

**COMMODITIES EXPORT MARKETING AUTHORITY**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

## **Commodities Export Marketing Authority**

### **Financial Statements for the year ended 31 December 2019**

#### **Index**

	<b>Page No.</b>
State Owned Enterprise Information	1
Directors' Report	2
Independent Audit Report	4-5
Statement by Directors	6
Statement of profit and loss and other comprehensive income	7
Statement of Changes in Equity	8
Statement of financial position	9
Cash Flow Statement	10
Notes to and forming part of the Financial Statements	11-21

## **Commodities Export Marketing Authority State Owned Enterprise Information**

The Commodities Export Marketing Authority ('the Authority') is a State Owned Enterprise domiciled in Solomon Islands.

### ***Registered Office***

PO Box 1087  
Honiara

### ***Principal Place of Business***

Honiara, Solomon Islands

### ***Directors***

The Directors at any time during or since the end of the financial period are listed in the Directors' Report.

## **Commodities Export Marketing Authority Directors' Report**

The Directors present their report together with the financial statements of Commodity Export Marketing Authority ('the Authority') for the year ended 31 December 2019 and the Independent Audit Report thereon.

### **Directors**

The Directors at any time during or since the end of the financial year:

<u>Name</u>	<u>Date of Appointment</u>	<u>Date of Resignation</u>
Alfred Ramo - GM	01/07/2009	
Alpha Kimata - Chairman	20/11/2008	
Ataban Tropa	20/11/2008	
Belani Tekulu	20/11/2008	
Danny Dicks	20/11/2008	
Dudley Longamei	20/11/2008	
Edwin Suibaea	20/11/2014	
Jeffery Aihunu	20/11/2008	
Riley Mescpitu	28/09/2017	

### **Principal activities**

The principal activity of the Authority during the course of the financial year ended 31 December 2019 was the provision of development and regulation of coconut and cocoa products and other prescribed commodities in the Solomon Islands.

### **Operating and financial review**

The Authority made a net loss for the year amounting to \$2,694,800 (2018 net Loss- \$331,036 ).

## Commodities Export Marketing Authority Directors' Report - cont'd

### Significant Changes in the State of Affairs


In July 2007 the Solomon Island Government passed the State Owned Enterprises Act 2007 and listed Commodities Export Marketing Authority as a State Owned Enterprise under the jurisdiction of the Act. The Act was implemented in 2010. Compliance with the Act could impact on the future operations of Commodities Export Marketing Authority. Significant impact could include:

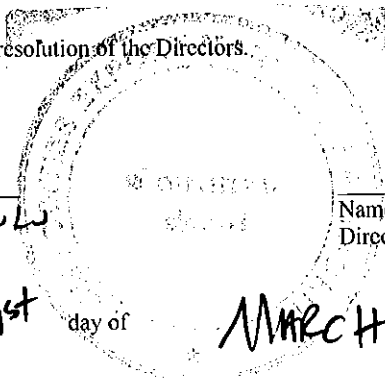
- The Minister of Finance and the Responsible Minister (the "accountable Ministers") can direct Authority to perform a community service obligation (Section 8, 1);
- The accountable Ministers can determine the amount of any dividend payable by Authority (Section 12, 1b);
- The requirement to issue a Statement of Corporate Objectives that provides disclosure of intended activities, accounting policies, performance targets, dividends and taxes to be paid during the period in question (Section 13, 2);
- The requirement to issue the audited consolidated financial statements of the group within 3 months after the end of the financial year (Section 14, 1b); and
- This act shall prevail where there is any inconsistency in requirements with the Commodities Exports Marketing Authority Act (Section 26, 7 and 8).

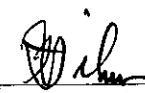
There were no other significant changes in the state of affairs of the Authority during the year ended 31 december 2019.

There has not arisen in the interval between the end of the financial period and the date of this report any other item, transaction or event of a material or unusual nature likely to affect significantly the operations of the Authority, the results of its operations, or the state of affairs of the Authority in future financial years.

Signed in accordance with a resolution of the Directors.

  
Name: **BELANI TEKULU**  
Director



  
Name: **Jeffrey Ahuna**  
Director

Dated at Honiara this **31st** day of **MARCH** 2020.

## Solomon Islands Office of the Auditor-General



### Independent Auditor's Report to the Members of Commodities Export Marketing Authority

#### Report on the Audit of the Financial Statements

##### Adverse Opinion

I have audited the accompanying financial statements of Commodities Export Marketing Authority ("the Authority") which comprise the Statement of Financial position as at 31 December 2019, and the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion because of the significance of the matters discussed in the *Basis for Adverse Opinion* section of my report, the accompanying financial statements do not give a true and fair view of the financial position of the Authority as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

##### Basis for Adverse Opinion

The Authority has not applied the full requirements of the International Financial Reporting Standards. A number of disclosures are missing, in particular, the Authority has not applied the new standards which are effective for the financial year. The applicable new standards are: IFRS 9 Financial Instruments, IFRS 15 Revenue from Contracts with Customers, and IFRS 16 Leases. The Authority has not made an assessment of the impact of these standards to their financial statements. Had the Authority applied the new standards, the accompanying financial statements would have been materially affected. The effects on the financial statements have not been determined.

In addition, the Authority has not correctly accounted for its leasehold land. The Authority has capitalised the leasehold land at \$12.6 million split between Property, Plant and Equipment (PPE) and Investment Property (IP). The land was revalued in year resulting in a decrease in its value to \$12.25 million. Under the accounting policies as stated, these assets should not have been capitalised. These assets should have instead been considered under IFRS 16 and valued accordingly. The effects on the financial statements have not been determined.

Contrary to the Authority's policy, the revaluation of Investment Properties was taken to Other Comprehensive Income. The overall net loss, excluding the amount relating to land above, was \$2.2 million. The adjustment to correct this would increase Expenditure and Net Loss accordingly. This would be offset by the decrease in loss under Other Comprehensive Income.

The Authority's accounting policy states that Investment Properties are measured initially at cost and subsequently measured at fair value which is in line with IAS 40. The portion of the Head Office building classified as an Investment Property was revalued to \$5.9 million during the year. This valuation was based on depreciated replacement cost, rather than a more common method for

Investment Properties such as discounted cash flows. The Authority has been unable to demonstrate this method is appropriate. Had the Authority applied a different valuation, the accompanying financial statements would have been materially affected. The effects on the financial statements have not been determined.

I conducted my audit in accordance with International Standards of Supreme Audit Institutions (ISSAI). My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Authority in accordance with International Organization of Supreme Audit Institutions (INTOSAI) Code of Ethics, and the ethical requirements that are relevant to my audit of the financial statements and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my adverse opinion.

### **Other information**

Management is responsible for the other information. The other information comprises the information included in the Directors' report, but does not include the financial statements and my auditors' report thereon.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. Other than to draw your attention to the section *Basis for Adverse Opinion* and the impact this has on the stated Net Profit of the organisation, I have nothing to report in this regard.

### **Responsibilities of Management Those Charged with Governance for the Financial Statement**

Management are responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Authority's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error

and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISSAIs, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Authority to cease to continue as a going concern.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identified during my audit.

### **Report on Other Legal and regulatory requirements**

I have obtained all the information and explanations which, to the best of my knowledge and belief, are necessary for the purposes of my audit.

In my opinion except for the effects of the matter described in the *Basis for Adverse Opinion* section of our report:

- Proper books of account have been kept by the Authority, sufficient to enable financial statements to be prepared, so far as it appears from my examination of those books; and
- To the best of my knowledge and according to the information and explanations given to us, the financial statements have been prepared in accordance with the requirements of Commodities Export Marketing Authority (CEMA) Act 1996 and State Owned Enterprises (SOE) Act 2007.



Peter Lokay  
Auditor-General

Office of the Auditor-General  
Honiara, Solomon Islands

30<sup>th</sup> April 2020



## Commodities Export Marketing Authority Statement by Directors

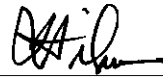
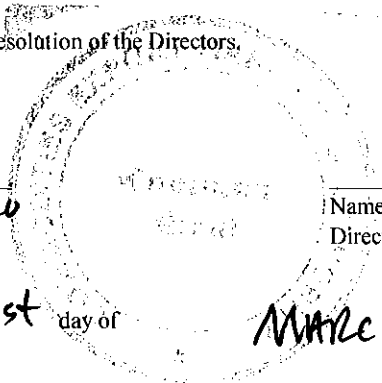
In accordance with the resolution of the Board of Directors of Commodities Export Marketing Authority, we state that in the opinion of the Directors:

- (a) the financial statements and notes set out on pages 7 to 20:
  - (i) give a true and fair view of the Authority's financial position as at 31 December 2019 and of its performance for the financial period ended on that date; and
  - (ii) comply with International Financial Reporting Standards;
- (b) there are reasonable grounds to believe that the authority will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors.



Name: **BELANI TEKULU**  
Director



Name: **Jeffrey Aihuna**  
Director

Dated at Honiara this **31<sup>st</sup>** day of **MARCH** 2020.

**Commodities Export Marketing Authority**  
**Statement of profit or loss and other comprehensive income**  
**For the year ended 31 December 2019**

	Note	<u>2019</u> \$	<u>2018</u> \$
<b>Revenue from continuing operation</b>			
Rents		1,715,930	1,553,125
SIG/CSO Grant		910,000	130,000
Management Fees	3	480,363	996,019
Licence Fees	4	151,908	162,739
Other Revenues		27,938	39,616
<b>Total revenue from continuing operation</b>		<u><b>3,286,139</b></u>	<u><b>2,881,499</b></u>
<b>Expenses from continuing operation</b>			
Administrative expenses	5	882,827	734,321
Depreciation expense	10	458,291	393,720
Director costs		168,894	185,738
Employee costs	6	1,224,089	1,179,489
Other operating expenses	7	474,773	395,131
Repairs and maintenance		341,083	324,136
<b>Total expenses from continuing operation</b>		<u><b>3,549,957</b></u>	<u><b>3,212,535</b></u>
<b>Net profit / (loss) from continuing operation</b>		<u><b>(\$263,818)</b></u>	<u><b>(\$331,036)</b></u>
<b>Other comprehensive Expense</b>			
Revaluation Decrement		(2,430,982)	-
<b>Total other comprehensive income</b>		<u><b>(2,430,982)</b></u>	<u><b>-</b></u>
<b>Profit/(loss) for the year</b>		<u><b>(2,694,800)</b></u>	<u><b>(331,036)</b></u>

The profit and loss statement is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 11 to 20.

**Commodities Export Marketing Authority**  
**Statement of Changes in Equity for the year ended 31 December 2019**

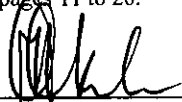
<u>Note</u>	<u>Shareholder Contributions/ Equity</u> \$	<u>Revaluation Reserve</u> \$	<u>Accumulated Funds</u> \$	<u>Total</u> \$
Balance at 1 January 2018	10,000	12,896,746	21,061,035	33,967,781
Net profit / (loss) for the year			(331,036)	(331,036)
Other comprehensive income	-	-	-	-
<b>Balance at 31 December 2018</b>	<b>10,000</b>	<b>12,896,746</b>	<b>20,729,999</b>	<b>33,636,745</b>
<b>Balance at 1 January 2019</b>	<b>10,000</b>	<b>12,896,746</b>	<b>20,729,999</b>	<b>33,636,745</b>
Net profit / (loss) for the year	-	-	(263,818)	(263,818)
Other comprehensive income	-	271,501	(2,430,982)	(2,159,481)
<b>Balance at 31 December 2019</b>	<b>10,000</b>	<b>13,168,247</b>	<b>18,035,199</b>	<b>31,213,446</b>

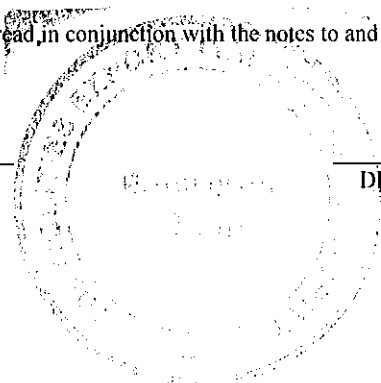
The statement of changes in Equity is to be read in conjunction with notes to and forming part of the financial statements set out in page 11 to 20.

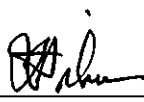
**Commodities Export Marketing Authority  
Statement of financial position as at 31 December 2019**

	Note	<u>2019</u> \$	<u>2018</u> \$
<b>CURRENT ASSETS</b>			
Cash and Cash equivalent	8	996,846	929,641
Receivables & Prepayments	9	<u>81,109</u>	<u>70,118</u>
<b>TOTAL CURRENT ASSETS</b>		<u>1,077,955</u>	<u>999,759</u>
<b>NON-CURRENT ASSETS</b>			
Investments Properties	11	15,964,018	18,395,000
Property, Plant and Equipment	10	<u>14,579,245</u>	<u>14,502,846</u>
<b>TOTAL NON-CURRENT ASSETS</b>		<u>30,543,263</u>	<u>32,897,846</u>
<b>TOTAL ASSETS</b>		<u>31,621,218</u>	<u>33,897,605</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	12	150,393	69,969
Deferred income	13	107,182	84,089
Employee provisions	14	<u>44,686</u>	<u>72,977</u>
<b>TOTAL CURRENT LIABILITIES</b>		<u>302,261</u>	<u>227,035</u>
<b>NON - CURRENT LIABILITIES</b>			
Employee provisions	14	<u>105,511</u>	<u>33,825</u>
<b>TOTAL NON-CURRENT LIABILITIES</b>		<u>105,511</u>	<u>33,825</u>
<b>TOTAL LIABILITIES</b>		<u>407,772</u>	<u>260,860</u>
<b>NET ASSETS</b>		<u>31,213,446</u>	<u>33,636,745</u>
<b>EQUITY</b>			
Shareholder contributions / equity		10,000	10,000
Revaluation Reserves		13,168,247	12,896,746
Accumulated funds		<u>18,035,199</u>	<u>20,729,999</u>
<b>TOTAL EQUITY</b>		<u>31,213,446</u>	<u>33,636,745</u>

The balance sheet is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 11 to 20.

  
\_\_\_\_\_  
DIRECTOR



  
\_\_\_\_\_  
DIRECTOR

**Commodities Export Marketing Authority  
Statement of cash flow for the year ended 31 December 2019**

	Note	<u>2019</u> \$	<u>2018</u> \$
<b>Cash Flows From Operating Activities</b>			
Cash receipts from customers		3,309,232	2,878,760.00
Cash payments to suppliers and employees		<u>(2,973,838)</u>	<u>(2,867,358)</u>
Cash generated from operations		<u>335,394</u>	<u>11,402</u>
<b>Net cash provided by / (used in) operating activities</b>		<u>335,394</u>	<u>11,402</u>
<b>Cash Flows From Investing Activities</b>			
Proceeds from sale of PP & E		(5,000)	
Acquisition of property, plant and equipment		<u>(263,188)</u>	<u>(55,231)</u>
<b>Net cash provided by / (used in) investing activities</b>		<u>(268,188)</u>	<u>(55,231)</u>
<b>Net increase / (decrease) in cash and cash equivalents</b>		67,205	(43,829)
<b>Cash and cash equivalents at the beginning of the financial year</b>		<u>929,641</u>	<u>973,470</u>
<b>Cash and cash equivalents at the end of the financial year</b>	8	<u><u>996,846</u></u>	<u><u>929,641</u></u>

The statement of cash flows is to be read in conjunction with the notes to and forming part of the financial statement set out on pages 11 to 20.

**Commodities Export Marketing Authority**  
**Notes to and forming part of the Financial Statements**  
**31 December 2019**

**1. SIGNIFICANT ACCOUNTING POLICIES**

**(a) Reporting Entity**

The Commodities Export Marketing Authority ('the Authority') is a State Owned Enterprise domiciled in Solomon Islands. The address of the company's registered office is located at Commonwealth Street, Point Cruz, Honiara and Noro, Western Province

**(b) Basis of Preparation**

**Statement of Compliance**

The financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') and interpretations adopted by the International Accounting Standards Board as adopted by the Institute of Solomon Islands Accountants.

The financial statements have been prepared and approved by the Board of the Directors

on 31st MARCH 2020

**Bases of Measurement**

The financial statements have been prepared on the historical cost basis except for the revaluation of certain non-current assets. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The preparation of a financial statements in conformity with International Financial Reporting Standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The financial statements are presented in Solomon Islands currency, the Solomon Islands dollar (\$), and the balances are rounded to the nearest dollar.

**(c) Going Concern**

The financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. As a going concern, the Authority is dependent upon the continuing support of the Solomon Islands Government, its bankers and creditors.

The Directors have concluded that the going concern basis is appropriate as the Solomon Islands Government has indicated that it will provide the Authority with financial support to enable it to pay its debts as and when they fall due for a period of 12 months from the date the Directors approved these financial statements.

**(d) Investment Properties**

Investment properties are properties held to earn rentals and /or for capital appreciation. Investment properties are measured initially at cost and subsequently measured at fair value. Gains and loss arising from changes in the fair value of investment properties are included in profit or loss statement in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising from derecognition of the property is included in profit and loss in the period in which the property is derecognised.

**Commodities Export Marketing Authority**  
**Notes to and forming part of the Financial Statements**  
**31 December 2019**

**1. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(e) Foreign Currency**

The functional currency adopted in the preparation of the financial statements is the Solomon Islands currency, the Solomon Islands dollar (\$). Transactions in foreign currencies are recorded at the exchange rate at the date of the transaction. Foreign exchange differences arising on translation are recognised in the income statement. Foreign currency monetary assets and liabilities are translated at the exchange rate at the reporting date. Resulting exchange differences are recognised in the income statement for the period. Non-monetary assets and liabilities denominated in foreign currency are recorded at the exchange rate at the date of the transaction and are not translated at the reporting date.

**(f) Property, Plant and Equipment**

Items of property, plant and equipment are stated at original cost, deemed cost less accumulated depreciation and impairment losses. Construction cost for self-constructed assets includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads.

Construction cost for self-constructed assets includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads.

Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment and stated at cost until construction or development is complete, at which time it is reclassified as investment property. When the construction or development of a self-constructed investment property is completed and will be carried at fair value, any difference between the fair value of the property at that date and its previous carrying amount is recognised in profit and loss. Depreciation is charged to the income statement on a straight line basis over the estimated useful lives of each part of an item of property, plant and equipment. Fixed assets are first depreciated in the year of acquisition, or, in the case of construction, in the year of substantial completion of the asset. The rates of depreciation current and comparative periods are as follows:

• leasehold land and buildings	2 - 7%
• plant and equipment	10 - 50%
• Furnitures & Fittings	10 - 50%
• Office Equipments	20-33%
• Motor Vehicles	20-33%

**(g) Revaluation**

Property, plant & equipment are stated at fair value at the date of revaluation. Fair value was determined by external, independent property valuer, having appropriate recognised qualification and experience in area of property being valued. The valuer consider all factors during revaluation, but sum it up with sales approach for land and utilised replacement method of valuation in determining the fair value of building.

Any revaluation increase arising on the revaluation of such land and building is recognised in the statement of equity under revaluation reserves, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such land and building is recognised in profit or loss to the extent that it exceeds the balance, if any, held in properties revaluation reserves, relating to a previous revaluation of that asset.

Depreciation on revalued buildings is charged to profit or loss. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus remaining in the asset revaluation reserve, is transferred directly to retained earnings.

**Commodities Export Marketing Authority**  
**Notes to and forming part of the Financial Statements**  
**31 December 2019**

**1. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(h) Impairment**

The carrying amounts of all assets carried at cost are reviewed at each balance date to determine whether there is any indication of impairment.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

**(i) Non-current assets held for sale**

Non-current assets that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets are measured in accordance with the Authority's accounting policies. Thereafter generally the assets are measured at the lower of their carrying amount and fair value less cost to sell. Impairment losses on initial classification as held for sale and subsequent gains or losses on re-measurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment

**(j) Trade and other receivables**

Trade and other receivables are stated at their cost less impairment losses.

**(k) Interest bearing loans and borrowings**

Interest bearing loans and borrowings are initially recorded at the net proceeds received. Any discount, premium or other difference between the net proceeds and the redemption value is amortised and included in finance costs over the term of the loan.

If debt is repurchased or settled before maturity, any difference between the amount repaid and the carrying amount is recognised immediately in the profit and loss account.

**(l) Provisions**

Provisions are recognised when the Authority has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

**(m) Revenue**

Revenue from the sale of goods is recognised in the Profit and Loss Statement when the significant risks and rewards of ownership have been transferred to the buyer.

Revenue from services rendered is recognised in the Profit and Loss Statement in proportion to the stage of completion of the transaction at the balance date.

No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, the costs incurred or to be incurred cannot be measured reliably, there is a risk of return of goods or there is continuing management involvement with the goods.

Rental income from investment property is recognized in profit and loss on a straight line basis over the term of the lease.



**Commodities Export Marketing Authority**  
**Notes to and forming part of the Financial Statements**  
**31 December 2019**

**1. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(n) Trade and other payables**

Trade and other payables are stated cost.

**(o) Taxation**

The Authority is exempt from income tax in terms of section 28 of the Commodities Exports Marketing Authority Act.

**(p) Investments**

***Subsidiaries***

Subsidiaries are entities controlled by the Authority. Control exists when the Authority has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable are taken into account. In the Authority's financial statements, investments in subsidiaries are carried at cost.

**(q) Cash and Cash equivalents**

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and an integral part of the Authority's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

**(r) Employee Benefits**

The Authority's obligation in respect of long-term service benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods.

Liabilities for employee benefits for wages, salaries, annual leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to reporting date, are calculated at amounts based on remuneration wage and salary rates that the Authority expects to pay as at reporting date including related on-costs.

**(s) Expenses**

**Operating lease payments**

Payments made under operating leases are recognized in the Profit and Loss Statement on a straight-line basis over the term of the lease.

**Financial costs**

Financial costs comprise interest payable on borrowings calculated using the effective interest method, dividends on redeemable preference shares, interest receivable on funds invested, dividend income, foreign exchange gains and losses.

**(t) Financial income**

Interest income is recognised in the Profit and Loss Statement as it accrues, using the effective interest method. Dividend income is recognised in the Profit and Loss Statement on the date the entity's right to receive payments is established which in the case of quoted securities is ex-dividend date.

**Commodities Export Marketing Authority**  
**Notes to and forming part of the Financial Statements**  
**31 December 2019**

**2. EMPLOYEES**

The number of employees at period end 31 December 2019 is 14 (2018: 13).

**3. MANAGEMENT FEES**

	<u>2019</u>	<u>2018</u>
	\$	\$
Copra Management Fees	145,860	620,465
Cocoa Management Fees	334,502	375,553
	<u><b>480,363</b></u>	<u><b>996,018</b></u>

**4. LICENCE FEES**

	<u>2019</u>	<u>2018</u>
	\$	\$
Copra Licence	18,288	31,486
Cocoa Licence	83,619	81,252
Palm Oil Licence	50,000	50,000
Spice Licence	-	-
	<u><b>151,908</b></u>	<u><b>162,738</b></u>

The Authority has provide License to exporters so that they can export major commodities regulated under its act. The commodities regulated are Copra, Cocoa and Palm oil.

**5. ADMINISTRATIVE EXPENSE**

	<u>2019</u>	<u>2018</u>
	\$	\$
Professional Service Fees	29,700	29,453
Bank Charges	3,192	5,758
Entertainment	13,104	-
Training-Capacity Building		10,800
Freight	215	6,225
Legal Expenses	18,704	45,931
IT Lease Expenditures	59,525	37,194
Office Supply & Cleaning	606	5,980
Fuel and Consumables	30,919	34,755
Postage	44	-
Transportation - Truck hiring	1,898	5,266
Rent and Rates	279,282	238,240
Printing, Photocopy & Stationer	64,653	56,778
Vehicles & Maintenance	42,681	52,598
Sundry Expenses	25,520	13,099
Office Equipment Expense	14,696	29,753
Pest Control Chemicals	200	1,329
Regulation Reviews & Drafting	162	1,056
Labotaory Accessories & Consum	-	3,774
Noro Operations	7,917	200
Regulated Marketing Info	117,440	48,866
Telephone Expense	100,655	95,797
Payc Tax Arrears	58,911	-
Advertisement	9,200	5,188
Insurance		193
Rent Post Office Box		1,100
Tools & Equipment	3,605	4,990
	<u><b>882,827</b></u>	<u><b>734,321</b></u>

The administrative expense are cost incur by the Authority in its daily operations such as repair and maintenance, rent and rates, office equipments etc.

**Commodities Export Marketing Authority**  
**Notes to and forming part of the Financial Statements**  
**31 December 2019**

**6. EMPLOYEE COSTS**

	<u>2019</u>	<u>2018</u>
	\$	\$
Wages & Salaries	794,119	812,624
Housing Allowance	47,000	39,500
Education exp-Contract Staff	12,500	2,940
NPF Contributions	56,698	57,981
Medical Exp-Contract staff	4,790	7,620
Accom & Allowance-Relief Staff	10,560	12,600
Utilities - Contract Staff	99,794	97,554
COLA 7%	-	-
Annual Leave Passage	57,644	42,842
Transport Allowance	56,760	29,909
Staff Uniform/Safety	35,337	28,478
Gratuity Expense	45,599	44,153
LSB Expense	3,288	3,288
	<b>1,224,089</b>	<b>1,179,489</b>

Employee Cost are expenses that Authority incurs on employees wages and salaries and other benefits related to staff employment.

**7. OTHER OPERATING EXPENSES**

	<u>2019</u>	<u>2018</u>
	\$	\$
Electricity	215,986	206,544
Laboratory expense	53,233	130,067
Fuel expense for generator	-	1,531
Water	40,676	56,990
Farmers Training	164,878	-
	<b>474,773</b>	<b>395,131</b>

**8. CASH AND CASH EQUIVALENTS**

For the purpose of the Cash Flow Statement, cash includes cash on hand and at bank and short-term deposits at call, net of outstanding bank overdrafts. Cash as at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the balance sheets as follows:

	<u>2019</u>	<u>2018</u>
	\$	\$
Cash on hand and at bank	996,846	929,641
	<b>996,846</b>	<b>929,641</b>

**9. RECEIVABLES and PREPAYMENTS**

Other debtors and prepayments	81,109	70,118
Less: Provision for doubtful debts	-	-
	<b>81,109</b>	<b>70,118</b>

**Commodities Export Marketing Authority**  
**Notes to and forming part of the Financial Statements**  
**31 December 2019**

**10. PROPERTY, PLANT AND EQUIPMENT**

<b>Cost or Valuation</b>	Leasehold						<b>Total</b>
	<b>Land at</b>	<b>Building at</b>	<b>Plant and</b>	<b>Furnitures and</b>	<b>Office</b>	<b>Motor Vehicle</b>	
	<b>revalued amount</b>	<b>revalued amount</b>	<b>Equipment</b>	<b>Fixtures</b>	<b>Equipments</b>	<b>Equipments</b>	
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
At 1 January 2018	4,126,260	10,769,002	181,468	82,665	238,467	300,000	15,697,862
Additions during the year	-	-	-	3,900	51,331	-	55,231
Revaluation Increment	-	-	-	-	-	-	-
Disposals during the year	-	-	-	-	-	-	-
<b>At 31 December 2018</b>	<b>4,126,260</b>	<b>10,769,002</b>	<b>181,468</b>	<b>86,565</b>	<b>289,798</b>	<b>300,000</b>	<b>15,753,093</b>
Balance at 1 January 2019	4,126,260	10,769,002	181,468	86,565	289,798	300,000	15,753,093
Additions during the year	-	-	-	-	46,611	216,577	263,188
Revaluation Increment(Decrement)	(1,194,630)	552,746	-	-	-	-	(641,884)
Disposals during the year	-	-	-	-	-	(100,000)	(100,000)
<b>Balance as at 31 December 2019</b>	<b>2,931,630</b>	<b>11,321,748</b>	<b>181,468</b>	<b>86,565</b>	<b>336,409</b>	<b>416,577</b>	<b>15,274,397</b>
<b>Accumulated depreciation</b>							
At 1 January 2018	-	174,692	181,464	61,184	139,186	300,000	856,526
Depreciation	-	349,385	-	8,654	35,681	-	393,720
Revaluation write back	-	-	-	-	-	-	-
Disposals during the year	-	-	-	-	-	-	-
<b>At 31 December 2018</b>	<b>-</b>	<b>524,077</b>	<b>181,464</b>	<b>69,838</b>	<b>174,867</b>	<b>300,000</b>	<b>1,250,246</b>
Balance at January 2019	-	524,077	181,464	69,838	174,867	300,000	1,250,246
Depreciation	-	389,308	-	8,468	44,272	16,243	458,291
Revaluation write back	-	(913,385)	-	-	-	-	(913,385)
Disposals	-	-	-	-	-	(100,000)	(100,000)
<b>Balance at 31 December 2019</b>	<b>-</b>	<b>(0)</b>	<b>181,464</b>	<b>78,306</b>	<b>219,139</b>	<b>216,243</b>	<b>695,152</b>
<b>Carrying Amounts</b>							
At 31 December 2017	<u>4,126,260</u>	<u>10,594,310</u>	<u>4</u>	<u>21,481</u>	<u>99,281</u>	<u>-</u>	<u>14,841,336</u>
At 31 December 2018	<u>4,126,260</u>	<u>10,244,925</u>	<u>4</u>	<u>16,727</u>	<u>114,931</u>	<u>-</u>	<u>14,502,846</u>
At 31 December 2019	<u>2,931,630</u>	<u>11,321,748</u>	<u>4</u>	<u>8,259</u>	<u>117,270</u>	<u>200,334</u>	<u>14,579,245</u>

**10.1 Property under legal case**

Nine buildings still under legal case and not part of the PPE balance as disclosed on note 10 above as follows:

**a. Vara Creek Property**

The property was offered to a former staff Ruben Wewela in prior years but his failure to pay off the property forced CEMA management attempt to recover the property. A legal case have been file against the Authority. As of 31 December 2018, the court decision has been in favour of CEMA. During the year; the authority take possession of the property.

**Commodities Export Marketing Authority  
Notes to and forming part of the Financial Statements  
31 December 2019**

**10. PROPERTY, PLANT AND EQUIPMENT (CON'T)**

**b. Lunga property**

Eight X 3 Bedroom properties built by the Authority at Lunga is currently under legal case following a dispute between Levers Solomon Limited and the Authority. The Authority acquired the land following Cabinet's approval in prior years. However LSL did not transfer the title of the land to the Authority and FTE title of the land is still under LSL.

**10.2 Land Registration oversight**

Produce Inspector property in noro was burnt down in 2015. Prior to being burnt down, the property was with unknown value and was not revalued because the land was incorrectly registered under Soltai Fishing and Processing Limited. The property registration has been rectified in 2017 with new Parcel No.098-012-8.

**10.3 Property title with Commission of Lands**

In prior years land title of the property were the Senior Inspector- CEMA staff resides in at noro is with the commissioner of lands. The FTE title has been accorded to CEMA in 2017 with the Parcel No.098-12-7.

**11. INVESTMENT PROPERTY**

	<u>2019</u>	<u>2018</u>
Balance at 1 January	18,395,000	18,395,000
Acquisition	-	-
Reclassification from property, plant and equipment	-	-
change in fair value	(2,430,982)	-
Balance at 31 December	<u><u>15,964,018</u></u>	<u><u>18,395,000</u></u>

Investment property was revalued during the year 2019. The revaluation was done by Joyce Galo of Group Professionals(Association of professional),P.O Box 1722,Honiara, Solomon Islands.

	<u>2019</u>	<u>2018</u>
	\$	\$
<b>12. TRADE AND OTHER PAYABLES</b>		
Trade creditors	18,400	18,400
Other creditors and accrued expenses	131,993	51,569
	<u><u>150,393</u></u>	<u><u>69,969</u></u>

**13. DEFERED INCOME**

**Current**

Licence fees received in advance	107,182	84,089
	<u><u>107,182</u></u>	<u><u>84,089</u></u>

**Commodities Export Marketing Authority  
Notes to and forming part of the Financial Statements  
31 December 2019**

<b>14. EMPLOYEE PROVISIONS</b>	<u>2019</u>	<u>2018</u>
	\$	\$
<b>Current</b>		
Annual leave	44,686	50,178
Gratuity	-	22,799
	<u>44,686</u>	<u>72,977</u>
<b>Non-current</b>		
Long service leave	37,113	33,825
Gratuity	68,398	-
	<u>105,511</u>	<u>33,825</u>

**Gratuities**

The Authority has provided for gratuities payable to contract staff as per terms of the agreement with those employees. The provision has been classified as current and non current.

**Long service leave benefit**

The Authority has provided for long service leave benefits which entitles employees with eight years or more service a fortnight's pay for every year of service payable at redundancy, termination or dismissal on medical grounds. The provision has been classified as non-current.

**15. EMPLOYEE BENEFIT PLANS**

The Authority contributes to the National Provident Fund, whereby the Authority deducts and pays 5% of the employee's gross salary and contributes 7.5% of the employees' gross salary. During the period ended 31 December 2019 the Authority expensed \$56,698 in NPF contributions (2018: \$57,981).

**16. CONTINGENCIES**

The Authority has a number of contingent liabilities estimated at an aggregate value of \$435,000 (2018: 435,000) which have not otherwise been provided for in the financial statements as at the financial year end.

The contingent liabilities refers to:

Acquired property which the title holder did not effect transfer to CEMA upon payment. Upon the understanding CEMA sold the property to a third party without the titles. The matter is still under legal contention.

The Directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

In the opinion of the Directors, disclosure of any further information would be prejudicial to the interests of the Authority. As of 31 December 2019 the Authority and Levers Solomon Limited (LSL) is still in a legal battle since 2013 and outcome of the court case was yet to be available and cannot be predicted.

**Fair values**

The carrying amounts of assets and liabilities shown in the balance sheet approximates their fair value.

**Commodities Export Marketing Authority**  
**Notes to and forming part of the Financial Statements**  
**31 December 2019**

**17. RELATED PARTIES**

**Key Management Compensation**

Key management includes, Board of directors, General Manager, Finance & Administration manager, Chief Produce Inspector and Commodities Development and Extension Manager.

The compensation paid or payable to key management for their service rendered to the authority are as follows:

	2019	2018
	\$	\$
Wages & salaries	303,990	294,724
Other employment benefits	185,362	177,173
Termination benefit	-	-
Post employment benefits	-	-
Other long term benefit	45,599	44,153
	<u>534,951</u>	<u>516,050</u>

**18. SUBSEQUENT EVENTS**

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) a pandemic and two weeks later the Solomon Island Government declared a State of Public Emergency. As a result, economic uncertainties have arisen which are likely to negatively affect our operations and services.

We describe below the possible effects that we have identified on the Authority as a result of the COVID-19 pandemic.

- Government Funding
- Rents and management fees, including the potential loss of current and prospective revenues due to the pressures created by COVID-19.
- The value of investment portfolios which have been impacted by the decrease in value of marketable securities.

At this time it is difficult to determine the full effect of the COVID-19 pandemic, and there could be other matters that affect the Authority.