



## Office of the Auditor General

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### **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 and the Auditor General Act, 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 2018, 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 2018 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

03 June 2019  
Victoria, Seychelles



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**REPORT OF THE BOARD**

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The Board has pleasure in submitting its Annual Report together with the audited financial statements of the Authority for the year ended December 31, 2018.

**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 SCR 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 before tax amounted to **SCR 91.6 million** (2017: SCR 86.6 million) and the net profit was **SR 61.1 million** as compared to SR 62.1 million in 2017.

**DIVIDENDS**

There was no dividend proposed and paid during the year under review (2017: nil).

**PROPERTY AND EQUIPMENT**

Additions of **SCR 5.9 million** to property and equipment during the year comprised mainly work in progress, tugs buoys and launches, machinery equipment, office equipment, motor vehicles, furniture and fittings and other assets. (2017: SCR 17.9 million).

The Board is of the opinion that the carrying amounts of the property and equipment at December 31, 2018 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:

- Paul Hodoul - Chairman
- Andre Ciseau
- Doreen Bradburn
- Leslie Benoiton
- Alexandre Antonakas

## 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 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.

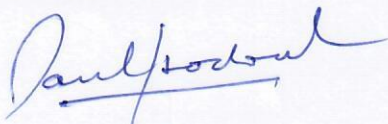
The Board is responsible for the preparation and fair presentation of these financial statements in accordance with Generally Accepted Accounting Standards in Seychelles and in compliance with the Seychelles Ports Authority Act, 2004. This responsibility includes: designing, implementing and maintaining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

The Board considers it has met the aforesaid responsibilities.

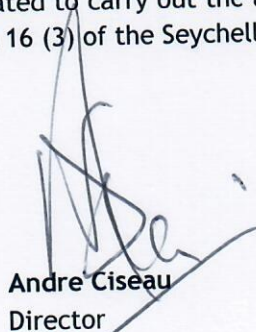
## AUDITOR

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.

## BOARD APPROVAL



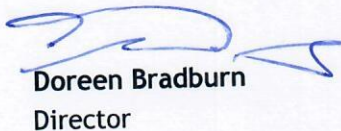
**Paul Hodoul - Chairman**  
Director



**Andre Ciseau**  
Director



**Leslie Benoiton**  
Director



**Doreen Bradburn**  
Director



**Alexandre Antonakas**  
Director

Dated: 08 MAY 2019  
Victoria, Seychelles

## SEYCHELLES PORTS AUTHORITY

2(a)(i)

### 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, 2018, 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(a)(ii)

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, 2018 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.

A handwritten signature in black ink that reads 'BDO Associates' in a cursive, stylized font.

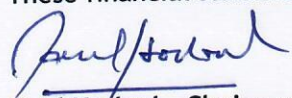
**BDO ASSOCIATES**  
*Chartered Accountants*

Dated: 09 MAY 2019  
Victoria, Seychelles

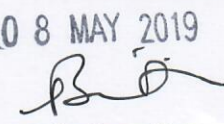
## BALANCE SHEET AS AT DECEMBER 31, 2018

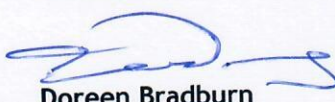
	Notes	2018 SCR'000	2017 SCR'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment	5(a)	163,465	171,937
Intangible asset	6	160	134
Investment in associate	7	-	19,296
		<u>163,625</u>	<u>191,367</u>
<b>Current assets</b>			
Inventories		2,688	3,589
Investment in financial assets	8	63,402	-
Trade and other receivables	9	78,263	60,367
Cash and cash equivalents	10	141,915	250,240
		<u>286,268</u>	<u>314,196</u>
<b>Total assets</b>		<u><u>449,893</u></u>	<u><u>505,563</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Capital reserve	11	12,047	13,347
Capital grant	7	-	19,296
Retained earnings		384,729	323,605
		<u>396,776</u>	<u>356,248</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Retirement benefit obligations	12	6,126	6,001
Tax liability	13	-	125,840
		<u>6,126</u>	<u>131,841</u>
<b>Current liabilities</b>			
Trade and other payables	14	16,422	17,474
Tax liability	13	30,569	-
		<u>46,991</u>	<u>17,474</u>
<b>Total liabilities</b>		<u><u>53,117</u></u>	<u><u>149,315</u></u>
<b>Total equity and liabilities</b>		<u><u>449,893</u></u>	<u><u>505,563</u></u>

These financial statements have been approved for issue by the Board on 08 MAY 2019

  
Paul Hodoul - Chairman  
Director

  
Andre Ciseau  
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(a)(i) to 2(a)(ii)



## INCOME STATEMENT - YEAR ENDED DECEMBER 31, 2018

	Notes	2018	2017
		SCR'000	SCR'000
Port related services	2(l)(i)	193,117	161,263
Hire of boats		2,242	1,862
Rental income	2(l)(ii)	10,101	9,533
Other income	15	1,528	990
Gross income		206,988	173,648
Cost of services		(14,346)	(14,741)
		192,642	158,907
Staff costs	16	(60,136)	(50,667)
Premises costs	17	(6,014)	(6,958)
Operating overheads	18	(18,416)	(9,960)
Foreign exchange (loss)/gain		(2,586)	10,216
Movement in provision for credit impairment	9(b)	(1,201)	1,222
Net depreciation	5(b)	(12,497)	(16,098)
Amortisation	6	(80)	(67)
Profit before tax		91,712	86,595
Tax expense	13	(30,588)	(24,497)
Profit for the year		61,124	62,098

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



## STATEMENT OF CHANGES IN EQUITY - YEAR ENDED DECEMBER 31, 2018

	Notes	Capital grant SCR'000	Capital reserve SCR'000	Retained earnings SCR'000	Total SCR'000
Balance at January 1, 2018		19,296	13,347	323,605	356,248
Profit for the year		-	-	61,124	61,124
Grant of shares in Ile Du Port Handling Service Ltd Transferred back to SSI	7	(19,296)			(19,296)
Release to income statement in respect of depreciation charged	5(b)	-	(1,300)	-	(1,300)
Balance at December 31, 2018		-	12,047	384,729	396,776
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

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

## CASH FLOW STATEMENT - YEAR ENDED DECEMBER 31, 2018

	Notes	2018 SCR'000	2017 SCR'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		91,712	86,595
<i>Adjustments for non-cash items:</i>			
Depreciation	5(b)	12,497	16,098
Amortisation	6	80	67
Increase/(Decrease) in provision for credit impairment	9(b)	1,201	(1,222)
Retirement benefit obligations charge	12	4,228	3,466
Write-off of property and equipment	5	553	90
(Loss)/Profit on disposal of property and equipment	15/18	50	(137)
Interest accrued	8	(857)	-
		<u>109,464</u>	<u>104,957</u>
<i>Changes in working capital:</i>			
Decrease/(Increase) in inventories		901	(655)
(Increase)/Decrease in trade and other receivables		(19,097)	7,487
(Decrease)/Increase Trade and other payables		(1,052)	4,787
		<u>90,216</u>	<u>116,576</u>
Tax paid	13(a)	(125,859)	-
Gratuity and compensation paid	12	(4,103)	(3,185)
<b>Net cash (outflow)/inflow from operating activities</b>		<u>(39,746)</u>	<u>113,391</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to property and equipment	5(a)	(5,928)	(17,951)
Proceeds on disposal of assets		-	175
Additions to intangible assets	6	(106)	(34)
Purchase of investment financial assets	8	(85,233)	-
Proceeds from redemption of investment in financial assets	8	22,688	-
<b>Net cash outflow from investing activities</b>		<u>(68,579)</u>	<u>(17,810)</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<u>(108,325)</u>	<u>95,581</u>
<b>Movements in cash and cash equivalents:</b>			
At January 1,		250,240	154,659
(Decrease)/Increase		(108,325)	95,581
<b>At December 31,</b>	10	<u>141,915</u>	<u>250,240</u>

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

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2018

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**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
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.

On May 15, 2018, the Board of Seychelles Port Authority (SPA) decided to transfer back the shares held by the Authority since 2016 to Societe Seychelloise d'Investissement Limited for the amount of USD 1.44m. The transfer was subsequently notarised on July 19, 2018. Consequently, the investment amount in Associate of SCR 19.3m in IPHS was derecognised as well as the corresponding Capital Grant amount in 2018.

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

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

Held-to-maturity financial assets are non-derivative instruments with fixed or determinable payments and fixed maturities that the Company has the positive intention and ability to hold to maturity. Interest on held-to-maturity financial assets are included in the income statement. Held-to-maturity financial assets are treasury bills which are recognised initially at fair value and subsequently at amortised cost using the effective interest method.

**(ii) 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 amounts of trade receivables approximated their amortised costs.

**(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) 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.

**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(iv) Trade and other payables (Cont'd)**

The carrying amount of trade payables approximate their amortised cost.

**(v) 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.

**(vi) 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.

**(g) 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.

**(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.

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

**(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**

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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (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.

## 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.



NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2018

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**3. FINANCIAL RISK MANAGEMENT****(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.

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2018

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

**(iii) 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.

**(iv) 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.

**(v) 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, 2018

## 5. PROPERTY AND EQUIPMENT

	Jetty Construction	Improve-ments to buildings	Tugs buoys & launches	Pontoons	Boats & outboard engine	Machinery equipment & tools	Office equip-ment	Furniture & fittings	Motor vehicles	Other assets	Work-in-progress	Total
	SCR'000	SCR'000	SCR'000	SCR'000	SCR'000	SCR'000	SCR'000	SCR'000	SCR'000	SCR'000	SCR'000	SCR'000
(a) <u>COST/DEEMED COST</u>												
At January 1, 2017	-	3,838	98,613	639	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	16,574	98,613	639	62	3,904	3,620	1,529	10,273	4,260	31,678	247,399
Additions	-	-	301	-	-	167	424	351	805	572	3,308	5,928
Transfer	29	986	-	-	-	-	-	-	-	-	(1,015)	-
Write-off	(550)	-	-	-	-	-	-	-	-	-	(3)	(553)
Disposals	-	-	-	-	-	-	(106)	(20)	-	(28)	-	(154)
At December 31, 2018	75,726	17,560	98,914	639	62	4,071	3,938	1,860	11,078	4,804	33,968	252,620

ACCUMULATED DEPRECIATION

At January 1, 2017	-	1,280	43,988	370	56	1,966	2,530	766	5,012	2,362	-	58,330
Charge for the year	6,100	1,223	6,574	32	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	402	58	2,527	2,882	1,001	6,448	2,979	-	75,462
Charge for the year	3,028	881	6,578	32	2	559	351	279	1,516	571	-	13,797
Disposal adjustment	-	-	-	-	-	-	(82)	(17)	-	(5)	-	(104)
At December 31, 2018	9,128	3,384	57,140	434	60	3,086	3,151	1,263	7,964	3,545	-	89,155

NET BOOK VALUE

At December 31, 2018	66,598	14,176	41,774	205	2	985	787	597	3,114	1,259	33,968	163,465
At December 31, 2017	70,147	14,071	48,051	237	4	1,377	738	528	3,825	1,281	31,678	171,937

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2018

## 5. PROPERTY AND EQUIPMENT (CONT'D)

## (b) Depreciation

	2018	2017
	SCR'000	SCR'000
Depreciation charge (note 5(a))	13,797	17,398
Release from capital reserve (note 11)	(1,300)	(1,300)
<b>Net charge for the year</b>	<b>12,497</b>	<b>16,098</b>

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	
	2018	2017
	SCR'000	SCR'000
<b>COST</b>		
At January 1,	337	303
Additions	106	34
<b>At December 31,</b>	<b>443</b>	<b>337</b>
<b>AMORTISATION</b>		
At January 1,	203	136
Charge for the year	80	67
<b>At December 31,</b>	<b>283</b>	<b>203</b>
<b>NET BOOK VALUE</b>		
<b>At December 31,</b>	<b>160</b>	<b>134</b>

## 7. INVESTMENT IN ASSOCIATE

	2018	2017
	SCR'000	SCR'000
Ile Du Port Handling Services Ltd (note (a))	-	19,296

- (a) On May 15, 2018, the Board of Seychelles Port Authority (SPA) decided to transfer back the shares held by the Authority since 2016 to Societe Seychelloise d'Investissement Limited for the amount of USD 1.44m. The transfer was subsequently notarised on July 19, 2018. Consequently, the investment amount in associate of SCR 19.3m in IPHS was derecognised as well as the corresponding Capital Grant in the financial year 2018.

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2018

8. INVESTMENT IN FINANCIAL ASSETS	2018 SCR'000	2017 SCR'000
At January 1,	-	-
Addition for the year (note (a))	85,233	-
Redemption during the year	(22,688)	-
Interest accrued	857	-
<b>At December 31,</b>	<b>63,402</b>	<b>-</b>

- (a) The investment in financial assets is in respect of Treasury bills with interest ranging from 4.34% to 5.05% with maturity dates varying between 14 January 2019 to 23 February 2019.

9. TRADE AND OTHER RECEIVABLES	2018 SCR'000	2017 SCR'000
<b>Trade receivable:</b>		
Port and other port related fees receivable	70,738	47,508
Provision for credit impairment (note 9(b))	(3,516)	(2,315)
	<b>67,222</b>	<b>45,193</b>
<b>Other receivable:</b>		
Prepayments	1,687	1,442
Staff loan	7,867	12,147
Other receivables	1,487	1,585
	<b>78,263</b>	<b>60,367</b>

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

	2018 SCR'000	2017 SCR'000
Seychelles Rupee	69,937	53,037
Euro	7,993	6,966
US Dollar	333	364
	<b>78,263</b>	<b>60,367</b>

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

	2018 SR	2017 SR
At January 1,	2,315	3,537
Charge/(Credit) for the year	1,201	(1,222)
<b>At December 31,</b>	<b>3,516</b>	<b>2,315</b>

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2018

**10. CASH AND CASH EQUIVALENTS**

	<u>2018</u>	<u>2017</u>
	SCR'000	SCR'000
Bank balance	141,901	250,226
Cash in hand	14	14
	<u>141,915</u>	<u>250,240</u>

**11. 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.

The movement in capital reserve is as follows:

	<u>2018</u>	<u>2017</u>
	SCR'000	SCR'000
At January 1,	13,347	14,647
Charge for the year (note 5(b))	(1,300)	(1,300)
At December 31,	<u>12,047</u>	<u>13,347</u>

**12. 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>2018</u>	<u>2017</u>
	SCR'000	SCR'000
At January 1,	6,001	5,720
Charge for the year (note 16)	4,228	3,466
Payments made during the year	(4,103)	(3,185)
At December 31,	<u>6,126</u>	<u>6,001</u>

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2018

**13. TAX LIABILITY**

## (a) Balance Sheet

	<u>2018</u>	<u>2017</u>
	SCR'000	SCR'000
At January 1,	125,840	101,343
Current tax charge for the year (note 13(b))	30,588	24,497
Tax paid during the year	(125,859)	-
<b>At December 31,</b>	<b><u>30,569</u></b>	<b><u>125,840</u></b>

## (b) Income Statement

	<u>2018</u>	<u>2017</u>
	SCR'000	SCR'000
Current tax on the adjusted profit for the year at applicable rates (note 13(d))	30,569	24,497
Overprovision in a prior years	19	-
	<b><u>30,588</u></b>	<b><u>24,497</u></b>

## (c) Reconciliation between taxable and accounting profits is as follows:

	<u>2018</u>	<u>2017</u>
	SCR'000	SCR'000
Profit before tax	<b><u>91,712</u></b>	<b><u>86,595</u></b>
Tax calculated at applicable tax rates	27,464	25,929
Expenses not deductible for tax purposes	5,257	1,948
Accelerated tax depreciation	(2,152)	(3,380)
	<b><u>30,569</u></b>	<b><u>24,497</u></b>

## (d) Applicable tax rates are as follows:

<u>Taxable income</u>	<u>2018 &amp; 2017</u>
	Tax rates - %
≤ SR. 1,000,000	25
> SR. 250,000	<b><u>30</u></b>

**14. TRADE AND OTHER PAYABLES**

	<u>2018</u>	<u>2017</u>
	SCR'000	SCR'000
Trade payables	3,463	8,865
Other payables	11,876	7,665
Deposits	1,083	944
	<b><u>16,422</u></b>	<b><u>17,474</u></b>

## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2018

15. OTHER INCOME	2018 <u>SCR'000</u>	2017 <u>SCR'000</u>
	-	137
Profit on disposal of assets	1,469	802
Interest received	59	51
Miscellaneous income	<u>1,528</u>	<u>990</u>
16. STAFF COSTS	2018 <u>SCR'000</u>	2017 <u>SCR'000</u>
Salaries and wages	52,371	44,331
Gratuity and length of service provision (note 12)	4,228	3,466
Other staff costs	3,537	2,870
	<u>60,136</u>	<u>50,667</u>
17. PREMISES COSTS	2018 <u>SCR'000</u>	2017 <u>SCR'000</u>
Rent	366	1,452
Electricity and water	4,186	4,551
Repairs and maintenance	1,355	856
Insurance	107	99
	<u>6,014</u>	<u>6,958</u>
18. OPERATING OVERHEADS	2018 <u>SCR'000</u>	2017 <u>SCR'000</u>
Advertising, entertainment and donations	1,077	2,258
Bank charges	178	33
Board members' fees (note 18(a))	108	116
Communication costs	746	874
Bad debts	25	-
Local travel and conveyance	664	637
Loss on disposal of assets	50	-
Office equipment maintenance	691	1,520
Other operating overheads	7,318	962
Overseas travel, subsistence and training	2,391	871
Professional and consultancy fees	3,299	1,024
Stationery, postage and subscriptions	897	676
Vehicle maintenance	972	989
	<u>18,416</u>	<u>9,960</u>



## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2018

**18. OPERATING OVERHEADS (CONT'D)****(a) Board members' fees:**

	<u>2018</u>	<u>2017</u>
	SCR'000	SCR'000
Andre Ciseau	36	36
Antonakas Alexandre	-	8
Doreen Bradburn	36	36
Paul Hodoul	-	-
Leslie Benoiton	36	36
	<u>108</u>	<u>116</u>

**19. CAPITAL COMMITMENTS**

	<u>2018</u>	<u>2017</u>
	SCR'000	SCR'000
Authorised and contracted for	101,151	233,157
Authorised but not yet contracted for	6,000	-
Total capital commitments	<u>107,151</u>	<u>233,157</u>

**20. CONTINGENT LIABILITY**

- (a) On December 31, 2018 there were pending court cases against SPA for termination of employees since 2017 and which is still pending for the final court outcome.
- (b) Seychelles Petroleum Company Limited (Seypec) is disputing the Pipelines dues paid to SPA in the period 2008 to 2013 on the rate of SCR 25.00 per metric tonne based on the letter of instruction dated 31st July 2008. This was during the period of the revision of S.I No. 20 of 2002 when the pipeline dues was SCR 15 per metric tonne. Seypec is claiming the SCR 10 per metric tonne difference amounting to SCR 18million as an overpayment, even though they have settled the payments and had agreed for the rate back then. SPA is not in agreement with Seypec's sudden claim as this was based on mutual agreement and was promptly settled. No provision has been made for such a claim in these financial statements.