

SEYCHELLES PORTS AUTHORITY

REPORT OF THE BOARD AND AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

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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, 2011.

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 before tax amounted to SR. 35 million (2010 : SR.30 million).

DIVIDENDS

No dividends were declared for the financial year under review (2010 : Nil).

PROPERTY AND EQUIPMENT

Additions of SR. 80 million to property and equipment during the year comprised mainly tugs, launches, office equipment and building improvements.

The Board is of the opinion that the carrying value of the property and equipment at December 31, 2011 approximates their fair value.

COMPOSITION OF THE BOARD

The members of the Board since the date of the last Annual Report and to date are:

Guy Adam
Jean Atalla
Monica Bonvalet
Andre Ciseaux
Philippe Michaud

None of the Board members held any interest in the Authority.

REPORT OF THE BOARD

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 Authority and for the management of the day to day business of the Authority and subject to the directions of the Authority, delegate any function of the Chief Executive Officer to any employee of the Authority.

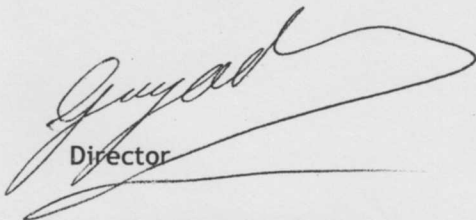
The Board is responsible for the preparation and fair presentation of these financial statements in accordance with Generally Accepted Accounting Standards in Seychelles and in compliance with the Seychelles Ports Authority Act, 2004. This responsibility includes: designing, implementing and maintaining 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.

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.

Signed on behalf of the Board



Director



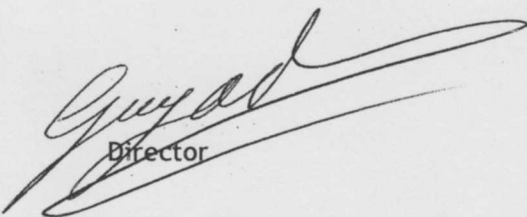
Director

Dated: September 7, 2012
Victoria, Seychelles

BALANCE SHEET AS AT DECEMBER 31, 2011

	Notes	2011 SR'000	2010 SR'000
ASSETS			
Non-current asset			
Property and equipment	4 (a)	<u>91,156</u>	<u>18,905</u>
Current assets			
Trade and other receivables	5	85,118	57,976
Cash and bank balances	6	<u>29,186</u>	<u>95,128</u>
		<u>114,304</u>	<u>153,104</u>
Total assets		<u><u>205,460</u></u>	<u><u>172,009</u></u>
EQUITY AND LIABILITIES			
Equity			
Capital reserve	7	21,143	22,442
Retained earnings		<u>105,106</u>	<u>77,874</u>
		<u>126,249</u>	<u>100,316</u>
Non-current liability			
Retirement benefit obligation	8	<u>925</u>	<u>1,402</u>
Current liabilities			
Trade and other payables	9	786	791
Tax liability	10	<u>77,500</u>	<u>69,500</u>
		<u>78,286</u>	<u>70,291</u>
Total equity and liabilities		<u><u>205,460</u></u>	<u><u>172,009</u></u>

These financial statements have been approved for issue by the Board on September 7, 2012


Director


Director

INCOME STATEMENT - YEAR ENDED DECEMBER 31, 2011

	Notes	2011 SR'000	2010 SR'000
Port related services		67,948	59,379
Hire of boats		1,949	1,526
Rental income		12,561	3,785
Exchange gain		266	1,624
Sundry income		648	1,757
Gross income		<u>83,372</u>	<u>68,071</u>
Cost of services		<u>(13,726)</u>	<u>(11,980)</u>
		69,646	56,091
Staff costs	11	(23,523)	(20,452)
Premises costs	12	(1,386)	(1,219)
Operating overheads	13	(3,260)	(3,498)
Net depreciation	4 (b)	<u>(6,245)</u>	<u>(973)</u>
Operating profit		35,232	29,949
Profit on disposal of property and equipment		-	23
Profit before tax		<u>35,232</u>	<u>29,972</u>
Tax expense	10	<u>(8,000)</u>	<u>(9,200)</u>
Profit for the year		<u><u>27,232</u></u>	<u><u>20,772</u></u>

The notes on pages 8 to 19 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, 2011

	Notes	Capital reserve SR	Retained earnings SR	Total SR
Balance at January 1, 2011		22,442	77,874	100,316
Profit for the year		-	27,232	27,232
Release to income statement in respect of depreciation charged	4 (b)	(1,299)	-	(1,299)
Balance at December 31, 2011		21,143	105,106	126,249
Balance at January 1, 2010		23,741	57,102	80,843
Profit for the year		-	20,772	20,772
Release to income statement in respect of depreciation charged	4 (b)	(1,299)	-	(1,299)
Balance at December 31, 2010		22,442	77,874	100,316

CASH FLOW STATEMENT - YEAR ENDED DECEMBER 31, 2011

	Notes	2011 SR'000	2010 SR'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		35,232	29,972
Adjustments for:			
Depreciation	4 (b)	6,245	973
(Decrease)/increase in provision for retirement benefit obligation		(477)	910
Profit on disposal of property and equipment		-	(23)
Cash generated from operations		<u>41,000</u>	<u>31,832</u>
Increase in trade and other receivables		(27,142)	(44,105)
(Decrease)/Increase in trade and other payables		(5)	129
Net cash inflow/(outflow) from operating activities		<u>13,853</u>	<u>(12,144)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	4 (a)	(79,795)	(538)
Proceeds from disposal of property and equipment		-	55
Net cash outflow from investing activities		<u>(79,795)</u>	<u>(483)</u>
Net decrease in cash and cash equivalents		<u>(65,942)</u>	<u>(12,627)</u>
 Movements in cash and cash equivalents:			
At January 1,		95,128	107,755
Decrease		(65,942)	(12,627)
At December 31,	6	<u>29,186</u>	<u>95,128</u>

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2011

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, Mahe, 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. Cost of property and equipment acquired after the Authority came into existence consists 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.

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2011

2. SIGNIFICANT ACCOUNTING POLICIES (Contd.)**(b) Property and equipment (Contd.)**

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. The estimated useful lives are:

Improvement to Buildings	20 years
Tugs and launches	15 years
Pontoons	20 years
Outboard engines	4 years
Machinery, equipment and tools	5 years
Office equipment	4 years
Furniture and fittings	4 years
Other assets	4 years
Motor vehicles	5 years

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) 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.

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2011

2. SIGNIFICANT ACCOUNTING POLICIES (Contd.)**(c) Financial instruments (Contd.)****(ii) 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.

(iii) 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.

(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.

(d) Leases

Where immovable 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.

(e) 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.

(f) Tax

Tax on the profit or loss for the year comprises current tax. Current tax is the expected amount of tax payable in respect of the taxable profit and is measured using the tax rates applicable at the balance sheet date. No provision is made for deferred tax as the Authority has applied for exemption from payment of business tax.

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2011

2. SIGNIFICANT ACCOUNTING POLICIES (Contd.)**(g) 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.

(h) 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

Port services and related income are recognised based on the usage 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 with the substance of the items.

(i) 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.

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2011

2. SIGNIFICANT ACCOUNTING POLICIES (Contd.)**(i) Foreign currencies (Contd.)***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.

3. 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) Tax provision

The Authority has applied for exemption from payment of Business Tax in December 2006 and is still awaiting a reply from the Seychelles Revenue Commission. The Authority has made provisions for tax at the applicable tax rates for prior periods and the current financial year. Should the Authority be granted exemption from payment of Business Tax at a future date, the amount provided would be credited back to retained earnings.

No penalty has however been provided in respect of late payment of tax since the amount cannot be reasonably estimated at this point of time.

(ii) 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.

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2011

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Contd.)**(iii) 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 treated 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.

(iv) Dividends

Payment of Dividends to the Government of Seychelles is as per directives of the Ministry of Finance, who 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.

(v) 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.

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2011

4. PROPERTY AND EQUIPMENT

	Improve- ments to buildings SR'000	Tugs buoys & launches SR'000	Pontoons SR'000	Boats and outboard engines SR'000	Machinery equipment and tools SR'000	Office equipment SR'000	Furniture and fittings SR'000	Other assets SR'000	Motor vehicles SR'000	Total SR'000
(a) <u>COST/DEEMED COST</u>										
At January 1, 2010	2,069	24,424	600	62	388	1,248	361	527	588	30,267
Additions	-	-	-	-	62	142	18	316	-	538
Disposal	-	-	-	-	-	-	-	-	(151)	(151)
At December 31, 2010	2,069	24,424	600	62	450	1,390	379	843	437	30,654
Additions	222	78,997	-	-	31	202	15	130	198	79,795
At December 31, 2011	2,291	103,421	600	62	481	1,592	394	973	635	110,449
<u>ACCUMULATED DEPRECIATION</u>										
At January 1, 2010	281	7,074	158	40	245	904	277	173	444	9,596
Charge for the year	104	1,628	30	4	49	180	47	143	87	2,272
Disposal	-	-	-	-	-	-	-	-	(119)	(119)
At December 31, 2010	385	8,702	188	44	294	1,084	324	316	412	11,749
Charge for the year	110	6,889	30	2	54	152	32	211	64	7,544
At December 31, 2011	495	15,591	218	46	348	1,236	356	527	476	19,293
<u>NET BOOK VALUE</u>										
At December 31, 2011	1,796	87,830	382	16	133	356	38	446	159	91,156
At December 31, 2010	1,684	15,722	412	18	156	306	55	527	25	18,905

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2011

4. PROPERTY AND EQUIPMENT (CONT'D.)

(b) Depreciation release

	<u>2011</u>	<u>2010</u>
	SR'000	SR'000
Depreciation charge (note 4 (a))	7,544	2,272
Released from capital reserve	<u>(1,299)</u>	<u>(1,299)</u>
Net charge for the year	<u><u>6,245</u></u>	<u><u>973</u></u>

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).

5. TRADE AND OTHER RECEIVABLES

	<u>2011</u>	<u>2010</u>
	SR'000	SR'000
Trade receivables:		
Port fees receivable	21,719	7,409
Rent receivable	4,724	4,354
Provision for credit impairment	<u>(2,065)</u>	<u>(2,065)</u>
	<u>24,378</u>	<u>9,699</u>
Other receivables:		
Prepayment for acquisition of property and equipment	59,264	47,716
Others	<u>1,476</u>	<u>561</u>
	<u><u>85,118</u></u>	<u><u>57,976</u></u>

6. CASH AND BANK BALANCES

	<u>2011</u>	<u>2010</u>
	SR'000	SR'000
Call deposits	2	38,564
Cash at bank	29,179	56,559
Cash on hand	<u>5</u>	<u>5</u>
	<u><u>29,186</u></u>	<u><u>95,128</u></u>

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2011

7. 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 taken to Capital Reserve.

8. RETIREMENT BENEFIT OBLIGATION

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 14% of gross salary in respect of senior officers employed on contract basis.

9. TRADE AND OTHER PAYABLES

	<u>2011</u>	<u>2010</u>
	SR'000	SR'000
Trade payables	351	308
Accrued expenses	333	388
Deposits	102	95
	<u>786</u>	<u>791</u>

10. TAX

	<u>2011</u>	<u>2010</u>
	SR'000	SR'000
At January 1,	69,500	60,300
Current taxation based on the profit for the year	8,000	9,200
At December 31,	<u>77,500</u>	<u>69,500</u>

The Authority applied to the Seychelles Revenue Commission ("SRC") in December 2006 for exemption from payment of Business Tax and is still awaiting a response. In the meantime, provision for tax has been made for prior periods and for the financial year under review. However, it is the intention of the Authority to pursue the matter with SRC to obtain exemption.

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2011

11. STAFF COSTS

	2011	2010
	SR'000	SR'000
Salaries and wages	21,249	16,674
Social security and pension	216	1,539
Gratuity and length of service provision	1,578	1,462
Other staff costs	480	777
	<u>23,523</u>	<u>20,452</u>

12. PREMISES COSTS

	2011	2010
	SR'000	SR'000
Electricity and water	1,197	1,014
Cleaning costs	167	181
Insurance	22	24
	<u>1,386</u>	<u>1,219</u>

13. OPERATING OVERHEADS

	2011	2010
	SR'000	SR'000
Advertising, entertainment and donations	179	1,078
Bank charges	40	24
Communication costs	398	322
Board members' fees (see below)	148	134
Local travel and conveyance	480	429
Office equipment maintenance	265	192
Other operating overheads	153	139
Overseas travel and subsistence	860	479
Professional and consultancy fees	206	94
Stationery, postage and subscriptions	241	240
Vehicle maintenance	290	367
	<u>3,260</u>	<u>3,498</u>

Board members' fees:

Andre Ciseaux	54	52
Monica Bonvalet	22	19
Ina Henriette	22	19
Guy Adam	28	25
Jean Atalla	22	19
	<u>148</u>	<u>134</u>

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2011

14. CAPITAL COMMITMENTS

There were no capital commitments as at December 31, 2011 (2010 : Nil).

15. CONTINGENT LIABILITY

There were no contingent liability as at December 31, 2011 (2010 : Nil).

16. 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 are sufficient to meet its 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 plant 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.

(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 to ensure that the objectives of the Authority 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.

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2011

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