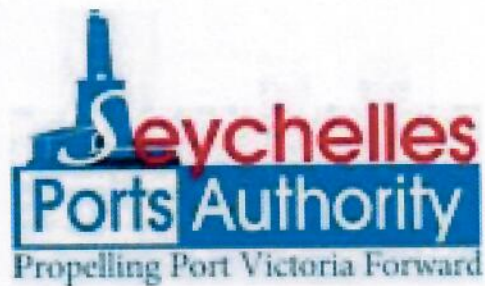




ANNUAL REPORT

2016/2017



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APPENDICES

1. Independent auditors report year ending 2017

CORPORATE INFORMATION

The SPA is governed by a Board of Directors and since 2004 has adopted a business oriented approach in its activities over all areas in its jurisdiction in an effort to maximize revenues.

SPA Board of Directors

PAUL HODOUL	CHAIRMAN
ANDRE CISEAU	CHIEF EXECUTIVE OFFICER/DIRECTOR
DOREEN BRADBURN	DIRECTOR
LESLIE BENOITON	DIRECTOR
MONICA BONALET	DIRECTOR
ALEXANDRE ANTONAKAS	DIRECTOR

FOREWORD BY CHIEF EXECUTIVE OFFICER

Col. Andre Ciseau
Chief Executive Officer

I am delighted to present the 2016/2017 edition of the Annual Report and annexed Financial Statements for 2017.

In line with the Authority's policy and tradition, the Annual Report highlights the Management commitment to ensuring progress and providing a comprehensive illustration of the port's performance for the mentioned years.

In terms of container volume, Port Victoria handled a total of 59,682 TEUs in 2016 and 67,891 TEUs in 2017, representing a significant 14% increase for both import and export volumes. The increase is mainly attributed to the industrial fishing activities whereby the export of brine (and ultra) frozen tuna in refrigerated containers has kept increasing over the two years.

During the period under review, Port Victoria achieved some remarkable success on the regional and international level. Having won the World Travel Award for the Leading Cruise Port of the Indian Ocean Region for 2016, Port Victoria won it again for the 2017 edition, for the fifth consecutive years running and making it the sixth time in total. As recently as November 2017, Port Victoria was once more in the limelight by clinching the award for 'The best performance/progression for

traffic growth 2015 – 2016' at the third edition of the African Ports Award ceremony which was held in Livingstone, Zambia in November 2017.

The cruise tourism sector saw a 30% increase in the number of cruise ships calling Seychelles, from 27 calls in 2016 to 35 in 2017. Marketing Seychelles and Port Victoria as a cruise ship and tourism destination is a collective and continuous endeavour. In this respect, SPA is cognisant of and thankful to the public and private efforts of all partners including the Ministry of Tourism, the Seychelles Tourism Board, the Destination Management Companies, the shipping agencies, the tourism establishments, the terminal operators, the general public and all others who contribute tirelessly, invest resources or facilitate processes to foster a positive image of the country as one of the greatest tourism destinations

With a major redevelopment and extension plan expected to begin in the near future, SPA is convinced that Port Victoria will further stand out amongst the big ports of the region and internationally. It will certainly become an even more important regional link, as it is geographically well positioned between Asia and Africa. The extension project will foster greater economic growth for Seychelles as it will cater for more and bigger vessels, trade volumes and provide more business opportunities locally.

The publication of this Report, which is itself a very demanding task, could not have been possible if not for the good co-operation and contributions of the various Departments and staff of SPA, as main sources of primary data.

On behalf of the Board of Directors, I take this opportunity to thank all the hardworking and devoted employees of SPA, partners and stakeholders for their support and cooperation, enabling SPA to thrive amidst all challenges, and living up to its motto; '*Propelling Port Victoria forward*'.

About the Seychelles Ports Authority

The Seychelles Ports Authority (SPA) was established in October 2004 through the Seychelles Ports Authority Act. It is responsible for the operation of the two international quays; the Commercial Port and the Industrial Fishing Port, and four local jetties namely: Inter Island Quay on Mahe, Baie Ste. Anne Jetty and Eve Island Jetty on Praslin, and La Digue Jetty.

The SPA also administers over 1663 nautical square miles of the Victoria Port Limit including the management of berthing and movement of vessels in and out of Port Victoria inner Harbor.

One year after the creation of SPA, Port Victoria began operating on a 24 hour basis all year round. This strategic move has brought about very good results for the country and SPA has been instrumental in getting Port Victoria to achieve greater potentials. Prior to being operational on a 24 hour basis, Port Victoria operated from 0600hrs to 1800hrs and thus most of the services could not be rendered after 1800hrs.

The round the clock service has greatly alleviated the port congestions at both the Fishing ports and Commercial Ports, as vessels can now enter and leave at any time by simply giving at least 4 hours' notice and six hours' notice between 0800hrs to 1600hrs and 1800hrs to 0800hrs respectively. In addition, this has better positioned Port Victoria as a top choice Port for vessel to call at.

Port Victoria is without doubt the most strategic point in Seychelles, with above 95% of consumables coming through it. As such, to propel Port Victoria forward, there need to be a firm leadership partnering with key players in the improvement and growth of ports in Seychelles.

Under the strong leadership of its Parent Ministry, Board of Directors, Chief Executive Officer and management team, the SPA has harness synergies with all key partners and stakeholders, aiming to transform Port Victoria into a regional hub.

Name of Quays and Location

Table 1.

Commercial Port Mahe Quay	Mahe
Industrial Fishing Port	Mahe
Ile du Port (Zone 14)	Mahe
Inter Island Quay	Mahe
Baie St Anne Jetty	Praslin
Eve Island jetty	Praslin
La Digue Jetty	La Digue

Vision

SPA's vision is to transform and sustain Port Victoria as a viable Maritime Hub.

Mission

SPA's mission is to safeguard the maritime gateway to the Seychelles socio-economy by providing adequate and reliable port infrastructure and efficient services.

Main Objectives

SPA is guided by a set of objectives which includes:

- To maintain high level of services in its operations
- To pursue an annual revision of all tariffs to make them more attractive to clients without jeopardizing the quality of services
- To regularly review internal administrative procedures in order to make them simpler and more coherent
- To promote meaningful dialogue and consultations with all partners and stakeholders in order to achieve mutually beneficial relationships for the benefit of the industry and the country
- To effectively respond to developments in shipping technology with the aim of providing modern and cost effective facilities so as to attract more shipping lines
- To develop effective Port security strategies
- To continuously review SPA's policy on human resource development
- To pursue an aggressive marketing strategy for the promotion of the cruise ships and super yachts industry and port calls by military vessels
- To actively pursue profitable business opportunities
- To extend SPA services in the domain of transshipment
- To remain abreast of regional and international trends

Geographical position of Port Victoria

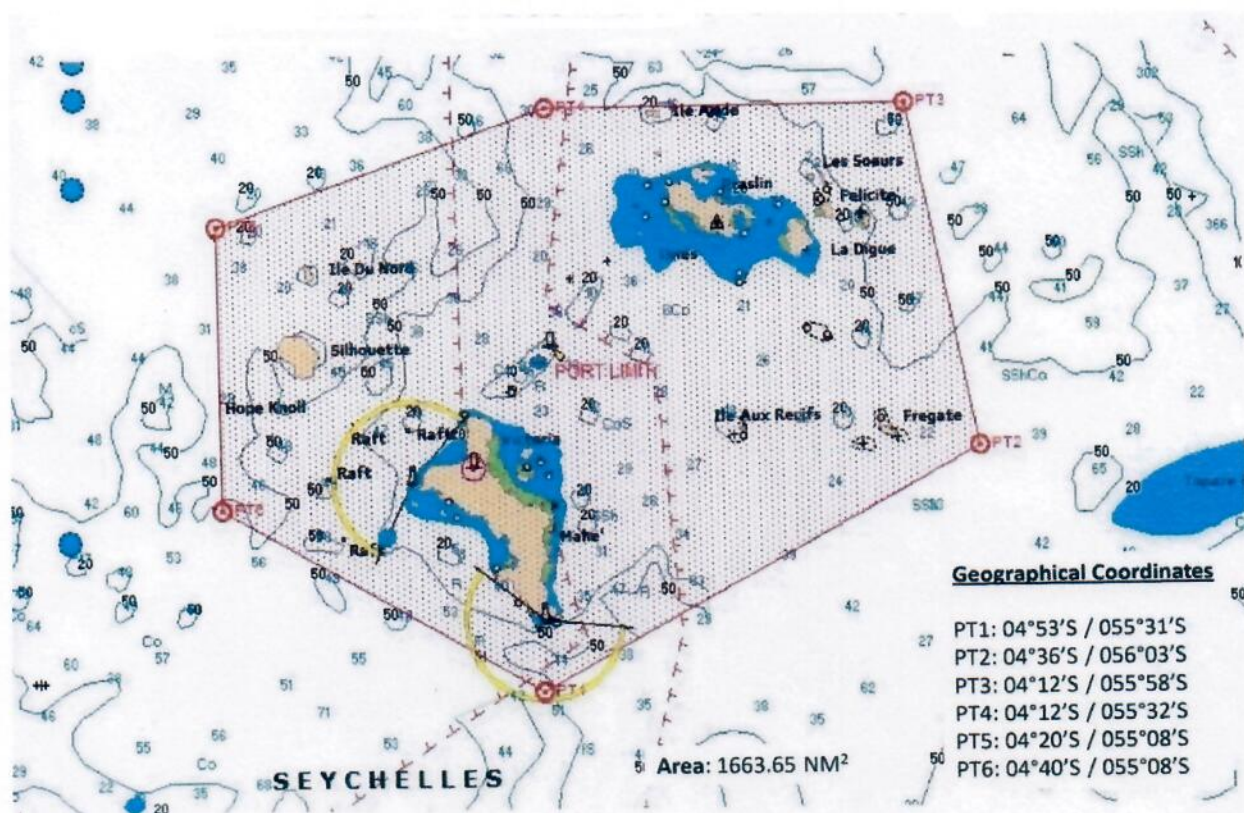


Figure 1. Harbour limit of Port Victoria

Port Victoria has an excellent geographical location which enhances its competitive advantage within the region. The port is considered a safe port haven for all types of ships. Its favorable location, being away from the cyclonic zones of the Indian Ocean plays an important role in distinguishing Port Victoria from other regional ports. This is in addition to the good competitive rates that SPA offers for all types of vessels.

The Commercial Port can accommodate vessels with a maximum draft of 11 metres and up to 295 metres in length. The port offers a wide range of services, which include facilitating commodity flows and distribution of materials and products, multipurpose storage facilities and fish transshipment. The industrial fishing accounts for approximately 80% of the overall port-related activities.

The port generates over 200 jobs directly and over 1,000 estimated indirectly.

Year in Review 2016/2017

During the year 2016 and 2017 the SPA continued in its quest to maintain Port Victoria as the most important fish (tuna) hub in the region, while at the same time consolidate the position of the port as a place of leisure for mariners including cruise ships and military sailors.

There are 6 functional departments within the SPA. All of them operate in collaboration with each other to ensure the delivery of services to all our clients.

Operations Department

This department, which encompasses, all marine related activities and services, including port security and safety falls directly under the supervision of the harbour master. It is the sole department within the SPA which operates on 24 hour basis. Its main functions includes assisting vessels with berthing and providing such services including mooring, tug, and pilotage.

During the years under review, the department recorded a total of 3,064 pilotage. Tugs assisted 1,605 times. Whereas Pilot launches performed 624 trips carrying technicians, official and materials to and from the Port Victoria anchorage. Major Improvement in time taken to assist vessels in terms of mooring activities, tug assistance, and pilot boarding vessels was observed. Turnaround time of vessels remained constant, with delays recorded only during the cruise season, which is September to March of each year.

The Department was also active in 5 salvage operations, despite limitation in equipment to carry out salvage operations. It is common knowledge that marine casualties occur in or around the approaches to port and if not properly and rapidly dealt with represent the potential to cause a major hazard to other vessels; port infrastructure and the serious economic consequences of interruption to normal flows of cargo and port operations. Despite lack of specific equipment to carry out salvage operations, SPA prides itself in possessing the necessary skills and knowledge to assist in these sort of operations; hence, the common belief amongst its workers, that "no job is impossible". This was showcased during the salvage of South Korean flagged tuna vessel "Oriental Kim" in March 2016. The department also assisted 4 medical evacuations, and participated in search and rescue operations.

All 6 vessels manned by the Department were docked for maintenance work and classification certificates were received for all of them.

Baie Ste. Anne Jetty, Praslin and La Digue Jetty

The two jetties on Praslin and one on La Digue are manned by staff of the Operations Department and they assist with ensuring safety for all. Praslin and La Digue are well frequented by tourists and locals. Over these two years, SPA has continuously invested in maintenance of these jetties and upkeep with the objective of facilitating the lives of their users. The table on page 25 depicts the flow of passengers for these jetties.

Future plan for the Operations Department is to ensure that level of service remains at a high, and to enhance the current communication network with all local jetties.

Business Development

The Business Development Department has the overall responsibility of generating revenue growth and identifying cost factors that impact on the performance of the Authority. This strategy is focused on maximizing net revenue which in turn gives the SPA greater leverage in its development agenda in infrastructure and human capital, taking into account that it depends on its own finance resource.

In order to achieve its objectives, it assumes three main strategic orientations:

- 1) Focusing on the statutory framework of the SPA to ensure that appropriate dues and charges remain relevant to current economic realities and current market trend locally and internationally.
- 2) Identifying new business opportunities and assessing economic viability of infrastructure projects to ascertain the risk elements and ensure positive return on investments.
- 3) Maintain focus on existing business activities to ensure compliance, conformity and financial performance in line with the vision and mission of the SPA.

During the years 2016/2017 its main focus was in line with its main responsibilities; that is, focusing on the economic and financial strategy and planning including the development and management of the relevant policies.

A full review of the Harbour Dues Regulations and the SPA Act commenced in 2016 and is still ongoing. The department also keeps abreast of any new laws or

regulations to ensure that the Authority is up to date legally to face all emerging challenges in the port industry.

The department also manages the lease agreements of tenants to ensure the maximum collection of dues in a timely and efficient way. It is also responsible for maintaining an appropriate and reliable statistical data base as a basis for trend analysis and policy/ strategy reviews.

Human Resources and Corporate Services

Human Resources remain at the centre of SPA's development. In order to support SPA's mission and objectives this department operates with a set of key strategies which focuses on equitable policies, effective leadership and continuous growth through opportunities.

Staff Gender Distribution

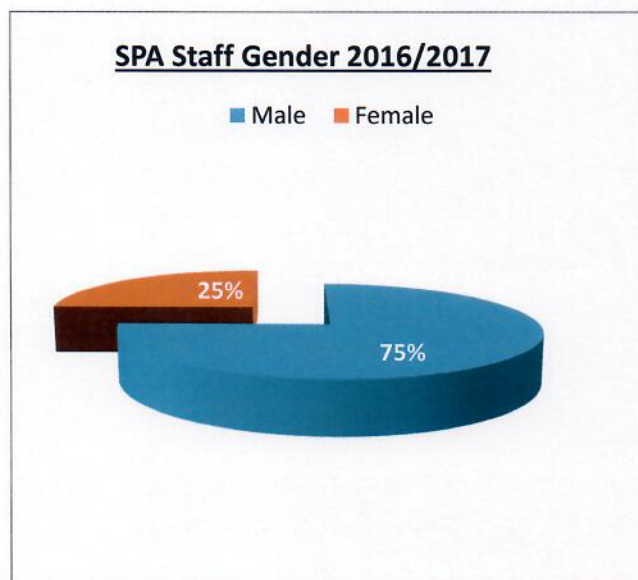


Figure 2. SPA staff gender distribution

SPA's staff distribution represents a strong male based workforce of 75%. Whilst this does not necessarily reflect on SPA's recruitment strategy, it shows that port related jobs are still predominantly male-focused.

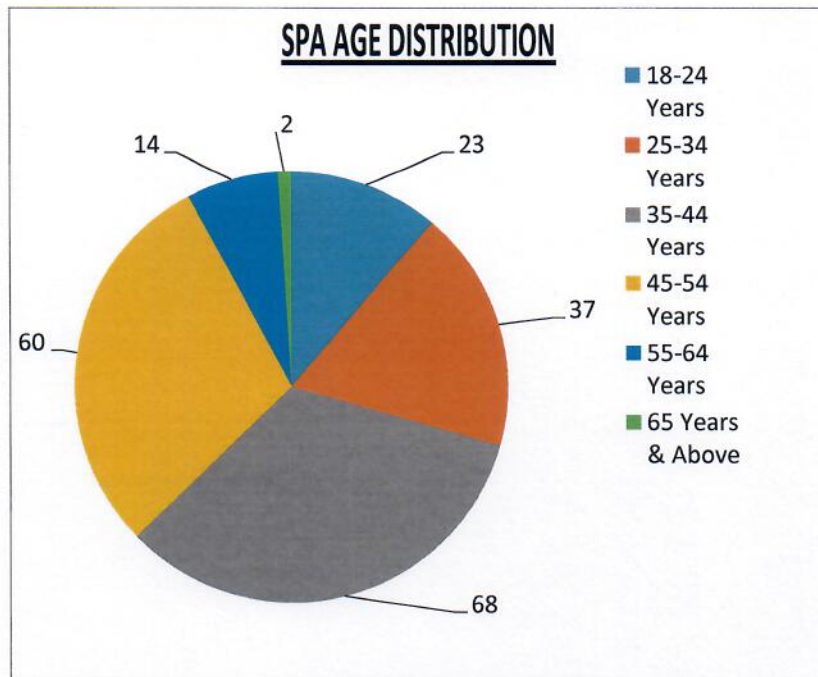


Figure 3. SPA staff age distribution

Training and Development

During the years 2016/2017, 11 employees attended and graduated from various courses attended at Guy Morel Institute at diploma and certificate level in general management, human resource management and office management, whilst 03 employees attended courses at post graduate level in maritime law, gender balance and project management. A series of local workshops focusing on service delivery, safety, and security aspects were also organized.

To ensure the effective running of the organisation in terms of its human resource, a functional review was conducted to identify the strengths and weaknesses in its human resource management and to come up with recommendation on how for improvement.

A team building retreat for management staff was conducted in 2017, in order to foster team building, to identify the strength and weaknesses, and identify the personality type of team members.

In 2017, the department also started to use newly installed Human Resource Information System. This has proven to be more effective, and improved administration of staff records.

Port Security

SPA adheres to various national, regional as well as international standards and norms. The commercial port of Victoria became ISPS compliant in June 2004 and the industrial fishing port became ISPS compliant in December 2005.

In 2016, the facilities at commercial port and the industrial port were inspected by the Seychelles Maritime Safety Administration (SMSA). The main objective of the inspections was to address all issues that may be a threat to security. As per norm, the ports are usually inspected every 5 years by SMSA and every 2 years by the US Guard.

During 2017, a lot of renovation and upgrading have been done to infrastructure being used by the department and the Authority continues to place emphasis on environment security and safety. In May 2017, an exhibition was set up with the objective to display all the duties of the port security. The exhibition also showcased the types of equipment used to maintain law and order within the port. In line with SPA's objective of improving service delivery, staff training started in February 2017, with the aim of sensitizing them of the vital roles and responsibilities of their duties. This included basic information on how to conduct patrol and keep watch over the port premises, how to detect and identify potential risks and threats such as security threats, phytol-sanitary risks and bio-security threats as well as other hazards that should be reported to the higher authorities.

Practical Training sessions with the Public Service Security Wing (PSSW) from the Seychelles Police were conducted to train security officers in many aspects of their duties. The police also provided all the participants with a certificate after the completion of the said training.

A full-scale emergency response exercise was conducted in April 2016 involving all stakeholders operating on Mahe commercial quay and surrounding businesses. This was necessary to highlight potential deficiencies in response plans and procedures, comprehension of individual roles and responsibilities, and partnership coordination.

Regional and International Cooperation

Through regional and international co-operation and strong collaboration with all partners and stakeholders, the management and staff of SPA aim at making Port Victoria the favored Port of call in the region

as well as continuously improving on the services it offers. To strengthen its relationship regionally SPA joined the Association of Ports of the Indian Ocean Islands (APIOI) as far back as May 2007.



The executive members of the APIOI in a souvenir photo in 2017.

In November 2017, SPA hosted a regional technical workshop on the mutual training plan for the port members APIOI.

The workshop which was organized by the Union of the Chamber of Commerce and Industry of the Indian Ocean (UCCIIOI) in collaboration with APIOI, saw participants from Mauritius, Reunion, Mayotte, Comoros and Seychelles. This event came to fruition through the existing Memorandum of Understanding (MoU) between UCCIIOI and APIOI.

The aim of the workshop was to discuss at length the maritime-related works of the member ports and the need to increase commercial capacities in the Indian Ocean region. The participants deliberated on the training needs that would further the professional development of their human resources, standardization of key port services and practices, sharing of common information vital for port operations, amongst other aspects of capacity building.

The main emphasis was put on establishing the following items of the agenda:

- Validation of a mutual training plan for the member countries of APIOI.
- The selection of priority training modules that would be handled by UCCIIOI

- The means of mobilization and preparing action plans for other identified modules deemed pertinent for the training plan.



A group photo of some participants of the workshop

Port Victoria which is also a strong active member of the Port Management Association for Easter and Southern Africa (PMAESA), hosted back to back PMAESA annual conference in 2016 and 2017.

SPA has over the years established and maintained a strong programme of engagements with regional and several international ports. By virtue of its membership of PMAESA and APIOI, automatic Memoranda of Understanding with these ports are in effect. Sister-ship agreements with other major ports exist such as the Port of Marseille (France) and others are under various stages of consideration such as with Port of Antwerp (Belgium), Cyprus Port Authority, Malta Port Authority (both in the Mediterranean Sea), Port Authority of St. Maarten (in the Caribbean), Solomon Islands (in the Pacific Ocean) and lately SPA has expressed a similar engagement with the Nagoya Port Authority of Japan.

Strong collaborations, training and exchanges in the development of port management and strategies feature prominently in many of these sister-ship agreements.

Recent success stories in summary

Port Victoria won the World Travel Award for the leading cruise port of the Indian Ocean Region for 2016 and 2017 for the fourth and fifth consecutive years running and for the sixth time in total - (that was in 2010 and 5 times consecutively from 2013 to 2017).

Port Victoria also clinched the award for 'The best performance/progression for traffic growth 2015 – 2016' at the third edition of the African Ports Award ceremony which was held in Livingstone, Zambia in November 2017.



The winning trophy



The CEO of SPA, Col. Andre Ciseau, receiving the Award from Hon. Brian Mushimba, Zambia's Minister for Transport & Communications, in the presence of Madam Nozipho Mdawe, PMAESA's Secretary General.

The cruise ship "MS Queen Victoria" made her maiden call to Seychelles on 11th APRIL 2016 and in doing so set the record for the longest vessel of her category to have ever docked at Mahe Quay.

On the 9th of April 2017, Port Victoria welcomed the cruise ship, "MS Queen Elizabeth" (the sister ship of MS Queen Victoria) on her maiden call to Port Victoria, with a record 1,917 passengers and 914 crew onboard. Despite having a similar overall length of 294 metres, "MS Queen Elizabeth" is slightly larger and bulkier than "MS Queen Victoria" hence is entitled to be holding the record for the largest vessel to have ever docked at Mahe Quay.

Port Call Statistics

Port calls by category of vessels

SHIPS CALLING	2015	2016	2017
Cruise Ships	26	27	35
Container Cargo	153	134	137
General Cargo (Break-bulk)	1	0	0
Oil Tanker	30	37	38
Gas Tanker	3	3	4
Cement Tanker	2	4	2
Reefer Vessels	54	54	54
Fishing Vessels	526	592	539
Naval Vessel / Auxiliaries	50	37	43
Research	3	0	3
Yachts	60	59	74
Tug	5	6	6
Supply Vessel	108	126	150
Dredger	0	0	0
Long Liner	123	130	108
Other	37	37	29
Total	1,181	1,246	1,236

Table 2. Port calls by category of vessels

Source - SPA

Port calls for 2017 has decreased by 10 calls compared to 2016. This decrease is mainly due to a fall in calls of fishing vessels (53) and long-liners (22). Cruise ships calls recorded an increase of 8 calls, whilst yachts and supply vessels also recorded increases of 15 and 24 calls, respectively.

The decrease in the number of calls for fishing vessels is directly related to the quota restriction on the catch of yellow fin tuna, imposed by the Government (through SFA) during 2017.

The decrease in the number of calls for long-liners is related to multiple complexities associated with this type of fishing, such as high costs, low catch of targeted species and market trends. Such factors directly impact the number of fishing trips such vessels undertake in a given period.

The increase in the number of calls for cruise ship comes as a result of the undying marketing effort of all the local partners and stakeholders, Seychelles Tourism Board (STB), the Ministry of Tourism and SPA, through its involvement locally, regionally and internationally. The promotion of cruise tourism has been the household theme on the agendas of various meetings, workshops and

conferences - all in a bid for the African and Indian Ocean Region to get a bigger market share of the world's cruise industry and draw maximum revenue.

The increase in the number of yacht calls is attributed to the same strategy undertaken for the promotion of the cruise tourism in the region.

Berth Occupancy

BERTH STATIONS	Occupancy rate 2014	Occupancy rate 2015	Occupancy rate 2016	Occupancy rate 2017
Mahe Quay North	87.10%	106.00%	86.70%	78.72%
Mahe Quay Middle	78.20%	68.50%	79.80%	34.34%
Mahe Quay South	74.50%	95.90%	82.00%	75.92%
Fishing Port B1	77.10%	59.24%	140.90%	78.50%
Fishing Port B2	155.80%	166.10%	163.70%	163.17%
Fishing Port B3	172.80%	164.70%	199.90%	191.65%
Fishing Port B4	99.50%	95.20%	111.60%	121.46%
Fishing Port BP	75.40%	80.10%	63.30%	66.92%
English River Buoys	25.60%	14.60%	2.90%	6.42%
Tuna Buoys	55.20%	31.50%	56.30%	59.17%
Ile Du Port	N/A	N/A	74.00%	78.70%
IPHS Quay	N/A	N/A	113.70%	221.71%
PORT OCCUPANCY	90.10%	88.20%	97.60%	98.06%

Table 3. Berth Occupancy

Source SPA

Berth occupancy rates have almost reach alarming level of 98.06% in 2017, an increase of 1.0% over 2016. As per international standard, a berth occupancy of below 70% suggest a port is being under utilised and a berth occupancy of above 75% suggest that the port is being over utilised.

The berth occupancies above 100% are all related to the multiple berthing system at the fishing ports. The prime objective is to undertake their port operations in the shortest possible delay and head back to fishing grounds.

Berth occupancy is calculated based on the time duration that a vessel remains at berth over the maximum berth availability and time in a 24hour period.

On this basis, it is evident that Mahe Quay, Fishing Port and IPHS Quay are being heavily over utilized.

Cruise Sector

The cruise sector is particularly important because it plays an essential role in creating business opportunities to service providers, in addition to employment avenues in the port and the hinterland.



An iconic cruise liner making her final approach to dock at Mahe Quay.

Cruise ship calls statistics for the past five (5) years

Year	Number of Ships	Passengers	Crew
2013	10	7,392	No record
2014	11	6,955	No record
2015	26	21,083	10,906
2016	27	29,842	14,137
2017	35	35,464	15,463

Table 4. Cruise ship calls statistics for the past five (5) years

Source: SPA

A total of 35 cruise ships calls were recorded in Port Victoria for the year 2017. This represents an increase of 29.6% over the previous year.

The last time in recent years that the cruise ship calls per year surpassed the 30 mark was in 2009 when a total of 39 port calls were recorded. It is prudent to predict that that 2018 onwards could climax into high- performing years for the cruise tourism industry in Seychelles.

For the year 2017, a total of 35,464 passengers and 15,463 crew transited in Port Victoria, representing an increase of 18.82% and 9.41% respectively, from 2016.

The increase in the number of cruise passengers and crew is directly a result of the increase in the number of cruise ship calls at Port Victoria. It must also be noted that the cruise ship calls of 2017 has seen the calls of bigger cruise vessels and regular ones calling at fuller capacity (more passengers).

The increase in the number of cruise ships and passengers registered by SPA for the past season gives a further boost to the Blue Economy Concept that has become very much significant as part of the livelihood of maritime-forward countries such as Seychelles. Despite the containment of maritime insecurity issues in certain parts of the Indian Ocean region, the threat of piracy remains a pre-occupying concern to mariners and shipping companies trading in the region. Nonetheless, Seychelles is fortunate that the number of cruise ship calls continues to improve including by some of the faithful partners who continued to sail the region despite the difficult times in the past. Further increases are expected in the forthcoming 2017 – 2018 cruise season.

As mentioned earlier, on the 9th of April this year, almost exactly a year after “MS Queen Victoria” set the record for the longest vessel of her category to have ever docked at Mahe Quay (on 11th April 2016), Port Victoria welcomed her sister ship, “MS Queen Elizabeth”, on her maiden call to Port Victoria, with a record 1,917 passengers and 914 crew.



The majestic “MS Queen Elizabeth” of Cunard Lines, holding the local record for the longest cruise ship to have berthed alongside Mahe Quay.

Business Opportunities

When they visit our port, cruise ships bring about a number of opportunities for the local entrepreneurs and businesses. Despite space limitation at Mahe Quay and stricter security protocols that must be implemented during cruise ship calls, SPA exercises a degree of flexibility and grants privileged access to a number of local craft vendors and artisans inside the port to sell their products to passengers and crew members. In addition, taxi operators and tour guides are allowed similar privileges to conduct their trade under agreed conditions. Other businesses such as those servicing the vessel, e.g., refueling, waste removal, hire of high- rise equipment for external cleaning of the vessel, for diving operations, and so on all benefit.

By extending such flexibilities to local businesses and people to tap into part of, or have access to, this lucrative industry, the SPA does its utmost for Seychellois to benefit to the maximum whenever there are cruise ships for the country to optimize revenue through the direct links and in terms of the subsequent spill-over into the economy. SPA is therefore, encouraging small and other businesses in Seychelles to participate more innovatively in this industry, to continually improve their pricing, products and service quality, reliability and standards so that the vessels are inspired to outsource more of their product and service requirements to local businesses whilst in port.



Craft vendors making the most of the given opportunity to sell their products inside port

Regional Recognition

Port Victoria won the World Travel Award for the Leading Cruise Port of the Indian Ocean Region for 2017 for the fifth consecutive year running and for the sixth time in total - (that was in 2010 and 5 times consecutively from 2013 to 2017).



Port Victoria has been the proud recipient of the World Travel Award for the Leading Cruise Port in the Indian Ocean region 6 times (incl. for the past consecutive 5 years)

Coming in front of all other ports in the Indian Ocean region for five years in a row, speaks volume for the tireless commitment and effort SPA and other partners endeavor in ensuring that cruise ships passengers and crew get the best Seychelles' experience when calling to our shores.

Regional Cruise Strategy

As an active Board Member of the Port Management Association for Eastern and Southern Africa (PMAESA) representing the Indian Ocean Commission (IOC) Islands, the APIOI, on the 4th July 2017, the SPA hosted a cruise tourism strategy conference in Seychelles under the banner of the Cruise Indian Ocean Association (CIOA) which is itself a sub-association of the PMAESA. The conference was organized under the theme 'The role of integrated tourism as a method to revive cruise tourism', and saw the participation of key representatives of member countries, cruise liners and various local and international cruise tourism partners.

The PMAESA represents an alignment of synergies of the various port members of the Eastern and Southern region of Africa. This common front plays an important role in responding to the challenges at hand, ensuring that no opportunities are missed out and that the ports of the member countries remain at par in efficiency of the services offered.

With the recent development of the Cruise Africa idea, as part of the common African strategy to promote cruises in our region, Port Victoria being one of the most popular cruise destinations in our part of the world, was able to share its expertise with other ports in the Eastern and Southern African region.

As part of efforts to optimize resources and synergies and market collectively, PMAESA, CIOA and the Association of Ports of the Indian Ocean Islands (APIOI) have pledged their commitment to promote continental Africa and the Indian Ocean for cruise tourism that would benefit all member countries in drawing maximum benefits from this industry. With the added promotional support under the umbrella of the Vanilla Islands, the visibility and prospects of the Indian Ocean region as a cruise destination is set to increase further. As part of strategies, it is also vital to combine efforts and energies and find common marketing solutions to promote cruise tourism in such a way that ships stay longer when in the region and at the same time aim towards achieving an increasing share of the world's cruise tourism market.

The Cruise Africa Brand registered

The 'Cruise Africa' Brand which was initiated and discussed in Seychelles was officially registered under the PMAESA and presented during a PMAESA Conference held in Botswana in Zambia in November 2017.

During the conference, the Cruise Africa Brand was presented by PMAESA consultant for cruise strategy and former Minister of Tourism, Mr. Alain St. Ange, who made a resounding impact on the audience when deliberating on the importance to develop the approach of integrated tourism for Africa.



Col. Ciseau presenting the Chairman of PMAESA, Mr. Uirab with the Registration Certificate of the Cruise Africa Brand, in the presence of Mr. St. Ange, PMAESA's Consultant for Cruise Strategy

The presentation was followed by the handing over of the registration certificate of the 'Cruise Africa' Brand by Col. Andre Ciseau to the Chairman of the Board of PMAESA, Mr. Bisey Uirab. PMAESA will now manage the task of developing the brand through regional partnership mechanisms and in close collaboration with other regional organizations, for the promotion of cruise ships for the Africa region. This process will also entail the joint participation in the various tourism trade fairs across the world and working in parallel with many established tourism entities.

Domestic (inter-islands) passenger statistics

Inter Island Passengers

Inter Island Schooner Voyage	2015			2016			2017		
	Local	Visitors	Total	Local	Visitors	Total	Local	Visitors	Total
Mahe/Praslin	172,920	126,508	299,428	191,509	146,332	337,841	200,425	144,181	344,606
Praslin/Mahe	143,656	104,026	247,682	157,346	119,713	277,059	166,600	137,670	304,270
Praslin/La Digue	69,856	93,549	163,405	82,234	102,184	184,418	89,306	106,884	196,190
La Digue/Praslin	74,445	97,682	172,127	83,274	107,919	191,193	87,937	113,531	201,468
La Digue/Mahe	20,132	8,223	28,355	36,997	15,198	52,195	41,992	35,715	77,707
Mahe/La Digue	19,926	9,814	29,740	38,561	19,020	57,581	40,489	20,922	61,411
	500,935	439,802	940,737	589,921	510,366	1,100,287	626,749	558,903	1,185,652

Table 5. Inter Island Passenger Statistics for past 3 years
SPA

Source:

In 2016, a total of 1,100,287 inter island passengers were recorded compared to 940,737 for the previous year. This represents an increase of 17%.

The 1,185,652 inter island passengers for 2017 represents a 7.8 % increase from 2016. Local passengers and visitors have increased by 6.2% and 9.5% respectively from 2016 to 2017.

The increase in visitor passengers is directly related to the increase in the number of visitors to Seychelles - nationally registered by STB & NSB.

The increase in local passengers could be attributed to more inter-island activities being organized in 2017. This includes patronal feasts, sports, music, leisure, work etc.

Container Traffic

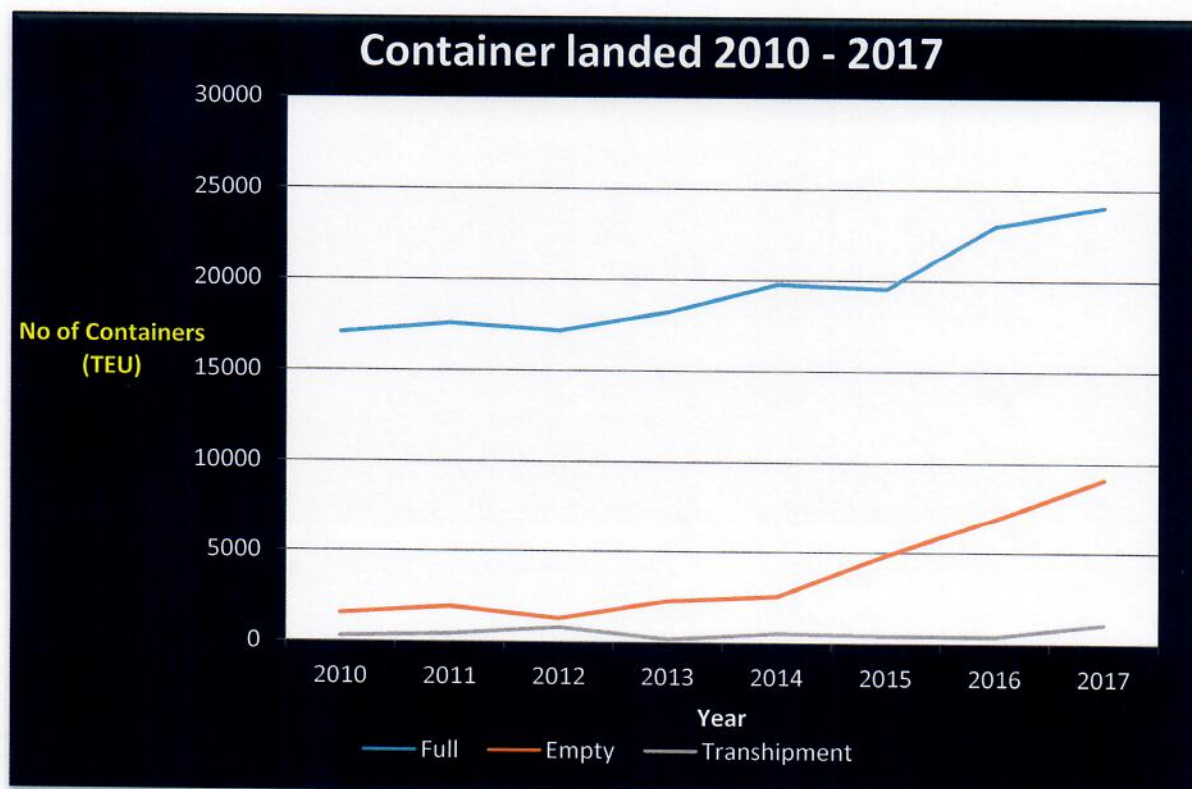
Number of Containers Landed (TEU) 2013 – 2017			
YEAR	FULL	EMPTY	TRANSSHIPMENT
2013	18,230	2,280	177
2014	19,788	2,550	508
2015	19,578	4,863	415
2016	23,045	6,919	395
2017	24,076	9,106	1,059

Table 6. Container traffic

Source: LML

An increase of 12.8% was recorded in containers landed, from 30,359 in 2016 to 34,241 in 2017. Full, empty and transshipment containers also recorded increases of 4.5%, 31.6% and 168.1%, respectively.

The number of full containers landed represents the import volume nationally. A steady annual increase of 4.5%, amid the increase in ocean-freight rates worldwide, suggests that local traders and individuals still retain a fairly healthy spending power.



Graph 1. Container landed 2010 – 2017

Source LML

The number of empty containers landed is directly linked to the raw tuna export business at Port Victoria. The export of brine frozen or ultra-frozen tuna has become 'the' most

popular trade within the industrial fishing industry in Seychelles. Raw tuna are loaded into 40'ft reefer containers for export, via fish loaders, and are eventually exported (loaded onto commercial cargo vessels) to destined buyers overseas. As such, empty containers landed in Seychelles refers to the empty 40'ft reefer units positioned by the cargo liners to cater for the raw tuna export out of Port Victoria.

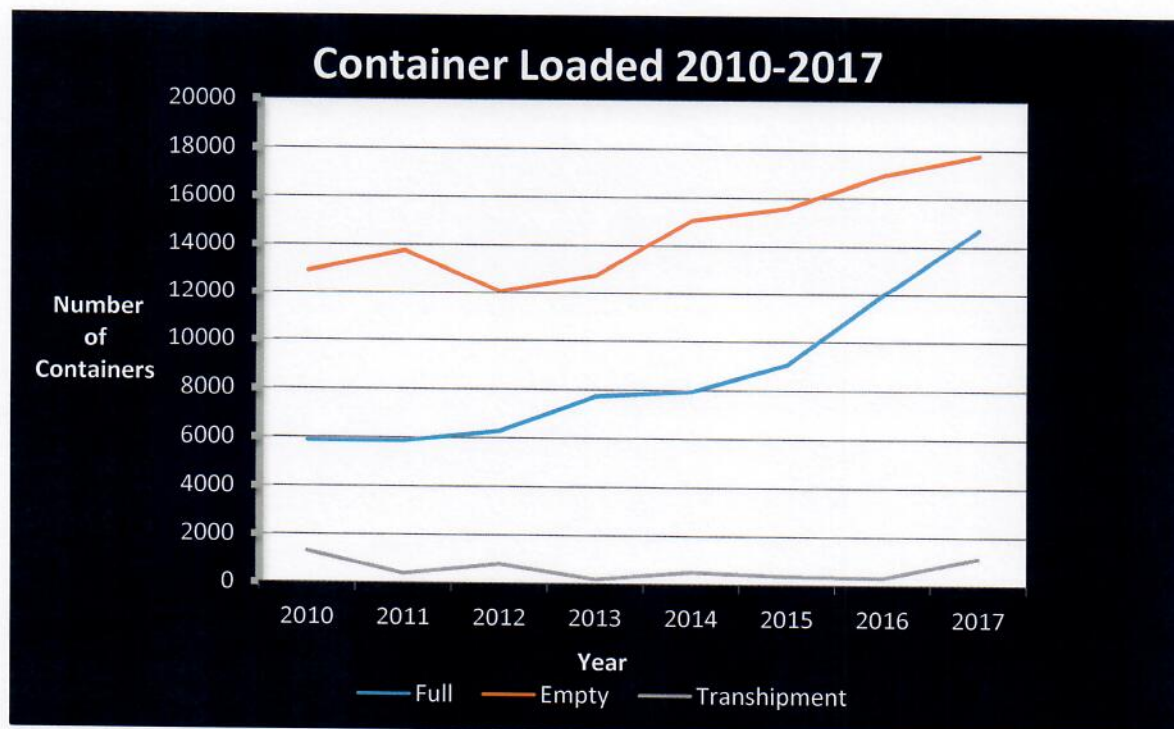
The transshipments landed consist of both empty and full units. The significant increase suggests a positive path for Port Victoria to somehow make way in handling larger transshipment volume and eventually turn into a regional transshipment hub.

Number of Containers Loaded (TEU)			
YEAR	FULL	EMPTY	TRANSSHIPMENT
2013	7,752	12,776	188
2014	7,942	15,074	501
2015	9,064	15,597	352
2016	12,025	16,977	321
2017	14,725	17,796	1,129

Table 7 . Containers loaded 2013 - 2017

Source: LML

Container loaded increased by 14.8% in 2017 compared to 2016. Full, Empty and Transshipment container loaded also recorded increases of 22.5%, 4.8% and 251.7%, respectively.



Graph 2 Container loaded 2010 – 2017

Source LML

The number of full containers loaded represents the export volume nationally. A significant annual increase of 14.8% suggests a very healthy production progress in the country. The main export product of Seychelles is tuna - exported as canned or raw (round fish) products. Canned tuna products are exported into 20'ft and 40'ft dry containers, whilst raw tunas are exported into 40'ft reefer containers. It must be said that the export of brine frozen and ultra-frozen tuna has boosted the export figures considerably over the past few years.

The number of empty containers loaded refers to the evacuation of empty units by the cargo liners out of Port Victoria. These empty containers are repositioned /re-deployed to deficit areas elsewhere. The empty units evacuated will consist mainly of dry containers (20'ft/40'ft) and 20'ft reefers. All 40'ft reefer units are purposefully retained to cater for the raw tuna business, however, all damaged and unrepairable units are evacuated.

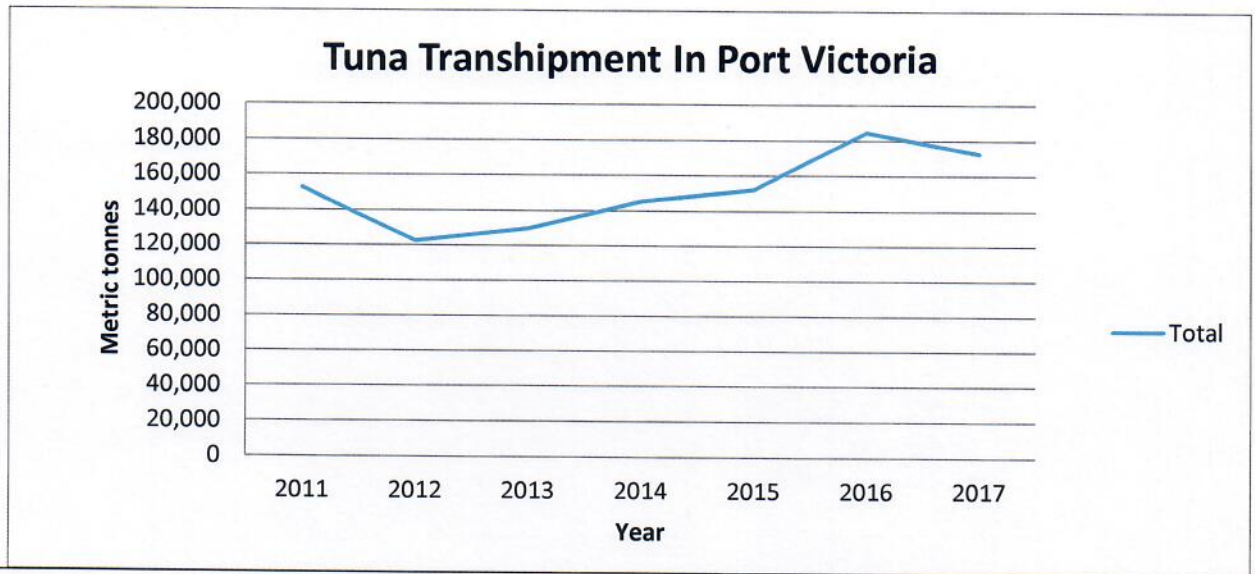
The transshipments loaded consist of both empty and full units. The significant increase suggests a positive path for Port Victoria.

Tuna Transshipment

TUNA TRANSHIPMENT IN PORT VICTORIA 2011– 2016					
Year	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
2011	49,243	9,625	35,354	58,493	152,714
2012	39,341	22,640	23,920	36,580	122,481
2013	27,832	15,703	37,933	48,321	129,789
2014	40,206	23,617	43,340	38,261	145,424
2015	49,010	20,052	43,132	39,943	152,137
2016	44,766	32,981	53,842	53,185	184,773
2017	51,108	36,864	45,195	39,446	172,613

Table 8. Tuna Transshipment 2011 - 2016

Source SFA



FINANCIAL PERFORMANCE REPORT

Once again the financial performance of the SPA was good for the year ended 31st December 2017. The authority ended the year with a net profit before business tax of SR 86.5 million. This was realized mainly from an income of SR 173.6 million and a properly managed expenditure of SR 87 million. The provision for business tax was SR 24.5 million.

The income performance was attributed to cargo handling, towage, and trans-shipment of fish activities which each accounted for 24%, 17% and 11% of total revenue respectively. However, revenue for the year 2017 dropped from SR 180.4 million in 2016 to SR 173.6 million in 2017 as a result of lower revenue from towage operations. In 2016 there was a major salvage operation of a Korean vessel which impacted positively on the revenue performance while in 2017 there was no salvage operation.

Despite the decrease in revenue, the management was able to contain the expenditure fairly well over the year 2017. Total expenditure fell from SR 100.5 million in 2016 to SR 87 million in 2017.

The assets grew from SR 415.2 million in 2016 to SR 505.6 million in 2017. This represented an increase of 21.8% in the asset portfolio. The growth was mainly attributed to increased cash collection as seen in cash at bank.

Total liabilities grew from SR 119.8 million in 2016 to SR 149.4 million in 2017. This represented an increase of 24.7% in liquidity. The main factor contributing to liquidity was the increase in provision for business tax SR 24.5 million.

The overall return on investment was 20.6% which is healthy for this industry.

The audited Financial Statements for 2017 with are shown on the pages that follow.

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)

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 and Public Enterprise Monitoring Commission (PEMC) ACT of 2013.

The Board considers it has met the aforesaid responsibilities.

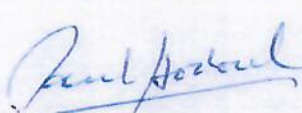
AUDITOR

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.

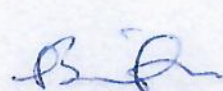
BOARD APPROVAL



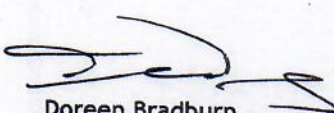
Andre Ciseaux - C E O
Director



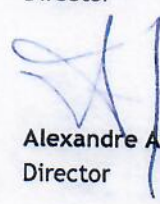
Paul Hodoul - Chairman
Director



Leslie Benoiton
Director



Doreen Bradburn
Director



Alexandre Antonakas
Director

Dated: 16 AUG 2018
Victoria, Seychelles



Office of the Auditor General

3rd Floor, Block C, Unity House

Victoria, Republic of Seychelles

Telephone: 248-4672500 Email: auditgen@oag.sc

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.

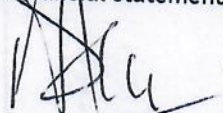
Management has written to PEMC seeking extension and approval is still outstanding.

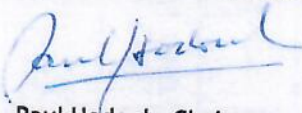
BDO Associates
BDO ASSOCIATES
Chartered Accountants

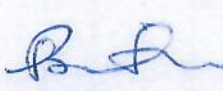
Dated: 16 AUG 2018
Victoria, Seychelles

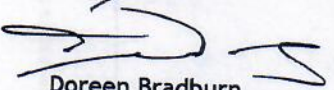
	Notes	2017 SR'000	2016 SR'000
ASSETS			
Non-current assets			
Property and equipment	5(a)	171,937	171,512
Intangible asset	6	134	167
Investment in associate	7	19,296	19,296
		<u>191,367</u>	<u>190,975</u>
Current assets			
Inventories		3,589	2,934
Trade and other receivables	8	60,367	66,632
Cash and 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>

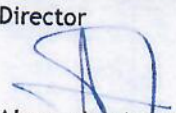
These financial statements have been approved for issue by the Board on 16 AUG 2018


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

	<u>Notes</u>	<u>2017</u>	<u>2016</u>
		SR'000	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		<u>173,648</u>	180,461
Cost of services		<u>(14,741)</u>	<u>(24,322)</u>
		<u>158,907</u>	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		<u>86,595</u>	80,003
Tax (expense)/reversal	12	<u>(24,497)</u>	19,157
Profit for the year		<u><u>62,098</u></u>	<u><u>99,160</u></u>

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		<u>19,296</u>	<u>13,347</u>	<u>323,605</u>	<u>356,248</u>
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		<u>19,296</u>	<u>14,647</u>	<u>261,507</u>	<u>295,450</u>

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

	<u>Notes</u>	<u>2017</u> SR'000	<u>2016</u> 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.

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:

	<u>2017</u>	<u>2016</u>
	SR	SR
Euro	16.76	14.42
USD	<u>14.09</u>	<u>13.70</u>

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	Pontoons	Boats & outboard engine	Machinery & tools equipment	Office equipment & fittings	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	SR'000
At January 31, 2016	-	3,704	98,579	600	62	2,717	2,798	957	10,043	3,075	102,459	224,994
Additions	-	134	34	39	-	816	290	272	465	796	2,036	4,882
Write-off	-	-	-	-	-	-	-	-	-	(34)	-	(34)
At December 31, 2016	-	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	3,838	111,349	639	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	338	54	1,392	2,231	601	2,941	1,824	-	47,883
Charge for the year	-	192	6,574	32	2	574	299	165	2,071	550	-	10,459
Write off adjustment	-	-	-	-	-	-	-	-	-	(12)	-	(12)
At December 31, 2016	-	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

NET BOOK VALUE

At December 31, 2017	70,147	1,335	60,787	237	4	1,377	738	528	3,825	1,281	31,678	171,937
At December 31, 2016	-	2,558	54,625	269	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

	<u>2017</u>	<u>2016</u>
	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	<u>16,098</u>	<u>9,159</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).

6. INTANGIBLE ASSET

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

7. INVESTMENT IN ASSOCIATE

	Valuation method	Shares Held	Currency	% Holding	2017 & 2016 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

	<u>2017</u>	<u>2016</u>
	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))	<u>(2,315)</u>	<u>(3,537)</u>
	<u>45,193</u>	<u>49,462</u>
Other receivable:		
Prepayments	1,442	3,175
Staff loan	12,147	13,059
Other receivables	<u>1,585</u>	<u>936</u>
	<u><u>60,367</u></u>	<u><u>66,632</u></u>

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

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

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

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

9. CASH AND CASH EQUIVALENTS

	<u>2017</u>	<u>2016</u>
	SR'000	SR'000
Bank balance	250,226	154,655
Cash in hand	<u>14</u>	<u>4</u>
	<u><u>250,240</u></u>	<u><u>154,659</u></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))	<u>(1,300)</u>	<u>(1,300)</u>
At December 31,	<u><u>13,347</u></u>	<u><u>14,647</u></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	<u>(1,839)</u>	<u>(4,630)</u>
At December 31,	<u><u>6,001</u></u>	<u><u>5,720</u></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))	<u>24,497</u>	<u>(19,157)</u>
At December 31,	<u><u>125,840</u></u>	<u><u>101,343</u></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><u>24,497</u></u>	<u><u>(19,157)</u></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
	<u>17,474</u>	<u>12,687</u>

14. OTHER INCOME

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

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
	<u>50,667</u>	<u>50,862</u>

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