Audited Financial Statements as at 31st December, 2018

FINANCIAL SERVICES AUTHORITY

TABLE OF CONTENTS - DECEMBER 31, 2018

DIRECTOR	: Mr. Suketu Patel	Chairman
	Dr. Steve Fanny	CEO - Director
	Ms. Jenifer Sullivan	Director
	Ms. Irene Croisee	Director
	Mr. David Esparon	Director
	Ms. Marie Cecile Esparon	Director
	Ms. Tania Potter	Director
	Mr. Mike Laval	Director
	Mr. Norman Weber (appointed effective May, 2018)	Director
	Ms. Cindy Vidot (appointed effective February, 2018)	Director
SECRETARY	: Ms. Zenabe Daman	Secretary

REGISTERED OFFICE : Bois De Rose Avenue
Roche Caiman
Victoria, Mahé
Seychelles

PRINCIPAL PLACE OF BUSINESS : Bois de Rose Avenue
Roche Caiman
Victoria, Mahé
Seychelles

AUDITORS : Auditor General
P O Box 49, Unity House
Victoria, Mahé
Seychelles

The Directors are pleased to submit their report together with the audited financial statements of the Authority for the year ended December 31, 2018.

PRINCIPAL ACTIVITY

The Seychelles Financial Services Authority (FSA) is the Regulator for non-bank financial services in the Seychelles. Established under the Financial Services Authority Act, 2013, the Authority is responsible for the licensing, supervision and development of the non-bank financial services industry of the Seychelles, which includes the insurance and the gambling sector. The Authority is also responsible for the registration of International Business Companies, Foundations, Limited Partnerships and International Trusts in the Seychelles.

VISION

The vision of the FSA is to safeguard the interest of the Seychelles non-bank financial services sector, through the establishment of a sound and ethical regulatory environment.

MISSION

- To uphold the good repute of the Seychelles through good governance and sound regulatory systems.
- To promote capacity building, innovation and efficiency of services within the non-bank financial services sector.
- Ensuring compliance with international regulatory norms and best practices.

CURRENT YEAR EVENT

The Authority has adopted International Financial Reporting Standards (IFRS) for the first time in 2016. Therefore, the year 2018 is the third financial year that the Financial Services Authority is presenting its financial statements under International Financial Reporting Standards (IFRS).

The FSA board was appointed effective July, 2017 . During the year 2018 there were two new appointments to the FSA Board, Ms Cindy Vidot and Mr Norman Weber who were appointed in February and in May 2018 respectively. There has been no change in the business of the FSA during the financial year ended 31st December, 2018

RESULTS

	2018
	SR'000
Profit for the year	73,756
Retained earnings brought forward	110,190
Profit available for distribution	183,946
Transfer to Government of Seychelles (GOS)	(45,192)
Retained earnings carried forward	138,754

DIRECTORS AND DIRECTORS' INTEREST

None of the directors has any direct or indirect interest in the Authority.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS) and in compliance with Financial Services Authority Act, 2013. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances. The Directors have the general responsibility of safeguarding the assets, both owned by the Authority and those that are held in trust and used by the Authority.

The Directors consider that they have met their aforesaid responsibilities.

AUDITORS

The Authority is audited by the Auditor General.

BOARD OF DIRECTORS APPROVAL

Suketu Patel
Chairman

Steve Fanny
Director & CEO

Jenifer Sullivan
Director

Irene Croisee
Director

David Esparon
Director

Mike Laval
Director

Norman Weber
Director

Tania Potter
Director

Marie Cecile Esparon
Director

Cindy Vidot
Director

Dated:

Mahé, Republic of Seychelles

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3rd Floor, Block C, Unity House
Victoria, Republic of Seychelles
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Please address all correspondence to the Auditor General

OPINION OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF FINANCIAL SERVICES AUTHORITY FOR 2018

Opinion

The accompanying financial statements of the Financial Services Authority, set out on pages 4 to 26, which comprise of the statement of financial position, profit or loss and other comprehensive income, changes in equity, cash flows and notes to accounts including a summary of significant accounting policies have been audited as required by Section 13(4) of the Financial Services Authority Act, 2013. I am satisfied that all information and explanations which, to the best of my knowledge and belief, where necessary for the purpose of the audit have been obtained.

Accordingly, in my opinion,

(c) proper accounting records have been kept by the Authority as far as it appeared from examination of those records; and

(d) the financial statements on pages 4 to 26 present fairly, in all material aspects, 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 the applicable International Financial Reporting Standards.

Basis for Opinion

The audit was conducted in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the '*Auditor-General's responsibilities for the audit of financial statements*' section of my report. I am independent of the Authority in accordance with INTOSAI Code of Ethics applicable to its members, together with other ethical requirements that are relevant to the audit of financial statements in Seychelles. I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the Board for the Financial Statements of the Authority

The Board is responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards and in compliance with the requirements of the Financial Services Authority Act, 2013 and for such internal control as the Board determine, is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intends to liquidate the Authority or cease operations, or has no realistic alternative to do so.

Responsibilities of the Auditor General

The audit objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and issue an auditor's report in accordance with the Financial Services Authority Act, 2013. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of the audit in accordance with ISAs, the auditor exercises professional judgement and maintains professional scepticism throughout the audit. The auditor also:

- Identifies and assesses that risk of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtains audit evidence that is sufficient and appropriate to provide a basis for the opinion. The risk of not detecting material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omission or misrepresentation, or the override of internal control;

- obtains an understanding of the internal control relevant to the audit 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 Board internal control;

- evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board;

- concludes on the appropriateness of the Board use of going concern basis of accounting and, based on the audit evidence obtained, concludes whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If the auditor concludes that a material uncertainty exists, the auditor is required to draw attention in the auditor's report to the related disclosures in the financial statements or if such disclosures are inadequate, to modify the opinion. My conclusions are based on audit evidence obtained to the date of my report. However, future unforeseeable events or conditions may cause the Authority to cease to continue as a going concern;

- evaluates the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- communicates with the Board among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

Gamini Herath
Auditor General

03 June 2019
Victoria, Seychelles

STATEMENT OF FINANCIAL POSITION - DECEMBER 31, 2018

	Notes	December 31, 2018 SR	December 31, 2017 SR
ASSETS			
Non-current assets			
Property, plant and equipment	5	18,036,136	18,761,952
Investment property	6	126,160,021	127,591,119
Intangible asset	7	8,049	19,334
Long term receivables	8(f)	9,239,107	8,049,945
		153,443,313	154,422,350
Current assets			
Trade and other receivables	8	9,324,581	7,979,963
Cash and cash equivalents	9	82,134,974	71,436,865
		91,459,555	79,416,828
Total assets		244,902,868	233,839,179
EQUITY AND LIABILITIES			
Capital and reserves			
Stated capital	10	8,715,700	8,715,700
Capital grant	11	4,270,316	5,124,379
Retained earnings		138,754,203	110,190,092
		151,740,219	124,030,171
LIABILITIES			
Non-current liabilities			
Borrowings	12	28,741,266	47,747,147
Accrued Interest on Borrowings		1,633,023	2,963,769
Retirement benefit obligations	13	8,662,133	5,553,646
		39,036,422	56,264,562
Current liabilities			
Borrowings	12	21,896,108	20,496,260
Other payables	14	32,230,119	33,048,186
		54,126,227	53,544,446
Total liabilities		93,162,650	109,809,008
Total equity and liabilities		244,902,868	233,839,179

These financial statements have been approved for issue by the Board of Directors on:

Suketu Patel Chairman	**Steve Fanny** Director & CEO	**Jenifer Sullivan** Director	**Irene Croisee** Director	**David Esparon** Director
Cindy Vidot Director	**Mike Laval** Director	**Norman Weber** Director	**Tania Potter** Director	**Marie Cecile Esparon** Director

M. Laval

Esparon

The notes on pages 8 to 26 form an integral part of these financial statements.
Auditors' report on page 3.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME - YEAR ENDED DECEMBER 31, 2018

	Notes	2018	2017
		SR	SR
Revenue	2(l)/15	157,820,238	159,665,452
Staff costs	16	(43,503,291)	(33,112,459)
Administrative expenses	17	(30,153,761)	(19,301,970)
Educational dissemination	18	(1,714,798)	(2,407,846)
Other operating costs	19	(7,670,943)	(6,442,853)
Finance income - Interest on staff loans		606,425	416,072
Marketing Grant to SIB		(1,722,970)	(421,708)
CISNA Seminar		(1,582,199)	
Other income	20	25,857	2,267,461
Foreign exchange (losses)/gains		1,651,722	(1,655,742)
Profit and total comprehensive income for the year		73,756,280	99,006,408

The notes on pages 8 to 26 form an integral part of these financial statements.
Auditors' report on page 3.

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

	Note	Stated capital	Capital grant	Retained earnings	Total
		SR	SR	SR	SR
At January 1, 2018		8,715,700	5,124,379	110,190,092	124,030,171
Total comprehensive income for the year		-	-	73,756,280	73,756,280
Amortisation of grant	19	-	(854,063)	-	(854,063)
Transfer to the GOS		-	-	(45,192,169)	(45,192,169)
Prior Year Adjustment					-
At December 31, 2018		8,715,700	4,270,316	138,754,203	151,740,220

	Note	Stated capital	Capital Grants	Retained earnings	Total
			SR		
At January 1, 2017		8,715,700	5,978,442	84,570,964	99,265,106
Total comprehensive income for the year		-	-	99,006,407	99,006,407
Amortisation of grant	19	-	(854,063)	-	(854,063)
Transfer to the GOS		-	-	(73,387,279)	(73,387,279)
					-
At December 31, 2017		8,715,700	5,124,379	110,190,092	124,030,170

The notes on pages 8 to 26 form an integral part of these financial statements.
Auditors' report on page 3.

STATEMENT OF CASH FLOWS - YEAR ENDED DECEMBER 31, 2018

	Notes	2018	2017
		SR	SR
Cash generated from operations			
Profit for the year		73,756,280	99,006,407
Adjustments for			
Depreciation on property, plant and equipment	5	2,099,385	1,521,249
Depreciation of investment property	6	6,414,336	5,761,578
Amortisation of intangible asset	7	11,284	14,088
Work in Progress Written off	5	165,000	-
Amortisation of capital grant	19	(854,063)	(854,063)
Retirement benefit obligations charge	13	5,583,869	2,148,817
Bad Debts written off	17	393,190	
Interest receivable		(606,425)	(416,072)
		86,962,856	107,182,005
Changes in working capital			
- Increase in trade and other receivables		(2,926,970)	(4,361,744)
- (Decrease)/Increase in trade and other payables		2,879,257	(139,498)
Cash generated from operations		86,915,143	102,680,763
Retirement obligations paid	13	(2,475,383)	(2,182,440)
Interest received		606,425	416,072
Net cash inflow from operating activities		85,046,185	100,914,395
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(1,538,569)	(4,983,803)
Payment - Investment Properties		(1,612,703)	
Net cash outflow from investing activities		(3,151,272)	(4,983,803)
Cash flows from financing activities			
Borrowing received	12	1,197,327	2,278,186
Loan Repayment		(18,803,358)	(16,773,950)
Interest paid		(4,255,414)	(4,658,031)
Amount transferred to the Government of Seychelles		(49,335,360)	(72,762,631)
Net cash outflow from financing activities		(71,196,805)	(91,916,427)
Net increase in cash and cash equivalents		10,698,108	4,014,165
Movement in cash and cash equivalents			
At January 1,		71,436,866	67,422,700
Increase		10,698,108	4,014,165
At December 31,	9	82,134,974	71,436,865

The notes on pages 8 to 26 form an integral part of these financial statements.
Auditors' report on page 3.

1. GENERAL INFORMATION

The principal activities of the Financial Services Authority are detailed on page 2. Its registered office and principal place of activity is at Bois de Rose Avenue, Roche Caiman Victoria Mahe Republic of Seychelles.

These financial statements will be submitted for consideration and approval at the forthcoming meeting of Board of Directors of the Authority.

2. PRINCIPAL ACCOUNTING POLICIES

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

(a) Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and comply with Financial Service Authority Act, 2013.

The Authority has adopted International Financial Reporting Standards for the first time for the year ended December 31, 2016 while previously the financial statements were prepared under Generally Accepted Accounting Practice (GAAP).

The financial statements are prepared under the historical cost convention, except that:
(ii) relevant financial assets are stated at their fair values; and
(iii) borrowings and relevant financial liabilities are stated at their amortised costs.

Standards, Amendments to published Standards and Interpretations effective in the reporting period

Finalised version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 Financial Instruments: Recognition and Measurement. The standard contains requirements in the following areas:
• Classification and measurement. Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.
• Impairment. The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised.
• Hedge accounting. Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.
• Derecognition. The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39. *The amendment has no impact on the Authority's financial statements.*

IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers. the five steps in the model are as follows:
• Identify the contract with the customer;
• Identify the performance obligations in the contract;
• Determine the transaction price;
• Allocate the transaction price to the performance obligations in the contracts; and
• Recognise revenue when (or as) the entity satisfies a performance obligation.
Guidance is provided on topics such as the point in which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced. *The amendment has no impact on the Authority's financial statements.*

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

(a) **Basis of preparation (Cont'd)**

Standards, Amendments to published Standards and Interpretations effective in the reporting period (Cont'd)

IFRIC 22 Foreign Currency Transactions and Advance Consideration. The interpretation addresses foreign currency transactions or parts of transactions where:
• there is consideration that is denominated or priced in a foreign currency;
• the entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and
• the prepayment asset or deferred income liability is non-monetary.
The Interpretations Committee came to the following conclusion:
• The date of the transaction, for determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability.
• If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt. *The amendment impacts on the Authority's financial statements.*

Clarifications to IFRS 15 'Revenue from Contracts with Customers'. Amends IFRS 15 Revenue from Contracts with Customers to clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts. T*he amendment has no impact on the Authority's financial statements.*

Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2). Amends IFRS 2 Share-based Payment to clarify the standard in relation to the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features, and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled. *The amendment has no impact on the Authority's financial statements.*

Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (Amendments to IFRS 4). Amends IFRS 4 Insurance Contracts provide two options for entities that issue insurance contracts within the scope of IFRS 4:Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (Amendments to IFRS 4). Amends IFRS 4 Insurance Contracts provide two options for entities that issue insurance contracts within the scope of IFRS 4:
• an option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets; this is the so-called overlay approach;
• an optional temporary exemption from applying IFRS 9 for entities whose predominant activity is issuing contracts within the scope of IFRS 4; this is the so-called deferral approach.
The application of both approaches is optional and an entity is permitted to stop applying them before the new insurance contracts standard is applied. *The amendment has no impact on the Authority's financial statements.*

The amendments to IAS 40 Investment Property: Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The list of examples of evidence in paragraph 57(a) - (d) is now presented as a non-exhaustive list of examples instead of the previous exhaustive list. *The amendment impacts on the Authority's financial statements.*

Annual Improvements to IFRSs 2014-2016 cycle

IFRS 1 is amended to delete the short-term exemptions in paragraphs E3-E7 of IFRS 1, because they have now served their intended purpose. *The amendment has no impact on the Authority's financial statements.*

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(a) Basis of preparation (Cont'd)

Standards, Amendments to published Standards and Interpretations effective in the reporting period (Cont'd)

Annual Improvements to IFRSs 2014-2016 cycle (Cont'd)

IFRS 12 is amended to clarify that the scope of the standard by specifying that the disclosure requirements in the standard, except for those in paragraphs B10-B16, apply to an entity's interests listed in paragraph 5 that are classified as held for sale, as held for distribution or as discontinued operations in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. *The amendment has no impact on the Authority's financial statements.*

IAS 28 is amended to clarify that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition. *The amendment has no impact on the Authority's financial statements.*

Certain standards, amendments to published standards and interpretations have been issued that are mandatory for accounting periods beginning on or after 1 January 2018 or later periods, but which the Authority has no adopted earlier.

At the reporting date of these financial statements, the following were in issue but not yet effective:

IFRS 16 Leases
IFRS 17 Insurance Contracts
Annual Improvements to IFRSs 2015-2017 Cycle
IFRIC 23 Uncertainty over Income Tax Treatments
Prepayment Features with Negative Compensation (Amendments to IFRS 9)
Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)
Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)
Amendments to References to the Conceptual Framework in IFRS Standards
Definition of a Business (Amendments to IFRS 3)
Definition of Material (Amendments to IAS 1 and IAS 8)

Where relevant, the Authority is still evaluating the effect of these Standards, Amendments to published Standards and Interpretations issued but not yet effective, on the presentation of its financial statements.

The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Authority's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

(b) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any impairment in value. Historical cost consists of purchase cost, together with any incidental expenses of acquisition and installation.

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

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(b) Property, plant and equipment (Cont'd)

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 the straight line method with reference to the expected useful life of the assets concerned. Depreciation is computed from the month after receipt of goods/assets using the following principal annual rates.

	%
Buildings	4
Gate and fencing	10
Motor vehicles	20
Plant & equipment	10 - 25
Furniture and fittings	10 - 20
Other assets	25

No depreciation has been charged on the value of the freehold property.

Assets are currently being depreciated up to a NIL balance. No depreciation is provided for in the month of disposal.

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

Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds with carrying amount and are included in the statement of profit or loss.

(c) Investment property

Investment property, held to earn rentals or for capital appreciation or both and not occupied by the Authority are measured initially at cost, including transaction costs.

Investment property is measured in accordance with requirements set out for that model in IAS 16. Transfers to or from investment property can be made only when there has been a change in the use of the property.

An entity that elects the cost model, should measure all its investment property at cost less accumulated depreciation and any accumulated impairment losses.

Investment property is depreciated on a straight-line at 4% p.a. over the economic useful life of 25 years.

(d) 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 and are amortised using the straight line method over their estimated useful lives of 4 years.

Costs associated with developing or maintaining computer software are recognised as an expense as incurred and are included in the statement of profit and loss.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(e) Financial instruments

Financial assets and liabilities are recognised on the Authority's statement of financial position 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 statement of profit or loss.

(ii) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of 3 months or less.

(iii) Other payables

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

(iv) Share capital

Ordinary shares are classified as equity.

(f) 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).

(g) Offsetting

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position 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.

(h) Capital Grants

Grants related to assets from the Government of Seychelles for acquisition of property and equipment received in form of donations is treated as deferred income by crediting capital grant, classified under equity in the statement of financial position.

Depreciation calculated on such assets is released from grants and credited to depreciation charge in the statement of profit or loss until those assets are fully depreciated.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

(h) Capital Grants (Cont'd)

In the event that property and equipment acquired from grants are disposed of before they are fully depreciated, the carrying amount of such asset is reversed to the grant and gain or loss, if any, are recognised to the statement of profit or loss.

(i) Retirement benefit obligations

The Authority provides for payments of compensation to permanent employees for continuous service. The amount provisioned every year is based on the number of years the employee has worked after the last payment date. This type of employee benefits has the characteristics of a defined benefit plan. The liability recognised in the statement of financial position in respect of the defined benefit plan is the present value of the defined obligation at the reporting date less fair value of plan assets together with adjustments for unrecognised actuarial gains and losses and past service costs.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability.

The Authority does not carry out any actuarial valuation since the Authority's management have based themselves on the method as prescribed by the Ministry of Administrative & Power and Circular 9 A of 1993, 15% of gross salary in the case of PSC and on internal contracts of employees and they have estimated that the amount of liability provided will not be materially different had it been computed by an external Actuary.

(j) Provisions

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

(k) 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 (SR) which is the Authority's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date the fair value was determined.

2. PRINCIPAL 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. Revenue is recognised according to the following criteria:

(i) Services revenue

Revenue from services are recognised in the year in which the services are rendered by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of total services to be provided.

(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 loan agreements with the staff.

(m) Business tax

The Authority is exempt from tax as per paragraph 1 of the Second Schedule to Business Tax Act, 2009.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial Risk Factors

The Authority's activities expose it to a variety of financial risks: market risk (including currency risk and fair value interest risk), credit risk and liquidity risk.

The Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effect of it's financial performance.

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

(a) Market risk

(i) Currency risk

The Authority is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to US Dollars. Foreign exchange risk arises from commercial transactions and assets denominated in currencies other than the functional currency.

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.1 Financial Risk Factors (Cont'd)

(a) **Market risk (Cont'd)**

(i) Currency risk (Cont'd)

At December 31, 2018, if the Seychelles Rupee had weakened/strengthened by 5% against US Dollar with all variables held constant, the impact on results for the year would have been **SR1.61m** (2017: SR1.60m) higher/lower, mainly as a result of foreign exchange losses/gains on translation of foreign currency monetary assets and liabilities as depicted in the table below:

	2018	2017
	SR	SR
Bank balances	76,282,970	53,669,561
Trade & other receivables	5,351,001	4,812,971
Borrowings	(50,637,374)	(68,243,407)
Other payables	(22,801,908)	(22,157,528)
	8,194,689	(31,918,403)

Management has proper policies in place to ensure that foreign exchange risk is minimised.

(ii) Cash flow and fair value interest rate risk

The Authority's income and operating cash flows are exposed to interest rate risk as it sometimes borrows at variable rates.

At December 31, 2018, if interest rates on floating rate borrowings had been ±1% higher/(lower) with all other variables held constant, results for the year would have been higher/(lower) by **SR 506k** (2017: SR 727k) due to impact on interest expense on borrowings.

(b) **Credit risk**

The Authority's credit risk is primarily attributable to its trade receivables. The Authority does not have a significant concentration of credit risk, with exposure spread over a large number of customers. In addition, the Authority has policies in place to ensure that sales of services are made to customers with an appropriate credit history.

The table below shows the concentration of trade receivables by number of counterparties at the end of the reporting period.

	2018	2017
	%	%
5 major counterparties	46	34
Others (diversified risks)	54	66
	100	100

(c) **Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient cash and availability of funding through an adequate amount of committed credit facilities. Furthermore, management monitors rolling forecasts of the Authority's liquidity reserve on the basis of expected cash flows.

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.1 Financial Risk Factors (Cont'd)

(c) Liquidity risk (Cont'd)

The table below analyses the Authority's financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	SR'000	SR'000	SR'000	SR'000	SR'000
At December 31, 2018					
Bank Borrowings	**21,896**	**23,097**	**5,645**	-	**50,638**
Other payables	**32,230**	**887**	**27**	-	**33,144**
At December 31, 2017					
Bank Borrowings	20,496	21,620	26,127	-	68,243
Other payables	33,048	2,061	903	-	36,012

3.2 Fair Value Estimation

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Authority for similar financial instruments.

3.3 Capital Risk Management

The Authority's objectives when managing capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Authority sets the amount of capital in proportion to risk. It manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Authority may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt. The Authority monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt adjusted capital. Net debt is calculated as total debt less cash and cash equivalents. Adjusted capital comprises all components of equity.

During 2018, the Authority's strategy, which was unchanged from 2017, was to maintain the debt-to-adjusted capital ratio at a reasonable level in order to secure access to finance at a reasonable cost. The debt-to-adjusted capital ratio was as follows:

	2018	2017
	SR'000	SR'000
Total debt	**50,638**	68,243
Less: Cash and cash equivalents	**(82,135)**	(71,437)
Net debt	**(31,497)**	(3,194)
Total capital	**151,740**	124,030
Net debt	**(31,497)**	(3,194)
Total capital plus debt	**120,243**	120,836
Gearing ratio	**(26.19)**	(2.64)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgments are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Authority makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Functional currency

The choice of the functional currency of the Authority has been based on factors such as the primary economic environment in which the entity operates, the currency that mainly influences sales prices for goods and services, cost of providing goods and services and labour costs. The functional currency has been assumed by the Directors to be the Seychelles Rupee.

(b) 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.

(c) Useful lives and residual values

Determining the carrying amounts of property and equipment requires the estimation of the useful lives and residual values of these assets which carry a degree of uncertainty. The Directors 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 property and equipment.

(d) Depreciation policies

Property and equipment are depreciated to their residual values over their estimated useful lives. The residual value of an asset is the estimated net amount that the Authority would currently obtain from the disposal of the asset, if the asset were already of the age and in condition expected at the end of its useful life.

(e) Impairment of other assets

Property and equipment are considered for impairment if there is a reason to believe that impairment may be necessary. Factors taken into consideration in reaching such a decision include the economic viability of the asset itself and where it is a component of a larger economic unit, the viability of that unit itself.

Future cash flows expected to be generated by the assets or cash-generating units are projected, taking into account market conditions and the expected useful lives of the assets. The present value of these cash flows, determined using an appropriate discount rate, is compared to the current net asset value and, if lower, the assets are impaired to the present value.

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

(f) Limitation of sensitivity analysis

Sensitivity analysis in respect of market risk demonstrates the effect of a change in a key assumption while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear and larger or smaller impacts should not be interpolated or extrapolated from these results.

Sensitivity analysis does not take into consideration that the Authority's assets and liabilities are actively managed. Other limitations include the use of hypothetical market movements to demonstrate potential risk that only represent the Authority's views of possible near-term market changes that cannot be predicted with any certainty.

5. PROPERTY, PLANT AND EQUIPMENT

(a) DECEMBER 31, 2018

	Land & Buildings	Gates & fences	Motor vehicles	Plant & equipment	Furniture & fixtures	Other assets	Work-in progress	Total
	SR	SR	SR	SR	SR	SR	SR	SR
COST								
At January 1, 2018	18,608,182	637,788	2,887,475	7,635,985	4,936,917	1,784,403	3,065,004	39,555,754
Additions	-	-	325,000	517,114	214,685	362,270	119,500	1,538,569
Disposal	-	-						-
Write offs	-	-	-	-	-	-	(165,000)	(165,000)
Transfers/Adjustments				1,817,214			(1,817,214)	
At DECEMBER 31, 2018	18,608,182	637,788	3,212,475	9,970,313	5,151,602	2,146,673	1,202,290	40,929,323
ACCUMULATED DEPRECIATION								
At January 1, 2018	6,165,213	637,788	1,808,915	6,395,063	4,322,876	1,463,946	-	20,793,801
Charge for the year	394,825	-	330,415	953,471	234,889	185,785	-	2,099,385
Disposal		-		-	-	-	-	-
Write offs	-	-	-				-	-
At DECEMBER 31, 2018	6,560,038	637,788	2,139,330	7,348,534	4,557,765	1,649,731	-	22,893,186
NET BOOK VALUE								
At DECEMBER 31, 2018	12,048,144	-	1,073,145	2,621,779	593,837	496,942	1,202,290	18,036,137

In early 2017, Parcel Number: V17891 was cancelled and sub-divided into two parcels (V19847 and V19848) where parcel V19847 (with a total area of 2557 m^2) was transferred to the Government for onward leasing to PUC at at transfer price of SCR1. The sub division of the land commenced in 2016 and was finalised on 24.02.2017. No adjustment was effected for the reduction in cost in the accounts.

5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(b) December 31, 2017

	Land & Buildings	Gates & fences	Motor vehicles	Plant & equipment	Furniture & fixtures	Other assets	Work-in progress	Total
	SR	SR	SR	SR	SR	SR	SR	SR
COST								
At January 1, 2017	18,608,182	637,788	2,392,475	7,217,142	4,632,807	1,697,312	2,964,980	38,150,686
Additions	-	-	495,000	418,843	304,110	87,091	100,024	1,405,068
Disposals								-
Write offs	-	-						-
Transfer/Adjustments								-
At December 31, 2017	18,608,182	637,788	2,887,475	7,635,985	4,936,917	1,784,403	3,065,004	39,555,754
ACCUMULATED DEPRECIATION								
At January 1, 2017	5,770,388	637,788	1,500,417	5,993,632	4,109,848	1,260,479	-	19,272,552
Charge for the year	394,825	-	308,498	401,431	213,028	203,467	-	1,521,249
Disposals	-	-	-	-	-	-	-	-
Write offs	-	-	-	-	-	-	-	-
At December 31, 2017	6,165,213	637,788	1,808,915	6,395,063	4,322,876	1,463,946	-	20,793,801
NET BOOK VALUE								
At December 31, 2017	12,442,969	-	1,078,560	1,240,922	614,041	320,457	3,065,004	18,761,953

(c) Depreciation for the year has been fully charged to other operating costs.

(d) Included in land and buildings is land amounting to SR 8,715,700 a contribution from Government of Seychelles as Stated Capital. (Refer to note 10).

5. **PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

(e) Work in-progress comprised construction of new warehouses:

	2018	2017
	SR	SR
Consultancy/ structural engineer fees	105,700	270,700
Planning and other fees	67,524	17,524
IT Work In Progress	-	1,817,214
Improvement to infrastructure	1,029,066	959,566
	1,202,290	3,065,004

6. **INVESTMENT PROPERTY**

	2018	2017
Cost	SR	SR
At January 1,	150,244,886	137,834,008
Additions	4,983,238	12,410,878
At December 31,	155,228,124	150,244,886
Accumulated depreciation		
At January 1,	22,653,767	16,892,189
Charge for the year	6,414,336	5,761,578
At December 31,	29,068,103	22,653,767
Net Book Value	126,160,021	127,591,119

(a) A revaluation of the FSA infrastructure was undertaken in January 2017 by a professional independent assessor. The next revaluation will be done during the year 2019. after major refurbishment of Warehouses J & K. Investment properties have been revalued as follows:

	Value in Current State (SR)
Ware house A on Parcel Number V17888	32,588,380
Ware house B on Parcel Number V17889	32,588,380
Ware house C on Parcel Number V17890	25,888,380
Ware house K on Parcel Number V17885	45,144,300
Ware house J on Parcel Number V17893	45,144,300
	181,353,740

(b)

The Financial Services Authority is currently occupying units A1 and A2 for a total area of 480m2 within the Warehouse A

7. **INTANGIBLE ASSETS**

Computer Software

	2018	2017
Cost	SR	SR
At January 1,	587,468	587,468
Additions		
At December 31,	587,468	587,468
Amortisation		
At January 1,	568,134	554,046
Charge for the year	11,284	14,088
At December 31,	579,418	568,134
Net Book Value	8,050	19,334

8. TRADE AND OTHER RECEIVABLES

	2018	2017
	SR	SR
Trade receivables	5,408,972	4,799,030
Prepayments	1,281,362	1,238,169
Loans and receivables (note (f))	11,727,706	10,088,840
Other receivables	471,940	376,010
	18,889,980	16,502,049
Provision for credit impairment (note (c) and (d))	(326,292)	(472,141)
	18,563,688	16,029,908

Disclosed as follows:

	2018	2017
	SR	SR
Within one year	9,324,581	7,979,963
After more than one year (note (f)	9,239,107	8,049,945
	18,563,688	16,029,908

(a) The carrying amount of trade and other receivables approximate their fair values.

(b) As at December 31, 2018, trade receivables that were past due but not impaired amounted to SR (2018: SR887,619). Except for two customers, these relate to a number of independent customers for whom there is no recent history of default. These receivables were aged above 90 days.

(c) As at December 31. 2018, trade receivables amounting to SR 326,292 were impaired (2017: SR 472,141). These relate to a number of independent customers who are not necessarily in difficult economic situations but are instead slow payers that require to be chased end reminded regularlt that they are in arrears with payment. These receivables were aged above 90 days.

(d) The movement in the provision for credit impairment is as follows:

	2018	2017
	SR	SR
At January 1,	472,141	455,331
(Reversal)/ Charge to the statement of profit or loss (note 17)	(145,849)	16,810
At December 31,	326,292	472,141

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

	2018	2017
	SR	SR
US Dollar	5,351,001	4,812,971
Seychelles rupee	13,212,687	11,216,937
	18,563,688	16,029,908

(f) Loans and receivables comprise staff loans and are analysed as follows:

	2018	2017
	SR	SR
Within one year	2,488,599	2,038,895
After more than one year	9,239,107	8,049,945
	11,727,706	10,088,840

(g) The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Authority does not hold any other collaterals as securities, except for pledges on vehicles as security for Vehicle Loans

(h) The other classes within trade and other receivables do not contain impaired assets and except for pledges in vehicles as security for staff loans, the Authority does not hold any other collateral as security.

9. CASH AND CASH EQUIVALENTS

	2018	2017
	SR	SR
Cash in hand	503,153	78,582
Cash at banks	81,631,821	71,358,283
	82,134,974	71,436,865

10. STATED CAPITAL

	2018 & 2017
	SR
Government contributed assets (notes (a) & 5(d))	8,715,700

(a) This represents the value of land transferred to the Authority by the Government of Seychelles in 1999.

11. CAPITAL GRANT

Capital grant was received from the Government of Seychelles for purchase of assets in 1999. Capital grant is amortised over the useful lives of the assets to which they relate.

12. BORROWINGS

	2018	2017
	SR	SR
Bank borrowing		
Non-current	28,741,266	47,747,147
Current	21,896,108	20,496,260
	50,637,374	68,243,407

The movement is as follows:

	2018	2017
	SR	SR
At January 1,	68,243,407	82,739,171
Received during the year	1,197,327	2,278,186
Paid during the year	(18,803,360)	(16,773,950)
At December 31,	50,637,374	68,243,407

(a) Bank borrowing is from Nouvobanq and amounted to USD 7.5 million to finance the construction of new warehouses of the Authority. The first disbursement was effected in March 2014 and repayment commenced in March 2016 by monthly instalments of USD 142,740 and is to be completed by February 2021. The borrowing is secured by a first line fixed and floating charge over the Authority's assets and bears a variable interest rate of 6.72% to 7.42% in 2018.

(b) Borrowing is denominated in US Dollar and its maturity profile is detailed under note 3 (c) and the carrying amount of borrowing approximates its amortised cost. .

(c) The interest accrued on borrowings has been capitalised to investment property.

13. RETIREMENT BENEFIT OBLIGATIONS

	2018	2017
	SR	SR
At January 1,	5,553,646	5,587,269
Charge for the year (note 16)	5,583,869	2,148,817
Payments during the year	(2,475,383)	(2,182,440)
At December 31,	8,662,132	5,553,646

(a)

Retirement benefit obligations have not been computed in compliance with the requirements of IAS 19 since the Directors have estimated that the provisions as above, which have been based on the Ministry of Administrative & Power, Circular 9A of 1993 and 15% of gross salary in the case of PSC and internal contract of employees. are reasonable and would not materially differ had these been computed on an actuarial basis as mandated by IAS 19.

14. OTHER PAYABLES

	2018	2017
	SR	SR
Amount payable to the Government of Seychelles (note 14(a) and 23)	6,400,262	10,543,454
Advance payments -fees	12,596,905	8,470,716
Deposits-rent	4,880,925	4,298,777
Corporate Tax	653,228	791,704
Accrued Interest on Overdraft	4,821,084	6,149,107
Accrued Expenses	241,248	136,269
Other payables	4,269,490	5,621,928
	33,863,142	36,011,955

Disclosed as follows:

	2018	2017
	SR	SR
Within one year	32,230,119	33,048,186
After more than one year (accrued interest)	1,633,023	2,963,769
	33,863,142	36,011,955

(a) The amount payable to the GOS represents the surplus for the year which is transferred on a quarterly basis as per section 12(3) of the Financial Services Authority Act 2013.

(b) Included in the increase in investment of property and accrued interest is a non cash amount of SR443,144 relating to previous years which affects the cash flow statement against accounts payable. The difference is as a result of the change in interest rates over the past years and as well as a result of certain adjustments made to the face of the accounts.

(c) The carrying amount of other payables are denominated in the following currencies:

	2018	2017
	SR	SR
US Dollar	22,801,908	22,157,528
Seychelles rupee	11,061,234	13,854,427
	33,863,142	36,011,955

15. REVENUE

	2018	2017
	SR	SR
(a) Corporate and SITZ Fees		
IBC registration fees	11,478,382	14,150,176
IBC annual licence fees	77,169,717	81,734,947
Other licence fees	6,588,181	7,208,862
Funds and securities fees	1,794,940	1,447,455
Insurance fees	1,187,949	1,214,392
Gambling Fees	7,243,535	4,642,814
Other services	23,117,685	25,962,658
	128,580,389	136,361,304
(b) Rental income		
Investment property	28,933,365	23,011,067
Outdoor space	306,484	293,081
	29,239,849	23,304,148
	157,820,238	159,665,452

16. STAFF COST

	2018	2017
	SR	SR
Salaries & wages	32,502,559	25,817,686
Employee benefits and related expenses	3,954,720	3,834,869
Directors' emoluments (note 23)	362,868	392,857
SITZ Employment Council/FSA Appeals Board	323,936	393,284
Gratuity and compensation paid (note 13)	5,583,869	2,148,817
Retirement benefit obligations	775,339	524,946
	43,503,291	33,112,459

17. ADMINISTRATIVE EXPENSES

	2018	2017
	SR	SR
Administration costs	**4,445,126**	3,490,709
Rental Costs	**5,656,991**	5,357,344
Communication costs	**2,206,816**	2,121,737
Transport and travelling costs	**2,280,691**	726,595
Maintenance and repairs	**992,925**	1,198,638
Training	**3,325,530**	1,175,301
Legal fees	**312,000**	292,000
Audit and Accountancy fees	**88,000**	88,000
Professional fees	**7,550,762**	2,729,880
Bank charges	**64,500**	51,853
(Reversal)/ charge for provision for credit impairment (note 8(d))	**(145,849)**	16,810
Bad Debts Written Off	**539,039**	
General expenses	**2,837,230**	2,053,103
	30,153,761	19,301,970

18. EDUCATIONAL DISSEMINATION

	2018	2017
	SR	SR
Information dissemination	**1,353,587**	2,008,313
Advertisement	**361,211**	399,533
	1,714,798	2,407,846

19. OTHER OPERATING COSTS

	2018	2017
	SR	SR
Depreciation		
- Property, plant and equipment (note 5)	**2,099 386**	1,521,250
- Investment Property (note 6)	**6,414,336**	5,761,578
Amortisation (note 7)	**11,284**	14,088
Amortisation of capital grant	**(854,063)**	(854,063)
	7,670,943	6,442,853

20. OTHER INCOME

	2018	2017
	SR	SR
Grants Received from International Institutions		2,118,564
Sundry income	**25,857**	148,897
	25,857	2,267,461

Grant received from International Institution is in relation to the development of the risk based supervision framework for the regulation of pension. The corresponding expenditure is recorded under professional fees.

21. COMMITMENTS

(a) Capital commitments

Capital commitments as at December 31, 2018 amounted to **SR 19,542,974** (2017: NIL).

21. COMMITMENTS (CONT'D)

(b) Operating lease commitments - where the Authority is the lessor

The Authority leases land and buildings under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewable rights.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2018	2017
	SR	SR
Not later than one year	29,839,324	29,467,064
Later that one year and not later than five years	78,453,397	77,468,647
	108,292,721	106,935,711

The contracts with most of the tenants are renewable on a five yearly basis.

22. CONTINGENT LIABILITIES

There were no contingent liabilities as at December 31, 2018 (2017: Nil).

23. RELATED PARTY TRANSACTIONS

	2018	2017
	SR	SR
Directors		
- Remuneration (including Fees for the HR & Audit Committees) (note 16)	362,868	392,857
Holding Entity		
- Surplus payable (note 14)	45,192,169	73,387,279

(a) Transactions with related parties are made at normal market prices.

(b) Outstanding balances at the end of the reporting period are unsecured and interest-free. There has been no guarantees provided or received for any related party payables or receivables. For the year ended December 31, 2018, the Authority had not recorded any impairment of receivables relating to amounts owed by related parties (2017: Nil). This assessment is undertaken at the end of each financial year through examining the financial position of the related party and the market in which the latter operates.

(c) **Key management personnel**

	2018	2017
	SR	SR
Salaries and other benefits	8,861,096	6,250,735
Accrued Benefits	1,329,164	927,470
Employer Pension costs	221,527	124,949
	10,411,787	7,303,154