

SEYCHELLES PORTS AUTHORITY

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

SEYCHELLES PORTS AUTHORITY

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REPORT OF THE BOARD

The Board has pleasure in submitting its Annual Report together with the audited financial statements of the Authority for the year ended December 31, 2017.

AUTHORITY

The Seychelles Ports Authority was established as a Statutory Body under the Seychelles Ports Authority Act 2004, which came into force effective October 2004. The Authority was vested with the assets and liabilities of the former Port and Marine Services Division worth SR 31 million at nil consideration.

PRINCIPAL ACTIVITIES

The principal activities of the Authority are to regulate, control and administer all matters relating to the safety and security of the Port and its facilities. The Authority is required to promote the development of Port infrastructure, maintain installations, to encourage the use of reliable and sufficient equipment in the provision of Port services. The Authority is also required to participate in matters pertaining to search and rescue and collect all harbour dues, rental fees and other moneys payable to the Authority under the Act and any other law as fully described under Section 6 of the Act and the applicable Regulations.

RESULTS

The profit for the year amounted to SR 62.1m (2016: 99.1m)

DIVIDENDS

There was no dividend during the year under review (2016: SR 25 million).

PROPERTY AND EQUIPMENT

Additions of SR 17.95 million to property and equipment during the year comprised mainly work in progress, building improvements, machinery equipment, office equipment, motor vehicles, furniture and fittings and other assets. (2016: SR 4.88 million)

The Board is of the opinion that the carrying amounts of the property and equipment at December 31, 2017 approximate their fair value.

COMPOSITION OF THE BOARD

None of the Board members held any interest in the Authority. The members of the Board since the date of the last Annual Report and to date are:

- Andre Ciseaux
- Paul Hodoul - Chairman
- Doreen Bradburn
- Leslie Benoiton
- Alexandre Antonakas (Appointed effective October 15, 2017)



STATEMENT OF BOARD'S RESPONSIBILITIES

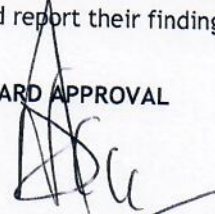
The Board of the Authority is responsible for the overall management of the affairs of the Authority including the operation of the Authority and making investment decisions. The Chief Executive Officer of the Authority is as defined under Section 7 of the Seychelles Ports Authority Act, 2004 responsible for implementation of the decisions of the Board and for the management of the day to day business of the Authority and subject to the directions of the Board, delegate any function of the Chief Executive Officer to any employee of the Authority.

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 Seychelles Ports Authority 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 Board has the general responsibility of safeguarding the assets, both owned by the Authority and those that are held in trust and used by the Authority and Public Enterprise Monitoring Commission (PEMC) ACT of 2013.

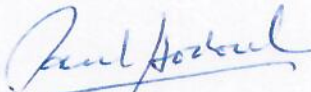
The Board considers it has met the aforesaid responsibilities.

AUDITOR

The Auditor General of Seychelles is mandated to carry out the audit of the Authority as per Article 158 of the Constitution as specified under Section 16 (3) of the Seychelles Ports Authority Act, 2004. The Auditor General has contracted BDO Associates Chartered Accountants to perform the audit function for the year and report their findings to the Auditor General.

BOARD APPROVAL

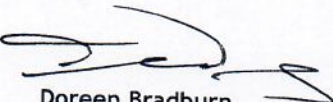
Andre Ciseaux - C E O
Director



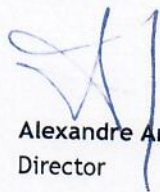
Paul Hodoul - Chairman
Director



Leslie Benoiton
Director



Doreen Bradburn
Director



Alexandre Antonakas
Director

Dated: 16 AUG 2018
Victoria, Seychelles



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3rd Floor, Block C, Unity House

Victoria, Republic of Seychelles

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Website: www.oag.sc Facebook: OAG Seychelles

Please address all correspondence to the Auditor General

REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS SEYCHELLES PORTS AUTHORITY

Pursuant to the powers conferred on me by Section 16 (3) of the Seychelles Ports Authority Act 2004, I have caused BDO Associates (Chartered Accountants) to audit on my behalf the financial statements of the Seychelles Ports Authority for the year ended 31 December 2017, as set out on pages 3 to 21.

Responsibility of the Board of Directors

The Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with generally accepted accounting practice in Seychelles and in compliance with the requirements of the Seychelles Ports Authority Act and the Public Enterprise Monitoring Commission Act and for such internal control as the Board of Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the Auditor General

My responsibility is to express an opinion on these financial statements based on the audit. The audit was conducted in accordance with INTOSAI auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority'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 Authority'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.

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

Audit Opinion

In my opinion, the financial statements set out on pages 3 to 21 give a true and fair view of the financial position of the Authority as at 31 December 2017 and of its financial performance and its cash flows for the year then ended in accordance with generally accepted accounting practice in Seychelles and comply with the provisions of the Seychelles Ports Authority Act, 2004.

Regulatory matters

The Authority was not yet in a position to convert its financial reporting framework from Seychelles GAAP to IFRS despite the requirement in Section 3 of Schedule 4 of PEMC Act 2013 and Circular 1 of 2016.

Gamini Herath
Auditor General

30 September 2018
Victoria, Seychelles



SEYCHELLES PORTS AUTHORITY

2(a)

INDEPENDENT AUDITORS' REPORT TO THE AUDITOR GENERAL

This report is made solely to the Auditor General in terms of our engagement to conduct the audit on his behalf. Our audit work has been undertaken so that we might state to the Auditor General 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 attached financial statements of Seychelles Ports Authority set out on pages 3 to 21 which comprise the Balance Sheet at December 31, 2017, the Income Statement, the Statement of Changes in Equity and the Cash Flow Statement for the year then ended and a summary of significant accounting policies and explanatory notes.

Board's Responsibility for the Financial Statements

As stated on page 1(a) of the Board's Report, the Board is responsible for preparation of the financial statements.

Auditors' Responsibility

Our responsibility is to express an opinion based on our audit. We conducted our audit in accordance with International Organisation of the Supreme Audit Institutions (INTOSAI) auditing standards. 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 Authority'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 Authority's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board as well as evaluating the overall presentation of the financial statements.

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



SEYCHELLES PORTS AUTHORITY

2(b)

INDEPENDENT AUDITORS' REPORT TO THE AUDITOR GENERAL (CONT'D)

Opinion

In our opinion, the financial statements on pages 3 to 21 give a true and fair view of the financial position of the Authority at December 31, 2017 and of its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Standards and provisions of the Seychelles Ports Authority Act, 2004.

Report on Other Legal and Regulatory Requirements

The Authority is not yet in a position to convert its reporting from Seychelles GAAP to International Financial Reporting Standards. Per Circular 1 of 2016, a reminder of the reporting requirements as per Public Enterprise Monitoring Commission (PEMC) ACT of 2013, Section 3 of Schedule 4, the Authority was supposed to adopt International Financial Reporting Standard (IFRS) effective 2016.

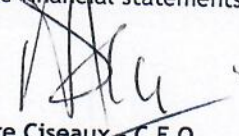
Management has written to PEMC seeking extension and approval is still outstanding.

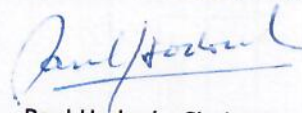
BDO Associates
BDO ASSOCIATES
Chartered Accountants


Dated: 16 AUG 2018
Victoria, Seychelles

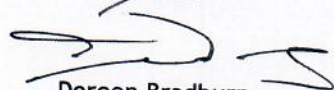
| | Notes | 2017 SR'000 | 2016 SR'000 |
|-------------------------------------|-------|-----------------------|-----------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property and equipment | 5(a) | 171,937 | 171,512 |
| Intangible asset | 6 | 134 | 167 |
| Investment in associate | 7 | 19,296 | 19,296 |
| | | <u>191,367</u> | <u>190,975</u> |
| Current assets | | | |
| Inventories | | 3,589 | 2,934 |
| Trade and other receivables | 8 | 60,367 | 66,632 |
| Cash and cash equivalents | 9 | 250,240 | 154,659 |
| | | <u>314,196</u> | <u>224,225</u> |
| Total assets | | <u><u>505,563</u></u> | <u><u>415,200</u></u> |
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Capital reserve | 10 | 13,347 | 14,647 |
| Capital grant | 7 | 19,296 | 19,296 |
| Retained earnings | | 323,605 | 261,507 |
| | | <u>356,248</u> | <u>295,450</u> |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Retirement benefit obligations | 11 | 6,001 | 5,720 |
| Tax liability | 12 | 125,840 | 101,343 |
| | | <u>131,841</u> | <u>107,063</u> |
| Current liability | | | |
| Trade and other payables | 13 | 17,474 | 12,687 |
| Total liabilities | | <u>149,315</u> | <u>119,750</u> |
| Total equity and liabilities | | <u><u>505,563</u></u> | <u><u>415,200</u></u> |

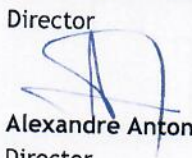
These financial statements have been approved for issue by the Board on 16 AUG 2018


Andre Ciseaux - C E O
Director


Paul Hodoul - Chairman
Director


Leslie Benoiton
Director


Doreen Bradburn
Director


Alexandre Antonakas
Director

The notes on pages 7 to 21 form an integral part of these financial statements
Auditors' report on pages 2 and 2(b)



INCOME STATEMENT - YEAR ENDED DECEMBER 31, 2017

| | Notes | 2017 SR'000 | 2016 SR'000 |
|---|----------|----------------|----------------|
| Port related services | 2(l)(i) | 161,263 | 168,322 |
| Hire of boats | | 1,862 | 1,741 |
| Rental income | 2(l)(ii) | 9,533 | 9,548 |
| Other income | 14 | 990 | 850 |
| Gross income | | 173,648 | 180,461 |
| Cost of services | | (14,741) | (24,322) |
| | | 158,907 | 156,139 |
| Staff costs | 15 | (50,667) | (50,862) |
| Premises costs | 16 | (6,958) | (4,274) |
| Operating overheads | 17 | (9,960) | (9,300) |
| Foreign exchange gain/(loss) | | 10,216 | (670) |
| Movement in provision for credit impairment | 8(b) | 1,222 | (1,815) |
| Net depreciation | 5(b) | (16,098) | (9,159) |
| Amortisation | 6 | (67) | (56) |
| Profit before tax | | 86,595 | 80,003 |
| Tax (expense)/reversal | 12 | (24,497) | 19,157 |
| Profit for the year | | 62,098 | 99,160 |



The notes on pages 7 to 21 form an integral part of these financial statements
Auditors' report on pages 2 and 2(b)

STATEMENT OF CHANGES IN EQUITY - YEAR ENDED DECEMBER 31, 2017

| | Notes | Capital grant SR'000 | Capital reserve SR'000 | Retained earnings SR'000 | Total SR'000 |
|---|-------|----------------------------|------------------------------|--------------------------------|-----------------|
| Balance at January 1, 2017 | | 19,296 | 14,647 | 261,507 | 295,450 |
| Profit for the year | | - | - | 62,098 | 62,098 |
| Release to income statement in respect of depreciation charged | 5(b) | - | (1,300) | - | (1,300) |
| Balance at December 31, 2017 | | 19,296 | 13,347 | 323,605 | 356,248 |
| Balance at January 1, 2016 | | - | 15,947 | 187,347 | 203,294 |
| Grant of shares in Ile Du Port Handling Service Ltd | 7 | 19,296 | - | - | 19,296 |
| Profit for the year | | - | - | 99,160 | 99,160 |
| Dividends paid | 18 | - | - | (25,000) | (25,000) |
| Release to income statement in respect of depreciation charged | 5(b) | - | (1,300) | - | (1,300) |
| Balance at December 31, 2016 | | 19,296 | 14,647 | 261,507 | 295,450 |

The notes on pages 7 to 21 form an integral part of these financial statements
Auditors' report on pages 2 and 2(b)



CASH FLOW STATEMENT - YEAR ENDED DECEMBER 31, 2017

| | Notes | 2017 SR'000 | 2016 SR'000 |
|---|-------|-----------------|----------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit before tax | | 86,595 | 80,003 |
| <i>Adjustments for non-cash items:</i> | | | |
| Depreciation | 5(b) | 16,098 | 9,159 |
| Amortisation | 6 | 67 | 56 |
| (Decrease)/Increase in provision for credit impairment | 8(b) | (1,222) | 1,815 |
| Retirement benefit obligations charge | 11 | 2,120 | 3,200 |
| Write-off of property and equipment | 5 | 90 | 22 |
| Profit on disposal of property and equipment | 14 | (137) | - |
| | | <u>103,611</u> | <u>94,255</u> |
| <i>Changes in working capital:</i> | | | |
| (Increase)/decrease in inventories | | (655) | 1,516 |
| Decrease/(Increase) in trade and other receivables | | 7,487 | (24,009) |
| Trade and other payables | | 4,787 | 7,714 |
| Gratuity and compensation paid | 11 | (1,839) | (4,630) |
| Net cash inflow from operating activities | | <u>113,391</u> | <u>74,846</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Additions to property and equipment | 5(a) | (17,951) | (4,882) |
| Additions to intangible assets | 6 | (34) | (56) |
| Proceeds from disposal of property and equipment | | 175 | - |
| Net cash outflow from investing activities | | <u>(17,810)</u> | <u>(4,938)</u> |
| CASH FLOWS FROM FINANCING ACTIVITY | | | |
| Dividends paid and net cash outflow from financing activity | 18 | - | (25,000) |
| Net increase in cash and cash equivalents | | <u>95,581</u> | <u>44,908</u> |
| Movements in cash and cash equivalents: | | | |
| At January 1, | | 154,659 | 109,751 |
| Increase | | 95,581 | 44,908 |
| At December 31, | 9 | <u>250,240</u> | <u>154,659</u> |

The notes on pages 7 to 21 form an integral part of these financial statements
Auditors' report on pages 2 and 2(b)



1. GENERAL

Seychelles Ports Authority was established as a Statutory Body under the Seychelles Ports Authority Act 2004, which came into force effective October 2004. The Authority was vested with the assets and liabilities of the former Port and Marine Services Division at nil consideration.

The office of the Authority is located at "New Port", Victoria, Mahé, Seychelles.

The principal activities of the Authority are as stated in the Board's Report on page 1.

2. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

The financial statements of the Authority have been prepared under the historical cost convention method in accordance with Generally Accepted Accounting Standards in Seychelles and comply with the Seychelles Ports Authority Act, 2004.

(b) Property and equipment

Property and equipment are stated at cost less accumulated depreciation. The leasehold lands on which buildings are constructed were leased to the Authority by the Government of Seychelles at a negligible amount. The cost of property and equipment that were taken over by the Authority from the former Port and Marine Services Division is the net book value of those assets at the date of take over. Costs of property and equipment acquired after the Authority came into existence consist of purchase cost, together with any incidental expenses of acquisition and installation.

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

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 items of property and equipment so as to write off its cost on a straight line basis over their estimated useful lives.

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

The estimated useful lives are:

| | Years |
|--------------------------------|-------|
| Jetty | 25 |
| Improvement to Buildings | 20 |
| Tugs, buoys and launches | 15 |
| Pontoons | 20 |
| Boats and outboard engines | 4 |
| Machinery, equipment and tools | 5 |
| Office equipment | 4 |
| Furniture and fittings | 4 |
| Motor vehicles | 5 |
| Other assets | 4 |

The assets' residual value and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

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

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

(c) Intangible assets*Computer software*

Acquired computer software licenses are capitalised on the basis of costs incurred to acquire and bring to use the specific software. They are amortised over a useful life of five years.

(d) Investment in associate

An associate is an entity over which the Authority has significant influence but not control, or joint control, generally accompanying a shareholding between 20% to 50% voting rights.

Investment in associate is stated at cost and provision is made, where in the opinion of the Directors, there has been a permanent diminution in the value of shares. The Directors estimate that the carrying amounts of investment in associate approximate its fair value.

(e) Inventories

Inventories comprising of spares, cleaning materials, fuel, stationery and consumable stores, are stated at the lower of cost and net realisable value. In general cost is determined on a first in first out basis. Provisions are made for obsolete inventories based on management's appraisal.

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2017

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**(f) Financial instruments**

Financial assets and liabilities are recognised on the Authority's balance sheet when the Authority has become a party to the contractual provisions of the instrument. The Authority'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 Authority 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 receivables approximated their fair value.

(ii) Cash and cash equivalents

The cash flow statement classifies changes in cash and cash equivalents according to operating, investing and financing activities. Cash and cash equivalents comprise cash in hand and at bank. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

(iii) Trade and other payables

Trade payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received whether billed or not billed to the Authority.

The carrying amount of trade payables approximate their amortised cost.

(iv) Offsetting

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

(v) Derecognition

The Authority derecognises a financial asset where the contractual rights to cash flows from the asset expire or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. The Authority derecognises a financial liability when its contractual obligations are discharged or cancelled or expired.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**(g) Leases**

Where immoveable properties have been acquired by lease agreements under which all of the risks and rewards of ownership are transferred to the Authority at the inception of the lease, they are treated as if they had been purchased outright and classified as Leasehold. The total lease rental paid for the period of lease are recognised as long term investments and the advance lease rent is appropriated over the period of the lease term.

(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) Retirement benefit obligations

Retirement benefit obligations comprise of end-of-contract gratuities and Labour Act length of service compensation. The Authority computes this liability in respect of eligible employees at the end of each year based on the current salaries of those employees. Excess/shortfall to the provision is adjusted to the Income Statement.

(j) Taxation

Taxation charge for the year comprises current and deferred tax.

Current tax is the expected amount of taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date; and any adjustments to the tax payable in respect of previous years.

No provision has been made for deferred tax in these financial statements.

(k) Provisions

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)
(l) Revenue recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably.

(i) Port services income and hire of boats

Port services and related income are recognised based on the offer and use of facilities by customers net of discounts.

(ii) Rental income

Rental income is recognised on an accrual basis with the substance of the relevant rental agreements with the tenants.

(iii) Interest income

Interest income is recognised on an accrual basis with the substance of the relevant investment agreements with the banks and per terms of offer of the Government Securities.

(iv) Other revenues

Surcharges and other revenues are recognised on an accrual basis based on the substance of the transaction.

(m) Foreign currencies*Functional and presentation currency*

Items included in the financial statements are measured in the currency of the primary economic environment in which the Authority operates. The Financial Statements are presented in Seychelles rupees which is the Authority's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated in the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from translation of monetary assets and liabilities denominated in a currency other than the presentation currency, are recognised in the Income Statement. Such monetary assets and liabilities are translated into presentation currency using the exchange rates prevailing at the balance sheet date.

Non-monetary assets which are denominated in a currency other than the presentation currency are translated at exchange rates prevailing at the date these assets were recognised in the Financial Statements. At December year end the exchange for major currency were as follows:

| | 2017 | 2016 |
|------|-------|-------|
| | SR | SR |
| Euro | 16.76 | 14.42 |
| USD | 14.09 | 13.70 |



3. FINANCIAL RISK MANAGEMENT

The Authority's financial risk management policies seek to ensure that adequate financial resources are available for the development of the Authority's activities whilst managing its interest rate, foreign exchange, liquidity and credit. The Authority operates within clearly defined guidelines set in the Seychelles Ports Authority Act, 2004 and Regulations associated with the said Act and the Authority's policy is not to engage in any speculative transactions.

The Authority's activities expose it to a variety of financial risks including the following:

(a) Interest rate risk

The Authority finances its operations through operating cash flows which are denominated in foreign currencies and Seychelles Rupees. Interest rate risk is considered low as the cash inflows in Seychelles rupees are sufficient to meet the Authority's obligations.

(b) Foreign exchange risk

The Authority's activities are exposed to currency risk with respect mainly to US Dollars and Euros. The Authority requires foreign exchange for developing its infrastructure and acquisition of property and equipment which are met through the surplus from foreign currency income and the support of Government of Seychelles. Foreign currency risk is not hedged. Foreign exchange risk is not hedged.

(c) Liquidity risk

This refers to the possibility of the Authority being unable to meet its obligations because of unavailability of funds for operational payments. In order to ensure adequacy of its funding, cash flow forecasts are prepared regularly and actions taken appropriately. Moreover, the Authority is supported by the Government of Seychelles to ensure that its objectives are met.

Procedures have also been established throughout the Authority so that all users channel their requirements to the treasury function. This ensures that cash flow forecast exercise is carried out based on real-time information from users. The Authority also has a portfolio of liquid assets, the maturities of which falls either before or concurrent to the maturity of its obligations.

(d) Credit risk

Credit risk relates to the possibility of default by tenants and shipping agents in settling their obligations to the Authority. The Authority has established internal policies to determine the creditworthiness and reliability of potential tenants. The Authority also seeks to control credit risk by ensuring that rental agreements are made with entities with an appropriate credit history. The Authority considers that the risk of material loss in the event of non-performance by a financial counter-party to be mitigated.

(e) Fair values

The carrying amounts of financial assets and financial liabilities of the Authority at the balance sheet date approximate their fair values.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and assumptions concerning the future are made in the preparation of the Financial Statements. They affect the application of the Authority's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

(i) Dividends

Payment of Dividends to the Government of Seychelles is as per directives of the Ministry of Finance, which is vested with the powers under Section 11 (3) of the Seychelles Ports Authority Act, 2004. The Authority does not have any discretionary powers to recommend the amount of dividends to be paid.

(ii) Tax provision

The Authority applied to the Seychelles Revenue Commission ("SRC") in December 2006 for exemption from payment of Business Tax. An exemption was denied in 2016 however a full waiver was obtained in respect of the cumulated tax liabilities up to December 31, 2009. From period January 2010 to December 2016, an agreement was reached between the Authority, Ministry of Finance and Seychelles Revenue Commission whereby the tax liability of the Authority from year 2010 to 2016 amounting to SR 102,133,444 will be settled in two equal installments in March and September 2018. The afore-mentioned liability was agreed before the finalisation of 2016 financial statements and final liability was revised to SR 101,343,116.

(iii) Depreciation of property and equipment

The deemed cost of property and equipment that were taken over by the Authority from the former Port and Marine Services Division is the net book value of those assets at the date of take over. Cost of assets acquired after the Authority came into existence is their actual cost of acquisition. Assets at cost and deemed cost are depreciated on a straight line basis at rates which are calculated to write down their stated cost to their estimated residual values at the end of their operational lives. Certain estimates regarding the operational lives and residual values of assets are made by the Authority based on past experience and their operational lives and residual values are reviewed on an annual basis.

(iv) Leasehold lands

Leasehold lands have been transferred to the Authority by the Government of Seychelles at a negligible value. Improvement to Buildings made by the Authority subsequent to the take over are stated at cost incurred for such improvements. Depreciation is provided on such cost over their estimated useful lives. Should the leasehold land together with buildings thereon be revalued, substantial adjustment may result to the carrying value of those assets.



4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)**(v) Capital reserve**

Upon establishment of the Authority as a Statutory Body in the year 2004, the Authority was vested with the assets and liabilities of the former Port and Marine Services Division at nil consideration. The net value of assets over liabilities was recognised as Capital Reserve and credited to the Capital Fund Account with an assumption that this amount was not payable in future to the Government of Seychelles.

The depreciation charge of these assets are offset by a corresponding release from capital reserve on a yearly basis so that impact on income statement is nil.

(vi) Useful lives and residual values of equipment

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

(vii) Retirement benefit obligations

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

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2017

5. PROPERTY AND EQUIPMENT

| | Jetty Construction | Improve- ments to buildings | Tugs & launches | Boats & outboard engine | Machinery & tools equipment | Office equipment | Furniture & fittings | Motor vehicles | Other assets | Work-in -progress | Total |
|----------------------|-----------------------|-----------------------------------|--------------------|-------------------------------|-----------------------------------|---------------------|-------------------------|-------------------|-----------------|----------------------|---------|
| | SR'000 | SR'000 | SR'000 | SR'000 | SR'000 | SR'000 | SR'000 | SR'000 | SR'000 | SR'000 | SR'000 |
| At January 31, 2016 | - | 3,704 | 98,579 | 62 | 2,717 | 2,798 | 957 | 10,043 | 3,075 | 102,459 | 224,994 |
| Additions | - | 134 | 34 | - | 816 | 290 | 272 | 465 | 796 | 2,036 | 4,882 |
| Write-off | - | - | - | - | - | - | - | - | (34) | - | (34) |
| At December 31, 2016 | - | 3,838 | 98,613 | 62 | 3,533 | 3,088 | 1,229 | 10,508 | 3,837 | 104,495 | 229,842 |
| Additions | - | - | - | - | 402 | 547 | 313 | - | 433 | 16,256 | 17,951 |
| Transfer | 76,247 | - | 12,826 | - | - | - | - | - | - | (89,073) | - |
| Write-off | - | - | (90) | - | - | - | - | - | - | - | (90) |
| Disposals | - | - | - | - | (31) | (15) | (13) | (235) | (10) | - | (304) |
| At December 31, 2017 | 76,247 | 3,838 | 111,349 | 62 | 3,904 | 3,620 | 1,529 | 10,273 | 4,260 | 31,678 | 247,399 |

(a) COST/DEEMED COST

ACCUMULATED DEPRECIATION

| | | | | | | | | | | | |
|----------------------|-------|-------|--------|----|-------|-------|-------|-------|-------|---|--------|
| At January 1, 2016 | - | 1,088 | 37,414 | 54 | 1,392 | 2,231 | 601 | 2,941 | 1,824 | - | 47,883 |
| Charge for the year | - | 192 | 6,574 | 2 | 574 | 299 | 165 | 2,071 | 550 | - | 10,459 |
| Write off adjustment | - | - | - | - | - | - | - | - | (12) | - | (12) |
| At December 31, 2016 | - | 1,280 | 43,988 | 56 | 1,966 | 2,530 | 766 | 5,012 | 2,362 | - | 58,330 |
| Charge for the year | 6,100 | 1,223 | 6,574 | 2 | 570 | 361 | 241 | 1,671 | 624 | - | 17,398 |
| Disposal adjustment | - | - | - | - | (9) | (9) | (6) | (235) | (7) | - | (266) |
| At December 31, 2017 | 6,100 | 2,503 | 50,562 | 58 | 2,527 | 2,882 | 1,001 | 6,448 | 2,979 | - | 75,462 |

NET BOOK VALUE

| | | | | | | | | | | | |
|----------------------|--------|-------|--------|---|-------|-----|-----|-------|-------|---------|---------|
| At December 31, 2017 | 70,147 | 1,335 | 60,787 | 4 | 1,377 | 738 | 528 | 3,825 | 1,281 | 31,678 | 171,937 |
| At December 31, 2016 | - | 2,558 | 54,625 | 6 | 1,567 | 558 | 463 | 5,496 | 1,475 | 104,495 | 171,512 |



NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2017

5. PROPERTY AND EQUIPMENT (CONT'D)

(b) Depreciation

| | 2017 | 2016 |
|--|---------------|--------------|
| | SR'000 | SR'000 |
| Depreciation charge (note 5(a)) | 17,398 | 10,459 |
| Release from capital reserve (note 10) | (1,300) | (1,300) |
| Net charge for the year | 16,098 | 9,159 |

Depreciation released from capital reserve is in respect of property and equipment transferred by Port and Marine Services Division to the Seychelles Ports Authority at nil consideration in the year 2004 (inception of Seychelles Ports Authority).

6. INTANGIBLE ASSET

| | Computer software | |
|------------------------|-------------------|------------|
| | 2017 | 2016 |
| | SR'000 | SR'000 |
| COST | | |
| At January 1, | 303 | 247 |
| Additions | 34 | 56 |
| At December 31, | 337 | 303 |
| AMORTISATION | | |
| At January 1, | 136 | 80 |
| Charge for the year | 67 | 56 |
| At December 31, | 203 | 136 |
| NET BOOK VALUE | | |
| At December 31, | 134 | 167 |

7. INVESTMENT IN ASSOCIATE

| | Valuation method | Shares Held | Currency | % | 2017 & 2016 |
|-----------------------------------|---------------------|----------------|----------|---------|-------------|
| | | | | Holding | SR'000 |
| Ile Du Port Handling Services Ltd | Cost | 1,440,000 | USD | 40% | 19,296 |

On February 26, 2016, the Government through its investment vehicle, Société Seychelloise d'Investissement Limited (SSI) transferred its shareholding in Ile Du Port Handling Services Ltd to the Authority at nil consideration which tantamounts to a capital grant and therefore the contra to the investment was accounted as a capital grant under equity. Each share is valued at USD 1.



NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2017

8. TRADE AND OTHER RECEIVABLES

| | 2017 | 2016 |
|---|---------------|---------------|
| | SR'000 | SR'000 |
| Trade receivable: | | |
| Port and other port related fees receivable | 47,508 | 52,999 |
| Provision for credit impairment (see note 8(b)) | (2,315) | (3,537) |
| | <u>45,193</u> | <u>49,462</u> |
| Other receivable: | | |
| Prepayments | 1,442 | 3,175 |
| Staff loan | 12,147 | 13,059 |
| Other receivables | 1,585 | 936 |
| | <u>60,367</u> | <u>66,632</u> |

- (a) The carrying amount of the Authority's trade and other receivables are denominated in the following currencies:

| | 2017 | 2016 |
|------------------|---------------|---------------|
| | SR'000 | SR'000 |
| Seychelles Rupee | 53,037 | 59,022 |
| Euro | 6,966 | 6,773 |
| US Dollar | 364 | 837 |
| | <u>60,367</u> | <u>66,632</u> |

- (b) Movement on the provision for credit impairment is as follows:

| | 2017 | 2016 |
|------------------------------|--------------|--------------|
| | SR | SR |
| At January 1, | 3,537 | 1,722 |
| (Credit)/charge for the year | (1,222) | 1,815 |
| At December 31, | <u>2,315</u> | <u>3,537</u> |

9. CASH AND CASH EQUIVALENTS

| | 2017 | 2016 |
|--------------|----------------|----------------|
| | SR'000 | SR'000 |
| Bank balance | 250,226 | 154,655 |
| Cash in hand | 14 | 4 |
| | <u>250,240</u> | <u>154,659</u> |

10. CAPITAL RESERVE

Upon establishment of the Authority as a Statutory Body in the year 2004, the Authority was vested with the assets and liabilities of the former Port and Marine Services Division for which no consideration was paid to the Government of Seychelles. The contra to the net assets taken over was recognised as a Capital Reserve.



NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2017

10. CAPITAL RESERVE (CONT'D)

The movement in capital reserve is as follows:

| | <u>2017</u> | <u>2016</u> |
|---------------------------------|----------------------|----------------------|
| | SR'000 | SR'000 |
| At January 1, | 14,647 | 15,947 |
| Charge for the year (note 5(b)) | (1,300) | (1,300) |
| At December 31, | <u>13,347</u> | <u>14,647</u> |

11. RETIREMENT BENEFIT OBLIGATIONS

Gratuity and length of service provision is calculated in accordance with the Ministry of Administration and Manpower, Circular 9A of 1993, superseded by Circular 6 of 2006, and 15% of gross salary in respect of senior officers employed on contract basis.

The movement is as follows:

| | <u>2017</u> | <u>2016</u> |
|-------------------------------|---------------------|---------------------|
| | SR'000 | SR'000 |
| At January 1, | 5,720 | 7,150 |
| Charge for the year (note 15) | 2,120 | 3,200 |
| Payments made during the year | (1,839) | (4,630) |
| At December 31, | <u>6,001</u> | <u>5,720</u> |

12. TAX LIABILITY

(a) Balance Sheet

| | <u>2017</u> | <u>2016</u> |
|---|-----------------------|-----------------------|
| | SR'000 | SR'000 |
| At January 1, | 101,343 | 120,500 |
| Current tax charge/(credit) for the year (note 12(b)) | 24,497 | (19,157) |
| At December 31, | <u>125,840</u> | <u>101,343</u> |

(b) Profit or Loss

| | <u>2017</u> | <u>2016</u> |
|--|----------------------|------------------------|
| | SR'000 | SR'000 |
| Current tax on the adjusted profit for the year at applicable rates (note 12(c)) | 24,497 | 24,969 |
| Overprovision in a prior years | - | (44,126) |
| | <u>24,497</u> | <u>(19,157)</u> |



NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2017

12. TAX LIABILITY (Cont'd)

(c) Applicable tax rates are as follows:

| Taxable income | 2017 & 2016 |
|-----------------|---------------|
| | Tax rates - % |
| ≤ SR. 1,000,000 | 25 |
| > SR. 250,000 | <u>30</u> |

(d) The Authority applied to the Seychelles Revenue Commission ("SRC") in December 2006 for exemption from payment of Business Tax. An exemption was denied in 2016 however a full waiver was obtained in respect of the cumulated tax liabilities up to December 31, 2009. From period January 2010 to December 2016, an agreement was reached between the Authority, Ministry of Finance and Seychelles Revenue Commission whereby the tax liability of the Authority from year 2010 to 2016 amounting to SR 102,133,444 will be settled in two equal installments in March and September 2018. The afore-mentioned liability was agreed before the finalisation of 2016 financial statements and final liability was revised to SR 101,343,116.

The Authority has already settled SR 51,066,722 and Directors have confirmed that the remainder will be settled as agreed.

13. TRADE AND OTHER PAYABLES

| | 2017 | 2016 |
|----------------|--------|--------|
| | SR'000 | SR'000 |
| Trade payables | 8,865 | 4,873 |
| Other payables | 7,665 | 7,051 |
| Deposits | 944 | 763 |
| | 17,474 | 12,687 |

14. OTHER INCOME

| | 2017 | 2016 |
|------------------------------|--------|--------|
| | SR'000 | SR'000 |
| Profit on disposal of assets | 137 | - |
| Interest received | 802 | 844 |
| Miscellaneous income | 51 | 6 |
| | 990 | 850 |

15. STAFF COSTS

| | 2017 | 2016 |
|--|--------|--------|
| | SR'000 | SR'000 |
| Salaries and wages | 44,331 | 44,827 |
| Gratuity and length of service provision (note 11) | 3,466 | 3,200 |
| Other staff costs | 2,870 | 2,835 |
| | 50,667 | 50,862 |



NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2017

16. PREMISES COSTS

| | 2017 | 2016 |
|-------------------------|--------------|--------------|
| | SR'000 | SR'000 |
| Rent | 1,452 | 1,452 |
| Electricity and water | 4,551 | 1,316 |
| Repairs and maintenance | 856 | 1,448 |
| Insurance | 99 | 58 |
| | <u>6,958</u> | <u>4,274</u> |

17. OPERATING OVERHEADS

| | 2017 | 2016 |
|---|--------------|--------------|
| | SR'000 | SR'000 |
| Advertising, entertainment and donations | 2,258 | 1,633 |
| Bank charges | 33 | 22 |
| Communication costs | 874 | 761 |
| Board members' fees (see note 17(a)) | 116 | 199 |
| Local travel and conveyance | 637 | 389 |
| Office equipment maintenance | 1,520 | 1,381 |
| Other operating overheads | 962 | 795 |
| Overseas travel, subsistence and training | 871 | 1,319 |
| Professional and consultancy fees | 1,024 | 1,628 |
| Stationery, postage and subscriptions | 676 | 464 |
| Vehicle maintenance | 989 | 709 |
| | <u>9,960</u> | <u>9,300</u> |

(a) Board members' fees:

| | 2017 | 2016 |
|--------------------------|------------|------------|
| | SR'000 | SR'000 |
| Andre Ciseaux | 36 | 36 |
| Alexandre Antonakas | 8 | - |
| Doreen Bradburn | 36 | - |
| Paul Hodoul (note 17(b)) | - | - |
| Monica Bonvalet | - | 18 |
| Philippe Michaud | - | 36 |
| Conrad Benoiton | - | 28 |
| Jean Atalla | - | 21 |
| Leslie Benoiton | 36 | 18 |
| Rebecca Lousteau-Lalange | - | 18 |
| St Ange Reyond | - | 24 |
| | <u>116</u> | <u>199</u> |

- (b) The Chairman who was entitled to SR 48k did not exercise his right. He advised the audit committee that he will serve the board at no cost. No expense incurred nor any provision made for the Chairman for the year under review.



NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2017

18. DIVIDENDS

The Authority did not pay any dividend to Government of Seychelles (2016: SR 25million).

19. CAPITAL COMMITMENTS

| | <u>2017</u> | <u>2016</u> |
|---------------------------------------|----------------|----------------|
| | SR'000 | SR'000 |
| Authorised and contracted for | 233,157 | 16,615 |
| Authorised but not yet contracted for | - | 96,521 |
| Total capital commitments | <u>233,157</u> | <u>113,136</u> |

20. CONTINGENT LIABILITY

There were no contingent liability as at December 31, 2017 (2016: Nil).

21. SUBSEQUENT EVENTS

On May 15, 2018, the Board of Seychelles Port Authority (SPA) decided to transfer back the shares held by the Authority since 2016 (note 7) to Société Seychelloise d'Investissement Limited for an amount of USD 1.44m. The transfer was subsequently notarised on July 19, 2018. Consequently, the investment in Associate of SR 19.3m in IPHS will be derecognised as well as the corresponding Capital Grant amount in 2018 since this is not an adjusting item for the year ended December 31, 2017

