



## OFFICE OF THE AUDITOR GENERAL

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**Please address all correspondence to the Auditor General**

## REPORT OF THE AUDITOR GENERAL TO THE BOARD SEYCHELLES PORTS AUTHORITY

Pursuant to the powers conferred on me by Section 16(3) of Seychelles Ports Authority Act, 2004, I have caused BDO Associates (Chartered Accountants) to audit on my behalf the financial statements of the Authority for the period ended 31 December 2014 as set out on pages 4 to 20.

### **Board's Responsibility for the Financial Statements**

As set out on Page 2 of the Directors Report, the Board is responsible for the preparation of the financial statements and their fair presentation. 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, selection and applying appropriate policies, and making accounting estimates that are reasonable in the circumstances.

### **Auditor's Responsibility**

My responsibility is to express an opinion on those financial statements based on the audit. The audit was conducted in accordance with International Organisation of the Supreme Audit Institutions (INTOSAI) Auditing Standards. Those standards require that I plan and perform the audit to obtain reasonable assurance that 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 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 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.

### **Basis of Qualified Opinion**

I was not availed with a proper inventory valuation report. Furthermore, the Authority did not carry out an inventory count at year end. I therefore could not carry out proper audit procedures with respect to existence and valuation of inventories at December 31, 2014 nor was I able to satisfy myself through other alternative tests.

### **Audit Opinion**

In my opinion, except for the possible effects of the matter described in the Basis of Qualified Opinion paragraph, the financial statements on pages 4 to 20 fairly present the financial position of the Seychelles Ports Authority as at 31 December 2014 and the results of its operations and cash flows for the year then ended.



Marc Benstrong  
**AUDITOR GENERAL**

23 December 2015  
Victoria



**SEYCHELLES PORTS AUTHORITY**  
**FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2014**

**SEINELLES PORTS AUTHORITY**

**TABLE OF CONTENTS - DECEMBER 31, 2014**

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	<b>PAGE</b>
<b>Report of the Board</b>	1 - 1(a)
<b>Independent Auditors' Report</b>	2 - 2(a)
<b>Balance Sheet</b>	3
<b>Income Statement</b>	4
<b>Statement of Changes in Equity</b>	5
<b>Cash Flow Statement</b>	6
<b>Notes to the Financial Statements</b>	7 - 20

**REPORT OF THE BOARD**

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The Board has pleasure in submitting its Annual Report together with the audited financial statements of the Authority for the year ended December 31, 2014.

**AUTHORITY**

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

**PRINCIPAL ACTIVITIES**

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

**RESULTS**

The profit for the year before tax amounted to **SR 78.6million** (2013: SR 46.7million).

**DIVIDENDS**

Dividends amounting to **SR 25million** were paid in the financial year under review (2013: SR 25million).

**PROPERTY AND EQUIPMENT**

Additions of **SR 10.3million** to property and equipment during the year (2013: SR 2.1million) comprised mainly work in progress, machinery equipment, office equipment, motor vehicles and building improvements. Disposals during the year consisted of Motor vehicles carried at nil book value.

The Board is of the opinion that the carrying amounts of the property and equipment at December 31, 2014 approximate their fair value.

**COMPOSITION OF THE BOARD**

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

Conrad Benoiton (Chairman)

Andre Ciseaux

Philippe Michaud

Monica Bonvalet

Jean Atalla

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

SEYCHELLES PORTS AUTHORITY

1(a)

REPORT OF THE BOARD

**STATEMENT OF BOARD'S RESPONSIBILITIES**

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

The Board is responsible for the preparation and fair presentation of these financial statements in accordance with Generally Accepted Accounting Standards in Seychelles and in compliance with the Seychelles Ports Authority Act, 2004. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. The Board has the general responsibility of safeguarding the assets, both owned by the Authority and those that are held in trust and used by the Authority.

The Board considers it has met the aforesaid responsibilities.

**AUDITOR**

The Auditor General of Seychelles is mandated to carry out the audit of the Authority as per Article 158 of the Constitution as specified under Section 16 (3) of the Seychelles Ports Authority Act, 2004.

BOARD APPROVAL

  
Director

  
Director

Dated: 02 DEC 2015

Victoria, Seychelles

**SEYCHELLES PORTS AUTHORITY**

2

**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 4 to 20 which comprise the Balance Sheet at December 31, 2014, 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 qualified audit opinion.

**SEYCHELLES PORTS AUTHORITY**

2(a)

**INDEPENDENT AUDITORS' REPORT TO THE AUDITOR GENERAL (CONT'D)****Basis for Qualified Opinion**

We were not availed with a proper inventory valuation report. Furthermore, the Company did not carry out an inventory count at year-end. We therefore could not carry out proper audit procedures with respect to existence and valuation of inventories at December 31, 2014 nor were we able to satisfy ourselves through other alternative tests.

**Qualified Opinion**

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements on pages 4 to 20 give a true and fair view of the financial position of the Authority at December 31, 2014 and of its financial performance and its cash flows for the year then ended in accordance with the provisions of the Seychelles Ports Authority Act, 2004.

*BDO Associates*  
**BDO ASSOCIATES**  
*Chartered Accountants*

Dated: **02 DEC 2015**

Victoria, Seychelles

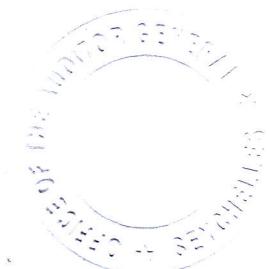
## BALANCE SHEET AS AT DECEMBER 31, 2014

	Notes	2014 SR'000	2013 SR'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment	5(a)	<b>159,066</b>	156,640
Intangible asset	6	<b>201</b>	-
		<b>159,267</b>	<b>156,640</b>
<b>Current assets</b>			
Inventories		<b>2,431</b>	-
Trade and other receivables	7	<b>43,595</b>	32,920
Cash and cash equivalents	8	<b>96,579</b>	59,720
		<b>142,605</b>	<b>92,640</b>
<b>Total assets</b>		<b>301,872</b>	<b>249,280</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Capital reserve	10	<b>17,246</b>	18,545
Retained earnings		<b>157,936</b>	115,383
		<b>175,182</b>	<b>133,928</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Retirement benefit obligations	11	<b>5,361</b>	3,229
Other payable	12	-	3,586
Tax liability	13	<b>99,500</b>	89,000
		<b>104,861</b>	<b>95,815</b>
<b>Current liabilities</b>			
Tax liability	13	<b>11,000</b>	10,500
Trade and other payables	14	<b>10,829</b>	9,037
		<b>21,829</b>	<b>19,537</b>
<b>Total liabilities</b>		<b>126,690</b>	<b>115,352</b>
<b>Total equity and liabilities</b>		<b>301,872</b>	<b>249,280</b>

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

02 DEC 2015


  
Director


  
Director


The notes on pages 7 to 20 form an integral part of these financial statements  
 Auditors' report on pages 2 and 2(a)

## INCOME STATEMENT - YEAR ENDED DECEMBER 31, 2014

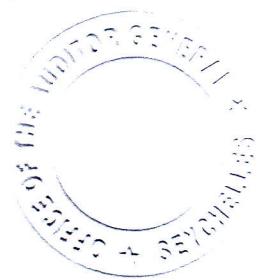
	Notes	2014	2013
		SR'000	SR'000
Port related services	2(j)(i)	130,731	98,695
Hire of boats		1,349	1,271
Rental income	2(j)(ii)	8,247	9,379
Other income	15	1,817	3,291
Gross income		142,144	112,636
Cost of services	16	(13,270)	(20,636)
		128,874	92,000
Staff costs	17	(38,999)	(30,130)
Premises costs	18	(2,916)	(2,217)
Operating overheads	19	(8,810)	(5,983)
Decrease in provision for credit impairment	7(a)	7,000	-
Net depreciation	5(b)	(6,565)	(6,979)
Amortisation	6	(31)	-
<b>Profit before tax</b>		<b>78,553</b>	<b>46,691</b>
Tax expense	13	(11,000)	(10,500)
<b>Profit for the year</b>		<b>67,553</b>	<b>36,191</b>



The notes on pages 7 to 20 form an integral part of these financial statements  
 Auditors' report on pages 2 and 2(a)

## STATEMENT OF CHANGES IN EQUITY - YEAR ENDED DECEMBER 31, 2014

	Notes	Capital reserve SR'000	Retained earnings SR'000	Total SR'000
<b>Balance at January 1, 2014</b>		<b>18,545</b>	<b>115,383</b>	<b>133,928</b>
<b>Profit for the year</b>		<b>-</b>	<b>67,553</b>	<b>67,553</b>
<b>Dividends paid</b>	20	<b>-</b>	<b>(25,000)</b>	<b>(25,000)</b>
<b>Release to income statement in respect of depreciation charged</b>	5(b)	<b>(1,299)</b>	<b>-</b>	<b>(1,299)</b>
<b>Balance at December 31, 2014</b>		<b><u>17,246</u></b>	<b><u>157,936</u></b>	<b><u>175,182</u></b>
 Balance at January 1, 2013		19,844	104,192	124,036
<b>Profit for the year</b>		<b>-</b>	<b>36,191</b>	<b>36,191</b>
<b>Dividends paid</b>	20	<b>-</b>	<b>(25,000)</b>	<b>(25,000)</b>
<b>Release to income statement in respect of depreciation charged</b>	5(b)	<b>(1,299)</b>	<b>-</b>	<b>(1,299)</b>
<b>Balance at December 31, 2013</b>		<b><u>18,545</u></b>	<b><u>115,383</u></b>	<b><u>133,928</u></b>

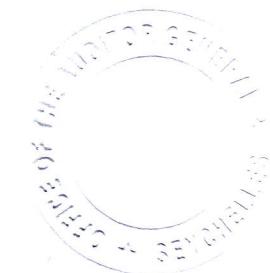


The notes on pages 7 to 20 form an integral part of these financial statements  
 Auditors' report on pages 2 and 2(a)

## CASH FLOW STATEMENT - YEAR ENDED DECEMBER 31, 2014

	Notes	2014 SR'000	2013 SR'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		<b>78,553</b>	46,691
<i>Adjustments for non-cash items:</i>			
Depreciation	5(b)	<b>6,565</b>	6,979
Amortisation	6	<b>31</b>	-
Decrease in provision for credit impairment	7	<b>(7,000)</b>	-
Increase in provision for retirement benefit obligations	11	<b>3,129</b>	2,995
Profit on disposal of property and equipment		<b>(180)</b>	(1,701)
<i>Changes in working capital:</i>			
Increase in inventories		<b>(2,431)</b>	-
Increase in trade and other receivables		<b>(3,675)</b>	(3,389)
(Decrease)/Increase in trade and other payables		<b>(1,794)</b>	905
Gratuity and compensation paid	11	<b>(997)</b>	(1,853)
<b>Net cash inflow from operating activities</b>		<b>72,201</b>	<b>50,627</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to property and equipment	5(a)	<b>(10,290)</b>	(2,113)
Proceeds from disposal of property and equipment		<b>180</b>	4,978
Additions to intangible assets	6	<b>(232)</b>	-
<b>Net cash (outflow)/inflow from investing activities</b>		<b>(10,342)</b>	<b>2,865</b>
<b>CASH FLOWS FROM FINANCING ACTIVITY</b>			
Dividends paid and net cash outflow from financing activity	20	<b>(25,000)</b>	<b>(25,000)</b>
<b>Net increase in cash and cash equivalents</b>		<b>36,859</b>	<b>28,492</b>
<i>Movements in cash and cash equivalents:</i>			
At January 1,		<b>59,720</b>	31,228
Increase		<b>36,859</b>	28,492
<b>At December 31,</b>	8	<b>96,579</b>	<b>59,720</b>

The notes on pages 7 to 20 form an integral part of these financial statements  
 Auditors' report on pages 2 and 2(a)



NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2014

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**1. GENERAL**

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

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

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

**2. SIGNIFICANT ACCOUNTING POLICIES**

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

**(a) Basis of preparation**

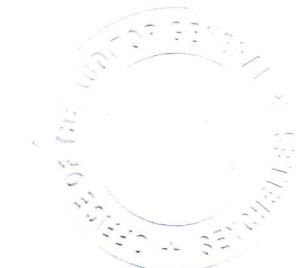
The financial statements of the Authority have been prepared under the historical cost convention method in accordance with Generally Accepted Accounting Standards in Seychelles and comply with the Seychelles Ports Authority Act, 2004.

**(b) Property and equipment**

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

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

Properties in the course of construction for operation purposes are carried at cost less any recognised impairment loss. Cost includes professional fees and for qualifying assets, borrowing costs capitalised. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.



## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2014

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

## (b) Property and equipment (Cont'd)

Depreciation is calculated on items of property and equipment so as to write off its cost on a straight line basis over their estimated useful lives. The estimated useful lives are:

	Years
Improvement to Buildings	20
Tugs, buoys and launches	15
Pontoons	20
Boats and outboard engines	4
Machinery, equipment and tools	5
Office equipment, furniture and fittings and other assets	4
Motor vehicles	5

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) 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.

## (e) 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 on the next page.



NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2014

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

## (e) Financial instruments (Cont'd)

## (i) Held-to-maturity financial assets

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Authority has the positive intention and ability to hold to maturity. Held-to-maturity investments are recognised initially at fair value plus directly attributable transaction costs. subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment.

## Derecognition

The Authority derecognises a financial asset where the contractual rights to cashflows 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 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.

## (ii) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Authority will not be able to collect all amounts due according to the original terms of receivables.

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of provision is recognised in the Income Statement.

The carrying amount of trade receivables approximated their fair value.

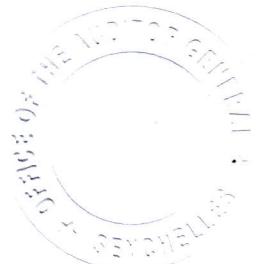
## (iii) Trade and other payables

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) 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.



NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2014

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

## (e) Financial instruments (Cont'd)

## (v) Offsetting

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

## (f) 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.

## (g) 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.

## (h) Tax

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

## (i) 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.

## (j) 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.



## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2014

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

## (j) Revenue recognition (Cont'd)

## (i) Port services income

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

## (ii) Rental income

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

## (iii) Interest income

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

## (iv) Other revenues

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

## (k) Foreign currencies

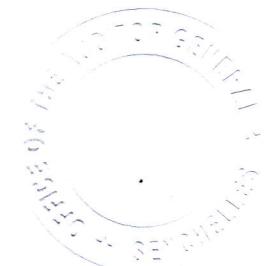
*Functional and presentation currency*

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 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.



## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2014

**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.

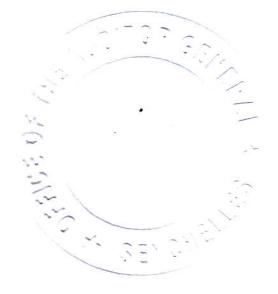
Procedures have also been established throughout the Authority so that all users channel their requirements to the treasury function. This ensures that cash flow forecast exercise is carried out based on real-time information from users. The Authority also has a portfolio of liquid assets, the maturities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



NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2014

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

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

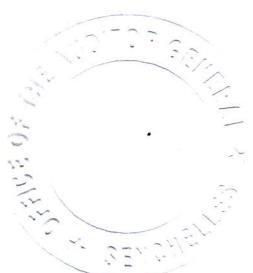
**(iii) Depreciation of property and equipment**

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) 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.



## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2014

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

## (v) Leasehold lands

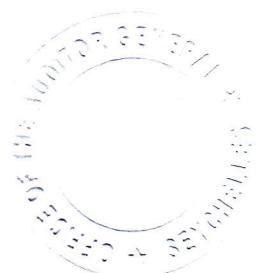
Leasehold lands have been transferred to the Authority by the Government of Seychelles at a negligible value. Improvement to Buildings made by the Authority subsequent to the take over are stated at cost incurred for such improvements. Depreciation is provided on such cost over their estimated useful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

## (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 Management have used historical information 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.



## 5. PROPERTY AND EQUIPMENT

	Improvements to buildings	Tugs buoys & launches	Boats & outboard engine	Machinery & tools	Office equipment	Furniture & fittings	Motor vehicles	Other assets	Work-in -progress	Total
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
<b>(a) COST/DEEMED COST</b>										
At December 31, 2012	2,628	106,205	600	62	1,101	1,970	486	2,921	1,488	76,024
Additions	108	-	-	-	414	287	35	742	254	273
Disposals	-	(7,661)	-	-	-	-	-	-	-	(7,661)
At December 31, 2013	2,736	98,544	600	62	1,515	2,257	521	3,663	1,742	76,297
Additions	729	-	-	-	593	246	217	759	409	7,337
Disposals	-	-	-	-	-	-	-	(178)	-	(178)
At December 31, 2014	3,465	98,544	600	62	2,108	2,503	738	4,244	2,151	83,634
										198,049
<b>ACCUMULATED DEPRECIATION</b>										
At December 31, 2012	621	22,517	248	48	505	1,422	386	867	789	-
Charge for the year	132	6,740	30	2	191	236	37	599	311	-
Disposal adjustment	-	(4,384)	-	-	-	-	-	-	-	8,278
At December 31, 2013	753	24,873	278	50	696	1,658	423	1,466	1,100	-
Charge for the year	156	5,974	30	4	308	294	57	735	306	-
Disposal adjustment	-	-	-	-	-	-	(178)	-	-	(4,384)
At December 31, 2014	909	30,847	308	54	1,004	1,952	480	2,023	1,406	-
										31,297
<b>NET BOOK VALUE</b>										
At December 31, 2014	2,556	67,697	292	8	1,104	551	258	2,221	745	83,634
At December 31, 2013	1,983	73,671	322	12	819	599	98	2,197	642	76,297
										156,640

At December 31, 2014  
At December 31, 2013

SEYCHELLES PORTS AUTHORITY  
2014

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

## (b) Depreciation

	2014	2013
	SR'000	SR'000
Depreciation charge (note 5(a))	7,864	8,278
Release from capital reserve	(1,299)	(1,299)
<b>Net charge for the year</b>	<b>6,565</b>	<b>6,979</b>

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

## 6. INTANGIBLE ASSET

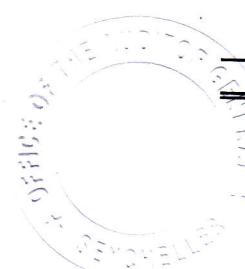
	Computer software
	2014
	SR'000
<b>COST</b>	
Additions during the year and at December 31,	232
<b>AMORTISATION</b>	
At January 1,	
Charge for the year	31
<b>At December 31,</b>	<b>31</b>
<b>NET BOOK VALUE</b>	
<b>At December 31,</b>	<b>201</b>

## 7. TRADE AND OTHER RECEIVABLES

	2014	2013
	SR'000	SR'000
<b>Trade receivable:</b>		
Port and other port related fees receivable	30,407	29,503
Rent receivable	887	1,706
(Reversal)/Provision for credit impairment (see note (a) below)	(1,087)	(8,087)
	<b>30,207</b>	<b>23,122</b>
<b>Other receivable:</b>		
Prepayments	1,301	440
Others	12,087	9,358
	<b>43,595</b>	<b>32,920</b>

## (a) Movement on the provision for credit impairment is as follows:

	2014	2013
	SR'000	SR'000
At January 1,		
Reversal of credit impairment	8,087	8,087
<b>At December 31,</b>	<b>(7,000)</b>	<b>-</b>
	<b>1,087</b>	<b>8,087</b>



## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2014

## 7. TRADE AND OTHER RECEIVABLES (CONT'D)

(b) Trade and other receivables are denominated in Seychelles Rupee and their carrying amounts approximate their fair value.

## 8. CASH AND CASH EQUIVALENTS

	2014 SR'000	2013 SR'000
Cash in hand and at bank	62,051	59,720
Held-to-maturity financial assets (note (a) below) / 9)	34,528	-
	<u>96,579</u>	<u>59,720</u>

(a) Held-to-maturity financial assets mature within 3 months from the date of deposit and have been recognised as cash and cash equivalents for cash flow purposes.

## 9. HELD-TO-MATURITY FINANCIAL ASSETS

	2014 SR'000	2013 SR'000
Additions during the year and at December 31,	<u>34,528</u>	-

(a) Investments in Held-to-maturity financial assets relate to treasury bills held with the Central bank of Seychelles.

## 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.

The movement in capital reserve is as follows:

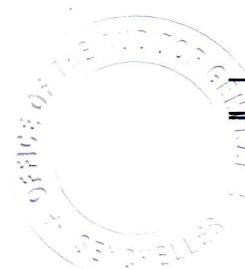
	2014 SR'000	2013 SR'000
At January 1,	18,545	19,844
Charge for the year (note 5(b))	(1,299)	(1,299)
At December 31,	<u>17,246</u>	<u>18,545</u>

## 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:

	2014 SR'000	2013 SR'000
At January 1,	3,229	2,087
Charge for the year (note 16)	3,129	2,995
Payments made during the year	(997)	(1,853)
At December 31,	<u>5,361</u>	<u>3,229</u>



## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2014

## 12. OTHER PAYABLE

	2014 SR'000	2013 SR'000
Long term payables	-	3,586

Other payable for the year 2013 was in respect of amount payable to Seychelles Petroleum Company Limited and fully settled during the year under review.

## 13. TAX

	2014 SR'000	2013 SR'000
At January 1,		
Current tax based on the profit for the year	99,500	89,000
At December 31,	11,000	10,500
	<u>110,500</u>	<u>99,500</u>

Tax liability is disclosed as follows:

	2014 SR'000	2013 SR'000
Current	11,000	10,500
Non Current	99,500	89,000
	<u>110,500</u>	<u>99,500</u>

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

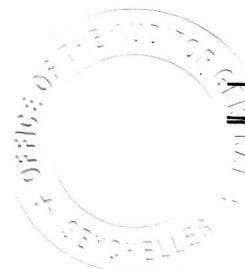
## 14. TRADE AND OTHER PAYABLES

	2014 SR'000	2013 SR'000
Trade payables	1,772	7,552
Other payables	8,747	1,245
Deposits	310	240
	<u>10,829</u>	<u>9,037</u>

Trade and other payables are denominated in Seychelles Rupee and the carrying amounts approximate their amortised cost.

## 15. OTHER INCOME

	2014 SR'000	2013 SR'000
Profit on disposal of assets	180	1,702
Bank interest	685	276
Miscellaneous income	952	1,313
	<u>1,817</u>	<u>3,291</u>



## NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2014

16. COST OF SERVICES	2014 SR'000	2013 SR'000
Maintenance services	9,810	14,775
Fuel	2,477	4,570
Insurance	744	982
Other costs	239	309
	<b>13,270</b>	<b>20,636</b>

17. STAFF COSTS	2014 SR'000	2013 SR'000
Salaries and wages	33,505	25,451
Gratuity and length of service provision (note 10)	3,129	2,995
Other staff costs	2,365	1,684
	<b>38,999</b>	<b>30,130</b>

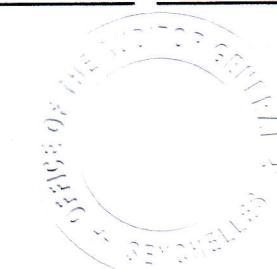
18. PREMISES COSTS	2014 SR'000	2013 SR'000
Rent	1,460	223
Electricity and water	1,331	1,863
Cleaning costs	54	108
Insurance	71	23
	<b>2,916</b>	<b>2,217</b>

19. OPERATING OVERHEADS	2014 SR'000	2013 SR'000
Advertising, entertainment and donations	2,415	1,112
Bank charges	16	28
Communication costs	477	429
Board members' fees (see note (a) below)	192	116
Local travel and conveyance	574	401
Office equipment maintenance	708	1,019
Other operating overheads	2,378	527
Overseas travel, subsistence and training	872	747
Professional and consultancy fees	193	475
Stationery, postage and subscriptions	410	606
Vehicle maintenance	575	523
	<b>8,810</b>	<b>5,983</b>

(a) Board members' fees:	2014 SR'000	2013 SR'000
Andre Ciseaux	36	22
Monica Bonvalet	36	22
Philippe Michaud	36	22
Conrad Benoiton	48	28
Jean Atalla	36	22
	<b>192</b>	<b>116</b>



NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED DECEMBER 31, 2014

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**20. DIVIDENDS**

The Authority paid dividend amounting to SR 25million (2013: SR 25million) to Government of Seychelles during the year under review.

**21. CAPITAL COMMITMENTS**

There were no capital commitments as at December 31, 2014 (2013: Nil).

**22. CONTINGENT LIABILITY**

There were no contingent liability as at December 31, 2014 (2013: Nil).

