year	Period
	2014	2013
	SR	SR
Employee benefit expense (note 16)	5,672,692	1,171,914
Depreciation and amortisation charges	9,799,590	8,807,697
Repairs and maintenance expense	27,532,945	7,438,523
Insurance expense	1,525,617	521,024
Legal and professional fees	326,214	294,084
Provision for credit impairment	(1,992,082)	1,375,331
Rental expense	2,296,604	700,421
Other expenses	3,180,519	921,055
<b>Total operating and administrative expenses</b>	<b>48,342,099</b>	<b>21,230,049</b>

(a) <i>Analysed as:</i>	Year	Period
	2014	2013
	SR	SR
Operating expenses	41,154,756	14,646,751
Administrative expenses	7,187,343	6,583,298
	<b>48,342,099</b>	<b>21,230,049</b>

## NOTES TO THE FINANCIAL STATEMENT - YEAR ENDED DECEMBER 31, 2014

14. OTHER INCOME	Year	Period
	2014	2013
	SR	SR
Insurance claims received	1,393,794	-
Other income	491,056	56,155
Funds received from HFC	-	3,114,805
	<u>1,884,850</u>	<u>3,170,960</u>

15. EMPLOYEE BENEFIT EXPENSE	Year	Period
	2014	2013
	SR	SR
Salaries and wages	4,181,248	783,447
Directors remuneration (note (a))	595,778	158,581
Pension contributions	85,476	26,528
Gratuity provision (note 10)	493,376	113,429
Other staff costs	316,814	89,929
	<u>5,672,692</u>	<u>1,171,914</u>

(a) *Directors' remuneration*

	Year	Period
	2014	2013
	SR	SR
<b>Directors' fees:</b>		
Yves Choppy	36,000	14,118
Timothe Sinon	24,000	9,412
Ronny Palmyre	24,000	9,412
Marie-Celine Vidot	24,000	9,412
Wallace Cosgrow	24,000	9,412
Linda William-Melanie	24,000	9,412
Elizabeth Charles	24,000	9,412
	<u>180,000</u>	<u>70,590</u>
<b>Other emoluments:</b>		
Timothe Sinon	415,778	87,991
	<u>415,778</u>	<u>87,991</u>
<b>Total emoluments</b>	<u>595,778</u>	<u>158,581</u>



## NOTES TO THE FINANCIAL STATEMENT - YEAR ENDED DECEMBER 31, 2014

## 16. PROFIT/(LOSS) FOR THE YEAR/PERIOD

	Year 2014	Period 2013
	SR	SR
This is arrived at after:		
<i>Crediting:</i>		
Rental income (note 12)	45,264,738	14,074,332
Interest income (note 12)	1,970,828	1,290,692
<i>and (charging):</i>		
Depreciation on property and equipment (note 5)	465,638	143,083
Amortisation of investment properties (note 6)	9,333,956	8,664,614
Rental expense (note 13)	2,296,604	700,421

## 17. ASSETS AND EQUITY TRANSFERRED FROM HFC

	2013
	SR
<b>ASSETS</b>	
Property and equipment	869,312
Investment properties	169,146,003
Finance lease receivables	462,258,279
Trade and other receivables	12,402,793
Cash and bank balances	638,833
	<u>645,315,220</u>
<b>REPRESENTED BY:</b>	
Capital reserve	637,441,040
Retained earnings	7,874,180
	<u>645,315,220</u>

## 18. POST TRANSFER ADJUSTMENTS

	2013
	SR
Cash and bank balances	63,363
Finance lease receivables	(23,257,599)
Interest income	2,831,554
Trade and other receivables	79,660,636
Trade and other payables	(979,344)
	<u>58,318,610</u>
Retained earnings	(1,763,657)
	<u>56,554,953</u>

## 19. CAPITAL COMMITMENTS

There were no capital commitments as at December 31, 2014 (2013:Nil)

## 20. CONTINGENT LIABILITIES

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

## 21. COMPARATIVES

Comparatives for 2013 are in respect of four months period effective September 1, to December 31, 2013.