



**Investigation into the procedure of the disposal and sale of the
Seychelles Pride tanker by the Seychelles Petroleum Company Limited**

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Abbreviations and acronyms

AFS	Audited Financial Statement
Board	Board of Directors
CEO	Chief Executive Officer
DMCC	Dubai Multi Commodities Centre
ED	Executive Director
FAR	Fixed Asset Register
GTS	German Tanker Shipping
GoS	Government of Seychelles
HoF	Head of Finance
MoA	Memorandum of Agreement
NED	Non-Executive Director
OVb	Ostfriesische Volksbank eG
PE	Public Enterprise
PEMC	Public Enterprise Monitoring Commission
PEMCA	Public Enterprise Monitoring Commission Act 2013
PFMA	Public Finance Management Act 2012
PFMR	Public Finance Management Regulations 2014
PoA	Power of Attorney
PPA	Public Procurement Act 2008
SCR	Seychelles Rupees
SEYPEC	Seychelles Petroleum Company Limited
mUSD	Million US Dollar

1 Executive Summary

Following a request from the Minister for Finance on January 20, 2022 in line with Section 42(a) of the Public Enterprise Monitoring Commission Act 2013 (PEMCA), the Public Enterprise Monitoring Commission (the Commission) conducted an investigation into the procedure for the disposal and sale of the Seychelles Pride tanker by the Seychelles Petroleum Company Limited (SEYPEC). The investigation was also conducted in accordance with the Commission's function as per Section 11(g) of the PEMCA.

The Commission's methodology included review of company and board documents related to the transaction, research, and interviews with key personnel.

Main findings

A. Corporate governance

Laws and regulations

The Commission proceeded with the assessment of SEYPEC compliance with relevant laws and regulations. The Commission noted the following:

1. The sale of Seychelles Pride has been undertaken in isolation of relevant laws and legislation, except for the Companies Act 1972. The provisions of the Public Finance Management Act 2012 (PFMA) and the Public Finance Management Regulations 2014 (PFMR) in respect of the disposal of assets were not followed. Shareholder approval was not formally requested or granted for the disposal and subsequent sale of Seychelles Pride.

Governance oversight

The Commission further noted certain deficiencies in the governance framework at SEYPEC. The Commission noted that:

2. SEYPEC does not have any sub-committees of the Board of Directors (Board). SEYPEC Board comprises of five non-executive directors and the CEO in accordance with section 23 (c) PEMC Act which states that the Board of each Public Enterprise Shall consist of not less than five and not more than nine persons including the CEO of that Public Enterprise. Taking into consideration the company's annual turnover and the value at risk of the company there should have been more non-executive directors appointed on the Board to ensure a better governance framework.
3. The signed minutes of the September 9, 2021 Board meeting show a decision to inform the Cabinet on the sale of Seychelles Pride and the replacement strategy. Interviews with Board members, the CEO and other persons present at the meeting indicate varying recollections of the decision.
4. The CEO emailed the Board secretary on January 17, 2022 at 13h17 to request that an amendment be included in the minutes of the December 9, 2021 meeting in respect of the previous meeting (September 9, 2021). The CEO indicated that the amendment is to reflect the acquisition of the replacement tanker to be presented to the shareholders for approval and not the disposal, which is what he indicates he had stated in the meeting of September 9, 2021. The requested amendments were not made.

Board effectiveness and oversight

5. The Board approved SEYPEC's proposal to sell Seychelles Pride and the appointment of German Tanker Shipping (GTS) as the representative to negotiate the sale in July 2021.
6. Board granted Power of Attorney to the CEO on December 30, 2021 for the sale of Seychelles Pride.
7. Board resolution absent for the opening of a new USD bank account with Ostfriesische Volksbank eG (OVB) on December 13, 2021, contrary to former practice.

B. Sales records

Tanker valuation

8. Evaluators performed desktop valuations of SEYPEC's deep-sea fleet without a physical inspection of the tankers. Valuations conducted in May 2021 and November 2021 estimated the value of Seychelles Pride to be in the range mUSD6 - mUSD7.

Locating potential buyer(s)

9. GTS conducted a discreet assessment to locate potential buyers to avoid alerting the market. Having no expertise in the international tanker tendering process, the Commission could not establish if such practice is in accordance with international best practices.
10. The SEYPEC Board agreed through a resolution dated December 30, 2021 to sell Seychelles Pride for mUSD5.88 to Northern Tankers DMCC (the buyer).

Sale agreement and disposal process

11. The Memorandum of Agreement (MoA) between SEYPEC and the buyer was signed on December 12, 2021.
12. Opening of new SEYPEC USD bank account with OVB for the sale of Seychelles Pride. Key SEYPEC personnel and signatories on the account indicated in interviews that they had not been informed of the account's opening and found out subsequently.
13. Outdated list of signatories on SEYPEC's new account including a former employee who had left the Company before the opening of the new account.
14. No formal policies or manual guiding asset disposal at SEYPEC.

Recording of financial transaction

15. The payment received from the buyer was as per MoA, Bill of Sale and invoice issued dated January 7, 2022. No invoice number was sighted on the invoice for the sale of Seychelles Pride.
16. The mUSD5.88 was settled in two payments; a 10% deposit paid on December 22, 2021 and the remaining balance received on January 10, 2022. The amounts were received in the new USD account.
17. Payment of mUSD0.367 for delivery of bunkers, lubricants and grease to the buyer according to the MoA and invoice dated January 7, 2022 was also made in the new USD account. No invoice number was sighted on the invoice for the delivery of bunkers, lubricants and grease.
18. All funds (mUSD6.247) pertaining to the sale of the tanker and the delivery of bunkers, lubricants and grease to the buyer were transferred from the new USD account into SEYPEC's main USD OVB account on January 20, 2022. The Commission notes that the funds were only transferred after ten days and no reasonable explanation was given for the opening of a new bank account.

2 Introduction

The Public Enterprise Monitoring Commission, in line with Sections 11(g) and 42(a)¹ of the PEMCA 2013, conducted an investigation into the procedure for the disposal and sale of the Seychelles Pride tanker by SEYPEC following a request received from the Minister for Finance on January 20, 2022.

3 Objectives

The objectives of the investigation were to:

- assess SEYPEC’s governance oversight framework pertaining to the disposal of Seychelles Pride to ensure proper procedures were followed,
- assess the compliance of SEYPEC proceedings to the requirements of relevant Acts and regulations pertaining to the sale of Seychelles Pride,
- assess the authorization and approval process for the disposal of Seychelles Pride from initiation to disposal.

4 Methodology

Key approaches used during the investigation included:

Review and physical inspection of documents: The Commission requested and reviewed various documents received from SEYPEC. Key information were extracted to consolidate the investigation plan and design interview questions.

Research: The Commission carried out desk research that formed the basis to assess the potential risks of the sale of Seychelles Pride and non-compliance to relevant governing legislation.

Interviews: The Commission carried out interviews to understand certain functions, assess the current processes, identify the potential weaknesses regarding the sale of Seychelles Pride and for further clarification on the transaction.

Table 1. List of interviewees

Person interviewed	Position
Minister. Naadir Hassan	Minister for Finance, Economic Planning and Trade
Dr. Selwyn Gendron	Chairperson
Mr. Suketu Patel	Board Member
Mr. Yannick Vel	Board Member
Mr. Conrad Benoiton	Chief Executive Officer
Mrs. Sarah Romain	Acting Chief Executive Officer/General Manager-Commercial
Ms. Unice Romain	Board Secretary/General Manager-Corporate and Human Resources
Mr. Francis Racombo	Head of Finance

¹ **Section 42(a) PEMC Act 2013:** “the Responsible Minister may at any time, order an investigation into the affairs of a Public Enterprise as the Minister deems necessary”

5 Background

SEYPEC, a government-owned company, was incorporated on April 2, 1985 under the Companies Act 1972 following the closure of the Shell Oil Company. It is governed by a Board consisting of five non-executive directors (NED). The CEO sits on the Board in an ex-officio capacity, as per Section 23(a) of the PEMCA.

SEYPEC has a fleet of five double-hull tankers trading internationally, four of which are subsidiaries, namely Seychelles Pioneer, Seychelles Progress, Seychelles Prelude and Seychelles Patriot. The Company also has a smaller product and LPG tanker, Seychelles Paradise, trading in the Indian Ocean.

The core business activities of SEYPEC:

- Supply of petroleum products in Seychelles
- Marine bunkering
- Aviation refueling
- Transshipment and transportation of petroleum and chemical products by tankers

Seychelles Pride was the first tanker acquired by SEYPEC in 2002. SEYPEC had full ownership of the vessel, with all debts paid off. The vessel, alongside SEYPEC's other deep-sea tankers, was managed by the Company's strategic partner, GTS.

Table 2. Particulars of Seychelles Pride

Name of vessel	Seychelles Pride
IMO number	9251664
Classification society	DNV
Class notation	100 A5 Oil tanker with double hull COLL(3) ERS ESP NLS
Year of build	2002
Builder/Yard	Lindenau GmbH Schiffswerft & Maschinenfabrik, Kiel, Germany
Flag	Seychelles
Place of registration	Victoria, Seychelles
GT/NT	21,353/8,390

As part of the SEYPEC's Asset Management Philosophy, it was stated in the Company's five-year Strategic Plan (2020 – 2025) that there is a need to chart out its fleet replacement strategy to remain competitive. The replacement of Seychelles Pride, the oldest tanker in the fleet, was discussed at Board meetings and in July 2021 the Board approved the appointment of GTS as the representative to negotiate the sale.

6 Timeline

2018

- GTS Presentation to the Board of SEYPEC (July 26, 2018)
- SEYPEC's Board agreed that GTS finds options for new builds that would benefit the fleet. In case there was a decision to replace in 2019, Seychelles Pride being the oldest would be the one set for replacement (Board minutes July 26, 2018)

2020

- SEYPEC Strategic Plan (2020-2025) noting the tanker replacement strategy
- Tanker replacement strategy discussion (Board minutes May 14, 2020)
- Board informed that GTS is doing an assessment of its options for its fleet replacment. Presentation by GTS postponed due to COVID-19 (Board Minutes September 10, 2020)

2021

- Maersk Broker Advisory Services valuation of SEYPEC fleet of deep-sea tankers (May 27, 2021) commissioned by GTS
- Proposal for the sale of Seychelles Pride shared electronically with Board members and approval requested to appoint GTS as the representative to negotiate the sale of Seychelles Pride (July 22, 2021). A majority of Board members electronically approved the proposal (July 2021).
- Presentation by GTS to Board on the sale of Seychelles Pride. The Board was informed that GTS has discreetly approached a potential buyer. (Board minutes September 9, 2021)
- Decision in Board meeting to present the sale to Cabinet *"as this involves the disposal of and purchase of a major asset"* (September 9, 2021)
- Fearnleys Valuation of SEYPEC fleet of deep-sea tankers (November 19, 2021)
- Board informed of the mUSD5.88 offer received from a buyer for Seychelles Pride and that the purchase agreement is being finalised (Board minutes December 9, 2021)
- Memorandum of Agreement signed by SEYPEC and the buyer (December 12, 2021)
- Creation of SEYPEC second USD bank account at OVB (December 13, 2021)
- Telefax sent by GTS legal representative (Schackow) to Seychelles Maritime Safety Authority (SMSA) enquiring about the requirements for the deletion of Seychelles Pride from the Seychelles Ship Registry and associated procedures (December 20, 2021)
- Instruction to pay 10% (mUSD0.588) deposit sent to the buyer (December 21, 2021)
- 10% deposit (mUSD0.588) received in SEYPEC second USD account (December 22, 2021)
- Board resolution signed to approve the sale of Seychelles Pride and to grant Power of Attorney to SEYPEC CEO to do and execute all acts, deeds, or things, on behalf of and in the name of SEYPEC, in connection with the sale of Seychelles Pride (December 30, 2021)
- Power of Attorney granted to the CEO (December 30, 2021)

2022

- Bill of Sale signed by SEYPEC and the buyer (January 7, 2022)
- Invoices for delivery of bunkers, lubricants and grease (mUSD0.367) and delivery of Seychelles Pride (mUSD5.88) issued (January 7, 2022)
- Balancing payment for Seychelles Pride (mUSD5.292) and payment for bunkers, lubricants and grease (mUSD0.367) received in second USD bank account (January 10, 2022)
- Protocol of Delivery and Acceptance signed confirming the delivery of Seychelles Pride to the buyer (January 12, 2022)
- Minister for Finance, Economic Planning and Trade speaks to CEO on the telephone seeking clarification on the sale of Seychelles Pride after having learned of it through unofficial sources (January 17, 2022)*
- Email sent by the CEO to the Board secretary at 13h17 requesting for an amendment to be included in the December 9, 2021 minutes in respect of the September 9, 2021 minutes (January 17, 2022)
- Special SEYPEC Board meeting to discuss an official letter from the Minister for Finance, Economic Planning and Trade concerning the suspension of the CEO (January 18, 2022)
- Letter of suspension issued to the CEO by the Minister for Finance, Economic Planning and Trade following approval of the President, pending the outcome of an investigation. The letter expressed the Shareholder's disappointment of not being formally informed of the decision to sell Seychelles Pride. The letter refers to a presentation to Cabinet which was not done contrary to the signed minutes of the September 9, 2021 Board meeting and the instruction from the CEO to the Board secretary to include an amendment to the minutes to remove the requirement to make the presentation to Cabinet, after the phone conversation where the Minister queried on the sale of the vessel (January 18, 2022)
- All funds received for the sale of the tanker and delivery of bunkers, lubricants and grease (mUSD6.247) transferred from second USD account to SEYPEC's main USD account with OVB following instruction of the General Manager-Commercial and the Head of Finance to OVB (January 20, 2022)

*As per interviews, minutes of special SEYPEC Board meeting of January 18, 2022, and letter of suspension to the CEO

7 Main findings

7.1 Corporate governance

7.1.1 Laws and regulations

The sale of Seychelles Pride has been undertaken in isolation of relevant laws and legislation, except for the Companies Act 1972. Principle 1(4) of the Code of Corporate Governance for Public Enterprises (the Code) states that *“Boards of PEs should ensure that the PEs are compliant with laws and regulations, including statutes pertaining to public procurement and public financial management”*. It is therefore the duty of the Board to ensure that SEYPEC operates within these jurisdictions. Through interviews conducted with the Board and inspection of minutes, it was indicated that no consideration was given to other legislation such as PFMA and PFMR. The Board approved the disposal of Seychelles Pride by their vested powers in accordance with Section 34 and Schedule 3 (3) of the Companies Act 1972.

Shareholder approval was not formally requested or granted for the disposal and subsequent sale of Seychelles Pride. According to Section 17(3) of PFMA, *“the Ministry responsible for Finance shall assess and make recommendations to cabinet for approval of the sale of an asset above mSCR1 and inform the National Tender Board to proceed with the sale as per the requirements of the Public Procurement Act”*. Section 12.1(c) of PFMR further states that the Accounting Officer² shall obtain a written approval of the Principal Secretary of Finance for the disposal of an asset. SEYPEC failed to comply with either provision and formally notify the shareholders of the sale.

7.1.2 Governance oversight

SEYPEC does not have any sub-committees of the Board, all matters are brought to the attention of the Board. Principle 12(9) of the Code of Corporate Governance states that the Board should set up a Risk Committee (if necessary) to assist in the formulation of the Company’s risk and internal control framework. SEYPEC Board comprises of five non-executive directors and the CEO in accordance with section 23 (c) PEMC Act which states that the Board of each Public Enterprise Shall consist of not less than five and not more than nine persons including the CEO of that Public Enterprise. Taking into consideration the company’s annual turnover and the value at risk of the company there should have been more non-executive directors appointed on the board to ensure a better governance framework. An increase in number of directors to the board would allow the establishment of critical board sub-committees such as audit, risk and compliance. The absence of such committees may weigh on the level of scrutiny accorded to high-value disposals such as that of Seychelles Pride.

SEYPEC Board minutes of meeting fail to give a thorough account of Board discussions on the sale of Seychelles Pride. Principle 1(11) of the Code states that *“Board discussions should be properly recorded in minutes to provide a thorough record of Board discussions and the rationale behind the decisions taken”*. The Commission noted that the Board minutes of meetings, precisely that of September 9, 2021, were

² As per Section 2 of the PFMA, an “Accounting officer” means a Principal Secretary, Chief Executive Officer, Head of department or other public officer whose duties involve being responsible for the management of public moneys, stores and government assets of the Government or any public body. Section 2 of the PFMA defines a public body as (a) a department, division or agency of the Government; (b) a statutory corporation; (c) a company incorporated and registered under the Companies Act of which the Government is the majority shareholder; or (d) any other body of persons, whether corporate or unincorporate, carrying on a service or undertaking which in the opinion of the Minister is of a public nature for the benefit of Seychelles;

condensed in discussions on the sale of Seychelles Pride. The decision noted in those minutes, which the Chairman signed, **was that a presentation is to be done to the Cabinet as this involves the disposal of a purchase of a major asset.** The minutes did not give a thorough account of discussions relating to the presentation to the Cabinet. During interviews conducted, the Commission gathered contradictory accounts of the decision made on the sale of Seychelles Pride at the meeting.

Requests to amend minutes of Board meeting. The Commission sighted an email from the CEO to the Board secretary dated January 17, 2022 at 13h17 to include an amendment in the Board minutes of the December 9, 2021 meeting in respect of the previous meeting (meeting of September 9, 2021). The email request stated that, “acquisition of the replacement tanker is to be presented to Shareholders for approval, not the disposal as previously quoted”, with the CEO claiming to have mentioned in the meeting. However, the Commission notes that amendments were not made to both minutes of meeting as, through interviews conducted, the Board Secretary stated that she does not recall the matter being discussed.

7.1.3 Board effectiveness and oversight

A majority of Board members approved the proposal for the sale of Seychelles Pride. A proposal for the sale of Seychelles Pride requesting approval to appoint GTS as the sales representative to negotiate the sale was shared with Board members by the Board Secretary in July 2021. Approval of four out of five Board members was sighted to be conveyed electronically in that same month.

From the proposal, which was prepared by SEYPEC, the Commission gathered the following shortcomings of the vessel which prompted the sale;

- Loss-making for several years
- Due for dry docking mid-2022 at an estimated cost of mUSD2
- Oldest and smallest tanker amongst the international fleet
- Was not being chartered as frequently as the other tankers in the fleet in part because it is not an ice classed vessel.

In the Board meeting of September 9, 2021, GTS presented to the Board an overview of their company and an analysis of the age profile of the tankers. The possibility of selling Seychelles Pride to get funds for the down payment on building a new tanker was also discussed. As per the signed Board minutes, it was agreed that a presentation would be done to Cabinet as this involves disposal of and purchase of a major asset. However, there was no mention of a collective agreement or discussion for a tentative date for the presentation. Additionally, the unsigned minutes of the Board meeting held on December 9, 2021 makes no follow-up reference to the presentation to the shareholder in the discussions relating to the sale of Seychelles Pride.

Power of attorney for the sale of Seychelles Pride. Following the ongoing process of the sale, on December 30, 2021, a Board resolution was passed on the sale and the authorization for Power of Attorney was given to the CEO for any transaction associated with the sale of Seychelles Pride.

Board resolution absent for the opening of a new bank account with OVB on December 13, 2021.

Principle 1(9) of the Code of Corporate Governance states that *"the management of a PE has a duty to provide its Board with all necessary information to enable the board to perform their duties to a high standard. The Board should take all necessary steps to make themselves aware of any relevant information and access all information as necessary."* Interviews and documentation sighted indicated that the procedure for past SEYPEC bank account openings required a Board resolution. No Board resolution was sighted for the opening of the new account with OVB. The Commission noted that the Power of Attorney was granted to the CEO by the Board on December 30, 2021, after the opening of the new bank account and receipt of a 10% deposit on Seychelles Pride into the same account (ref. 7.2.4 Recording of financial transaction). It was also noted in the unsigned minutes of a special SEYPEC Board meeting of January 18, 2022 that the Board agreed to speak with the CEO to understand his reasons for the opening of the separate bank account. The Commission was not provided with a reasonable explanation for the opening of a new bank account.

7.2 Sales records

7.2.1 Tanker valuation

Two valuations were performed on SEYPEC's tankers. During verification of documents and interviews conducted, the Commission noted that approval was granted to GTS to proceed with the valuation.

Both valuers performed desktop valuations with no physical inspection of the tankers. The valuation was based on the present market value of tankers of the same age, size, type and relevant available information. As indicated from interviews, the main reason for such a valuation was that it would be cost-beneficial for SEYPEC to value the tankers using this method and ensure the disposal of Seychelles Pride goes according to schedule. No physical inspections may lead to an under or overvaluation of asset and may not be a true reflection of the assets' physical condition. Table 3 shows the market valuation performed by both valuers for Seychelles Pride. Refer to Appendix 2 for the full reports.

Table 3. Valuation of the Seychelles Pride as per valuation reports

Valuator	Date of valuation report	Market valuation (mUSD)
Maersk Broker Advisory Services	May 27, 2021	6.0-7.0
Fearnleys	November 19, 2021	6.0

7.2.2 Locating potential buyer(s)

GTS conducted a discreet assessment to locate potential buyers as to not alert the market. The Board was informed in the meeting of September 9, 2021 that GTS had discreetly sourced a buyer for Seychelles Pride, a method previously used by GTS to sell three of its tankers successfully. Based on the sighted documents and interviews conducted, the Commission noted the following;

- GTS offered SEYPEC to consider not to advertise or go through a public tender process for Seychelles Pride so as not to alert the market. As per the interviewees, if SEYPEC would have taken a public tender approach, the announcement to sell the Seychelles Pride would have created some uncertainty with key customers (referred to as 'charterers' in the petroleum industry), contracts and employees hence leaving SEYPEC at a disadvantageous position by lowering the potential price offers

for the tanker. Due to time constraint the Commission was unable to have expert opinion in such case to establish if it is normal procedures for the sale of tankers in a discreet manner.

- No discussion to locate a buyer other than through GTS was made by the Board given the sensitivity of the transaction. Moreover, interviewees stated that no local expertise was available to undertake such transaction. Management and Board were confident in GTS for locating the best buyer/best deal for Seychelles Pride given the very good business relationship of seven years and given GTS' experience in the tanker and shipping industry.

Table 4. Offers received

Options	Offers
Northern Tankers DMCC	mUSD5.88
Miliana Shipmanagement LTD-purchase	mUSD5.57
Miliana Shipmanagement LTD-charter	Six-year time charter at USD9,825 per day with the obligation to purchase for USD1 after the time charter

Table 5. Particulars of buyer

Name	Northern Tankers DMCC
Form	Limited liability company
Incorporation date	10.02.2020
Registration Authority	Registrar of Companies of the Dubai Multi Commodities Centre Authority (DMCCA)
Legal status	Free zone company
Registration number	DMCC183632
Country of origin	United Arab Emirates
Service licence expiry date	24.02.2022
License number	DMCC - 760057
Activities	Ship Charter Ship Management and Operation Sea Transport of Oil and Petroleum Products
Certificate of good standing	Yes
Nominated flag state	Comoros

7.2.3 Memorandum of Agreement (MoA) and disposal process

The MoA between SEYPEC and the buyer was signed on December 12, 2021. The MoA detailed the terms and conditions for the sale of Seychelles Pride. According to the interviews conducted, the GTS legal team vetted the agreement. Payment terms were to be executed in two separate transactions;

- 10% deposit within three banking days after signing the agreement,
- the outstanding balance upon delivery of Seychelles Pride

In addition, a broker was hired to facilitate the sale of Seychelles Pride. Bruhns Ship Brokers provided the service for a fee of 0.75% commission on the total disposal amount of mUSD5.88.

Opening of new SEYPEC USD bank account with OVB on December 13, 2021. Interviews conducted indicate that the CEO opened a new bank account with no consultations with key SEYPEC personnel, namely the Head of Finance (HoF), the General Manager-Commercial and the General Manager-Corporate and Human Resources. The HoF indicated that he became aware of a new bank account on December 22, 2021 whilst tracking the 10% deposit on sale of Seychelles Pride with OVB Bank as per the request from the CEO. The three signatories interviewed by the Commission stated that they were not aware of the new bank account opening and not aware that they had been listed as signatories.

In the Commission's interview with the CEO, he indicated that he had been advised when engaging with GTS, that payment for the tanker would come in different portions. Creating a new receiving bank account was necessary to track this money. As per the CEO, once the last payment had been made, the balance of the account was to be transferred to SEYPEC'S main USD account and the new bank account would be closed. Taking into consideration that no board approval was granted for the opening of this separate account and that a former employee was one of the signatory, this account could have been an element of important risk to SEYPEC.

The list of signatories for the new bank account was outdated, as well as for SEYPEC's other accounts with OVB as confirmed by OVB in an email to SEYPEC. The signatories **also comprise a former employee** who had left the Company before the opening of the new account. The Commission also sighted an email from HoF to OVB requesting that the list of signatories be updated for the existing accounts on November 22, 2021. This was before the opening of the new account. The Commission further notes, as per email from OVB, that GTS representatives also have Power of Attorney on SEYPEC's accounts with the OVB for information purposes.

No formal policies or manual guiding asset disposal at SEYPEC. The Commission requested for the accounting policy or manual of SEYPEC regarding asset disposal and was advised by HoF that there were no such documents. The Commission was informed through an interview that SEYPEC uses informal undocumented procedures for asset disposal.

7.2.4 Recording of financial transaction

The payment received from the buyer in the new USD account was as per the MoA and invoice dated January 7, 2022. The mUSD5.88 was settled in two payments comprising a 10% deposit paid on December 22, 2021 and the remaining balance received on January 10, 2022. **The invoice of mUSD5.88 for the delivery of Seychelles Pride dated January 7, 2022 did not contain an invoice number.**

The Commission confirmed through documentation review that the amounts in the new USD bank account were transferred into SEYPEC's main USD account on January 20, 2022. A letter, signed by the General Manager-Commercial and HoF, was sent to OVB by HoF on January 20, 2022 to request that the mUSD6.247 be transferred from SEYPEC's new account to its main USD account no.24824009.

Inspection of the Fixed Asset Register (FAR) extracts confirm that Seychelles Pride was derecognized in the FAR shortly after the transfer of control was passed to the buyer on January 12, 2022.

Table 6. Financial transactions for the sale of Seychelles Pride

Transaction	Date	Reference	Bank	Amount mUSD
10% deposit	22.12.2021	Letter of instruction to Deposit dated December 16, 2021	OVB	0.588
Balance payment	10.01.2022	Invoice dated January 7, 2022 (No invoice number)	OVB	5.292
Delivery of bunkers, lubricants and grease	10.01.2022	Invoice dated December 12, 2021 (No invoice number)	OVB	0.367
Transfer from new USD account to main USD account	20.01.2022	Transfer reference TF0370-SOI058189	OVB	6.246

8 Recommendations

8.1 Sub-committees

As per PFMR 2014 Section 96(1), the Board shall establish an Audit Committee to oversee the internal control and management of Public Enterprises. This is further supported in the Code, Principle 11 (7), which states that the Board should set up an audit committee to assist its work. Sub-committees are instrumental to an organisation and its Board in ensuring the company's operations are carried out effectively, efficiently, and according to relevant laws and regulations with the different committees focusing on different aspects of operation.

Boards should be assisted by sub-committees to ensure the effective function as they oversee key aspects of SEYPEC.

The Shareholder may consider increasing the number of members of the SEYPEC Board to facilitate the creation of sub-committees, given the strategic importance of the Company and the value at risk. Section 23(c) of the PEMCA provides that the Board of each Public Enterprise shall consist of not less than five and not more than nine persons including the CEO.

8.2 Board knowledge

The Code, Principle 1(4) states that "*the Board should ensure that the Public Enterprise is compliant with relevant laws and regulations, including statutes pertaining to public procurement and public financial management*". Therefore, it is recommended that for the Board to be well versed with the different laws and regulations applicable to their respective Enterprise.

Furthermore, it is recommended for the Board to participate in ongoing professional development to stay up to date on new laws, regulations, policies, and the ever-changing business climate in order to enhance their decision-making.

8.3 Communication

A meeting should be organised between SEYPEC and its Responsible Ministry to set out both parties' expectations and plans to establish a collaborative outcome moving forward.

8.4 Minutes of meeting

As per the Code, Principle 1(11), Board discussions should be properly recorded in minutes to provide a thorough record of board discussion and the rationale behind decisions taken. The Commission would therefore recommend the application of Principle 1(11) in view that there were varying recollections of the discussion of the sale of Seychelles Pride which occurred in the Board meeting of December 9, 2021. Further detail in the minutes regarding the discussion on the presentation to the Cabinet may have provided more clarity.

It is further recommended that Board and Management reinforce the procedure currently in place pertaining to the amendments of minutes of Board meeting whereby any request sent through email should have the Board members in copy.

8.5 Policies, procedures and manuals

Board and Management should establish formal policies, procedures and manual to provide guidance on the internal controls of the Company in line with Principle 12(5) of the Code. This would include procedures that detail the different levels of authority involved in carrying out the Company's operations and would be prepared in accordance with the relevant laws and regulations applicable.

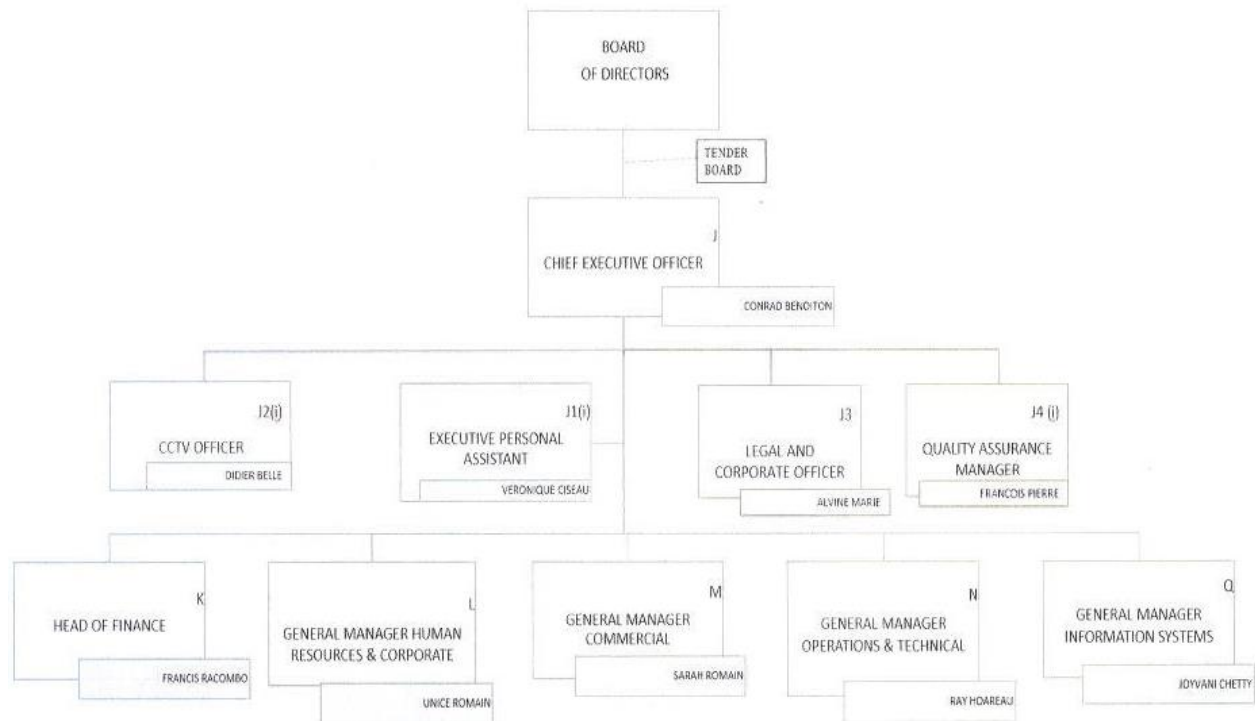
These policies should be updated and reviewed to reflect the Company's current operations in respect of material controls, including financial, operational and compliance controls, in accordance with Principle 12(8) of the Code.

8.6 Shareholders required action

The shareholder through PEMC, in accordance with functions under the PEMCA, should carry out a comprehensive audit of SEYPEC in order to identify the inherent risks that could materially affect the company and the economy as a whole. Such exercise would enable the Shareholder to strengthen the Board and Management of SEYPEC in the governance, internal control and risks in order to address the deficiencies found during the investigation.

9 Appendices

Appendix 1. Organisational chart



Appendix 2. Valuation reports



**MAERSK BROKER
ADVISORY SERVICES**

VALUATION

as of 27 May 2021

for GTS Shipmanagement GmbH & Co. KG, Bremen, Germany

On the assumption that the vessels are in good order and in a condition in hull and machinery which is to be expected of vessels of their age, size and type, we are of the opinion - based on the available information and without sighting the vessels or their classification records - that the present market value of these vessels, as equipped, are approximately as stated below, cash on delivery and on the basis that they are sold without any charter attached. Our price assessment is furthermore based on a "willing seller and willing buyer" scenario.

Name and IMO number	Type	Built	DWT	Valuation in USD mill.
Seychelles Patriot 9365635	Tanker	2008	45,680	13.5 - 14.5
Seychelles Prelude 9365623	Tanker	2007	45,680	11.5 - 12.5
Seychelles Progress 9298181	Tanker	2005	37,557	8 - 9
Seychelles Pioneer 9255517	Tanker	2005	37,500	8 - 9
Seychelles Pride 9251664	Tanker	2002	32,580	6 - 7

The vessels have been valued on an individual basis. If all or some of the vessels were placed in the market at the same time, the total achieved may not amount to the sum of the individual values.

The figures mentioned above reflect our opinion of the market value of the above vessels on the date of this evaluation. No assurance can be given that such valuations can be sustained or are realisable in actual transactions.

We believe that the above valuation and particulars are reasonably accurate, but all statements made above are statements of opinion and are not to be taken as representations of fact.

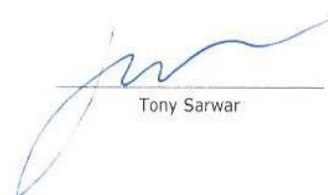
Anybody contemplating entering a transaction should satisfy himself by inspection or otherwise as to the correctness of the statements and assumptions made in this valuation.

This valuation has been provided solely for the private use of the addressee named above, is not for publication or circulation without our written permission and we shall not accept any responsibility towards any other person or entity.

All other terms of this valuation are subject to our business terms and conditions available at www.maerskbroker.com/about-this-site/business-terms-conditions or on request.

Yours faithfully,
for MAERSK BROKER ADVISORY SERVICES A/S


Alex Svolakis


Tony Sarwar

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Ref: EMV 260521-11360688



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CERTIFICATE OF VALUATION

Seychelles Petroleum Company Limited
New Port
P.O. Box 222
Victoria, Mahé
Seychelles

Name	IMO Number	Dwt	Type	Built	Yard	Value
SEYCHELLES PATRIOT	9365635	45680	Tanker	2008	Lindenau	MUSD 15.50
SEYCHELLES PRELUDE	9365623	45680	Tanker	2007	Lindenau	MUSD 14.50
SEYCHELLES PROGRESS	9298181	37557	Tanker	2005	Lindenau	MUSD 8.50
SEYCHELLES PIONEER	9255517	37500	Tanker	2005	Lindenau	MUSD 8.50
SEYCHELLES PRIDE	9251664	32580	Tanker	2002	Lindenau	MUSD 6.00

as per 19 November 2021

Date: 19 November 2021



This valuation is subject to our valuation disclaimer

Fearnleys

See file

01/04/2014



VALUATION DISCLAIMER

(i) Introduction

This valuation represents our opinion as to the fair and reasonable market value of the vessel(s) as specified, on the basis of the further assumptions set out herein as of the date hereof, and is given to the best of our knowledge.

(ii) Main valuation assumptions

This valuation is performed on the basis of "willing seller and willing buyer" at arm's length (assuming that no party is in a forced situation). The valuation is provided on a gross basis, not taking into account relevant transaction costs to bring a sale about. The valuation is provided on the basis of vessel being sold individually. No assurance can be given that the values can be sustained or are realisable in actual transactions.

The valuation and particulars are statements of opinion and are not to be taken as representations of fact. The figures relate solely to our opinion of the market value as of the date given and should not be taken to apply to any other date.

(iii) Factual assumptions and estimates and valuation methodology

The valuation may be based on factual assumptions and estimations and in some cases forward looking estimates. There may also exist uncertainty relating to the facts in question. Breach of these assumptions may have consequences for the valuation, rendering it invalid or non-representable.

Any forward looking estimates involve known and unknown risks, uncertainties and other factors which can result in a deviation from the estimates and might thus change the final result, outcome or development. Such forward looking statements may also be based on many assumptions relating to the vessel(s), the owner of the vessel and market conditions.

The valuation methodology is adapted to each case, based on our professional judgment, and the valuation depends upon this. A change in the method or the weighing of different factors may have consequences for the valuation, rendering it invalid or non-representable. In addition, the valuation may require the exercise of judgment, and differences of opinion as to the judgments may have consequences for the valuation.

Reference sales and prices might form part of our valuation, and such prices are only representative at and around the relevant time of transaction. Later transactions or subsequent market events might change the relevance of these prices significantly, and may have consequences for the valuation. New transactions concluded concurrently with the finalization of our valuation may not have been taken into consideration. Estimation of potential sales prices based on estimates of bid- or ask prices on vessel(s) for sale might form part of our valuation, and its subjective and uncertain nature are prone to estimation errors.

Our valuation does not take into consideration the form or level of debt, if any. Any value of market debts relating to the vessel(s) or secured mortgages in the vessel(s) are not taken into consideration. Furthermore, our valuation does not take into account the potential implicit value of the vessel(s) based on an enterprise- or equity value of the owner of the vessel. Material changes in these market prices will therefore be deemed irrelevant for our valuation.

(iv) No physical inspection - good and seaworthy condition

We have not made a physical inspection of the vessel, nor have we inspected the classification or maintenance records. Our opinion is based on information of the vessel stipulated in standard reference books, or obtained by other sources as we have deemed appropriate. We have assumed for the purpose of the valuation that the vessel is in good and sound seaworthy condition with prompt charter free delivery (unless otherwise noted), with her class fully maintained, free of conditions and recommendations, undamaged and normally equipped. We have not assessed the validity of employment contracts or the standing of charterers. Our assumptions are made irrespective of any actual knowledge of facts to the contrary. We assume no responsibility for the accuracy of such assumptions or information. Any person contemplating entering into a transaction or otherwise relying on this valuation should satisfy himself by inspection of the vessel or otherwise as to the correctness of the statements and assumptions which the valuation contains.

(v) Conflicting mandates

We might have valuation assignments and/or other advisory mandates for your competitors or for potential buyers of similar vessel(s), which could be construed as a conflict of interest. We might also be involved as advisor or otherwise in transactions for purchase or sale of vessel(s), which we for confidentiality reasons may not take into account in our valuations.

(vi) Addressees

This valuation is provided solely for the use of the person to whom it is addressed for the intended non-public purposes. No liability or responsibility can be accepted towards any other person, neither by ourselves or our officers or directors. The valuation should not be disclosed to any third party, published or circulated without our written permission.

(vii) Date and duration

This valuation has been made as of the date specified, and is only representative of the fair value as of this date. It does not purport to be forward looking, and any material facts or matters of any kind arising up to or beyond this date may have significance for the assumptions and the opinion and estimation of fair market value stated herein.

This valuation shall be governed by the Agreement and Norwegian law, with Oslo city court as exclusive venue for any disputes arising in relation hereto.

Date: 19 November 2021



This valuation is subject to our valuation disclaimer

Fearnleys

See file

01/04/2014

Appendix 3. Applicable laws and regulations

Source	Legislation, Policy or Code	Compliance (Yes/No)
Principle 10, provision (1) Code of Corporate Governance for Public Enterprises	The Board is required to arrange for the preparation of the financial statements in respect of each financial year. The annual financial statements are prepared from the information contained in the Public Enterprise accounting records and other relevant information and in accordance with the accounting standards.	No
Principle 12, provision (1) Code of Corporate Governance for Public Enterprises	Well governed organisations integrate performance-focused risk management and internal control at every level of the organization and across the across all operations.	No
Principle 12, provision (5) Code of Corporate Governance for Public Enterprises	The Board should set appropriate policies on internal control and seek assurance from management that the systems are functioning effectively.	No
Section 12(1) a- c PFMR 2014	Every Accounting Officer shall, for the purposes of disposal, leasing, lending and other dealings with assets— (a) comply with the instructions issued by the Ministry of Finance, and ensure that the assets are disposed of, leased or lent, in a manner that will maximise public interest;	No
	(b) dispose of movable assets at a market value or by price quotation, bid or public auction; and	No
	(c) obtain written approval of the Principal Secretary of Finance to vary requirements relating to disposal and letting of Government assets and note the approval details in the asset register.	No
Section 17 3-4 PFMA 2012	3. The Ministry responsible for Finance shall assess and make recommendations to cabinet for approval of the sale of an asset above SCR1,000,000 and inform the National Tender Board to proceed with the sale as per the requirements of the Public Procurement Act.	No
	4. The Minister may by regulation exempt any public enterprises for the purposes of this section.	No
Third Schedule (Section 34), Provision 3 Companies Ordinance 1972	Implied powers of Directors, a managing director and a director of a proprietary company; (3) To acquire, take on lease, hire or license, hold, dispose of, lease, license, let on hire and turn to account any assets of the company.	Yes

Power of Directors to act on company's behalf Section 34(1) – (4) Companies Ordinance 1972	1. The directors of a company shall have power to do all acts on its behalf which are necessary for or incidental to the promotion and carrying on of its business as stated in its memorandum, or the achievement of the purposes there stated, and all persons dealing with the company, whether shareholders or not, may act accordingly.	Yes
	2. Each director of a proprietary company and each managing director of any other company shall have power to do the acts mentioned in subsection(1) without the concurrence of any other director.	Yes
	3. Without prejudice to the generality of the foregoing, the directors of a company, each director of a proprietary company and each managing director of any other company shall, subject to any contrary provisions of the memorandum or articles, have power to do the acts specified in the Third Schedule to this Ordinance on behalf of the company.	Yes
	4. Nothing in this section shall relieve a director or officer of a company from liability to the company for a breach of the provisions of memorandum or articles, or for entering into transactions unconnected with the promotion or carrying on of the company's business as stated in the memorandum, or the achievement of the purposes there stated; and nothing in this section shall restrict the right of a shareholder to apply to the court under section 136, or to present a petition under section 201, or to present a petition for the winding up of the company.	Yes