

SOLOMON ISLANDS POSTAL CORPORATION
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

Solomon Islands Postal Corporation

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Solomon Islands Postal Corporation State Owned Enterprise Information

The Solomon Islands Postal Corporation (trading as Solomon Post) is a State Owned Enterprise incorporated under the Solomon Islands Postal Corporation Act 1996, commencing operations on 1st January 1997 and domiciled in the Solomon Islands.

The functions of the Corporation are to:

- a) Provide postal services within Solomon Islands and other countries;
- b) Carry on any business or activity relating to postal services; and
- c) Carry on any business or activity which is incidental to those mentioned in paragraphs (a) and (b)

Registered Office

PO Box 1930
Honiara

Principal Place of Business

GPO Building
Mendana Avenue
Honiara

Directors

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

Solomon Islands Postal Corporation Directors' Report

The Directors present their report together with the financial statements of Solomon Islands Postal Corporation ('the Corporation') for the Year ended 31 December 2018 and the Independent Audit Report thereon.

Directors

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

Name	Date of Appointment	Position	Date of Revocation
2016			
Mr. Robert Bokelema	10/10/2012	Chairman	Current
Mr. Gideon Zoleveke	27/09/2013	Member	Current
Patrick Taloboe	10/10/2012	Member	Current
Benjamin O Aitoroi	27/09/2013	Member	Current
George S Kiriau	27/09/2013	Member	Current
Christian Siale	10/10/2012	Member	Current
2017			
Mr. Robert Bokelema	10/10/2012	Chairman	Current
Mr. Gideon Zoleveke	27/09/2013	Member	Current
Patrick Taloboe	10/10/2012	Member	Current
Benjamin O Aitoroi	27/09/2013	Member	Current
George S Kiriau	27/09/2013	Member	Current
Christian Siale	10/10/2012	Member	Current
2018			
Mr. Robert Bokelema	10/10/2012	Chairman	Nov-18
Mr. Gideon Zoleveke	27/09/2013	Member	Current
Patrick Taloboe	10/10/2012	Member	Current
Benjamin O Aitoroi	27/09/2013	Member	Current
George S Kiriau	27/09/2013	Member	Current

Principal activities

The principal activity of the Corporation during the course of the financial year ended 31 December 2018 was the provision of Postal services.

Operating and financial review

The Corporation recorded a net profit for the year amounting to \$61,468,661 (2017: Net profit of \$3,668,554)

Dividends

No dividends have been paid or declared since the end of the previous financial year, and the Directors do not recommend the declaration of a dividend.

Solomon Islands Postal Corporation 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 Solomon Islands Postal Corporation as a State Owned Enterprise under the jurisdiction of the Act.

Compliance with the Act could impact on the future operations of Solomon Islands Postal Corporation. Significant impact could include:

- The Minister of Finance and the Responsible Minister (the "accountable Ministers") can direct SIPC to perform a community service obligation (Section 8, 1);
- The accountable Ministers can determine the amount of any dividend payable by SIPC (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 Solomon Islands Postal Corporation Act 1996 (Section 26, 7 and 8)

A State Owned Enterprises (SOE) Regulation was gazetted on April 2010 named the SOE Regulation 2010. The SOE Regulation was to administer the administration of the SOE Act 2007. The effecting of the Regulation can have significant impact on the following:


- Appointment of Directors (Part 2)
- Disqualification and Removal of Directors (Part 3)
- Directors Duties (Part 4)
- Community Service Obligations (Part 6)

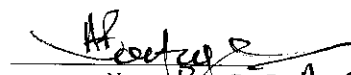
Since the re-instated of Solomon Islands as a member of Universal Postal Union (UPU) in 2016, since its termination on August 2012, a number of projects with an aggregated value of CHF80,000 was given to the corporation by UPU during the year.

During the year, the corporation entered into an agreement with CJAH Missions International Ltd for ETOE partnership. This new agreement has positively changed the cashflow and operation of the corporation. Further more, the corporation has made an agreement with BiBi-money as Vendor to provide financial service in 2018 making the corporation as the authorised agent for Ezi Pei financial service.

Apart from the above events, there has not arisen in the interval between the end of the financial year 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 Corporation, the results of its operations, or the state of affairs of the Corporation in future financial years.

Signed in accordance with a resolution of the Directors.


Name: GIDEON ZOLAVERE
Director


Name: BENJIE A OATASIA
Director

Dated at Honiara this 11th day of June

2019. 20 20



Solomon Islands Office of the Auditor-General

Independent Auditor's Report to the Members of Solomon Islands Postal Corporation

Report on the Audit of the Financial Statements

Disclaimer of Opinion

I was engaged to audit the financial statements of Solomon Islands Postal Corporation (the Corporation) which comprise the Statement of Financial position as at 31 December 2018, 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.

I do not express an opinion on the accompanying financial statements of the Corporation. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

The basis for disclaimer of opinion of the financial statements of the Corporation for the year ended 31 December 2018 is attributed to the following:

Missing documentation and rates to support terminal dues revenue

There were poor internal controls over the recording of revenue. Our testing found missing supporting documentation, conversion SDR rates and invoices to support terminal dues revenue of \$79,143,041. As a result, I am unable to verify the completeness and accuracy of the revenue collected and whether any adjustment might be necessary to the disclosures in the financial statements.

Missing documentation to support trade receivables balances

There was a lack of supporting documentation for the trade receivables balance totalling \$18,455,957. As a result I am unable to confirm or verify by alternative means the carrying amount of the receivables balances included in the financial statements as at 31 December 2018 and determine whether any adjustments might be necessary to the amounts and disclosures in the financial statements.

No fair value assessment of Investment Property

Investment property balances totalling \$7,968,059 have not been subject to fair value assessment at the reporting date. As a result I am unable to confirm or verify by alternative means the carrying amount of investment property in the financial statements as at 31 December 2018 and determine whether any adjustments might be necessary to the amounts and disclosures in the financial statements.

Lack of verification of Property Plant and Equipment

No asset stocktake has occurred during the year and the asset register to support Property, Plant and Equipment totalling \$19,943,152 was incomplete. As a result, I am unable to satisfy myself as to the fair value of property plant and equipment and whether adjustments to Property, Plant and Equipment and the associated depreciation expense is necessary. As a result I am unable to confirm or verify by alternative means the carrying amount of property, plant and equipment in the financial

statements as at 31 December 2018, the associated depreciation expense for the year then ended, and the adjustments that might be necessary to the disclosures in the financial statements.

Non-disclosure of Subsequent Events

The financial statements do not include the disclosure of any 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 the operations and services of the Corporation. At this time it is difficult to determine the full effect of the COVID-19 pandemic, and there could be a number of ways the Corporation accounts are affected.

Non-compliance with International Financial Reporting Standards

The Corporation has not applied the requirements of the new International Financial Reporting Standards which are effective for the financial year. The applicable new standards are: IFRS 9 Financial Instruments, and IFRS 15 Revenue from Contracts with Customers. The Corporation 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.

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 Corporation'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 Corporation or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

My responsibility is to conduct an audit of the Corporation's financial statements in accordance with International Standards of Supreme Audit Institutions (ISSAIs) and to issue an auditor's report. However, because of the matters described in the *Basis for Disclaimer of Opinion* section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

I am independent of the Corporation in accordance with International Organisation 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.

Report on Other Legal and regulatory requirements

In my opinion as described in the Basis for Disclaimer of Opinion section of my report:

- i) proper books of account have not been properly kept by the Corporation to enable financial statements to be prepared;
- ii) The Corporation did not comply with the requirements of the Public Finance and Audit Act (Cap 120) and the State Owned Enterprise Act, 2007, which require the financial statements

to be submitted to the Office of the Auditor-General not later than 31 March of the following year to which the financial statements relate. The signed statements were presented to me on 11th June 2020.



Peter Lokay
Auditor-General
19th June 2020


Office of the Auditor-General
Honiara, Solomon Islands

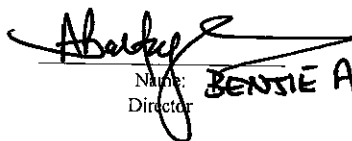
**Solomon Islands Postal Corporation
Statement by Directors**

In accordance with the resolution of the Board of Directors of Solomon Islands Postal Corporation, we state that in the opinion of the Directors:

- (a) the financial statements and notes set out on pages 6 to 22:
 - (i) give a true and fair view of the Corporation's financial position as at 31 December 2018 and of its performance for the financial year ended on that date, and
 - (ii) comply with International Financial Reporting Standards;
- (b) there are reasonable grounds to believe that the Corporation 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: **GIDEON ZEVETEKE**
Director


Name: **BESSIE A OATASIA**
Director

Dated at Honiara this **11** day of **JUNE**

2018

Solomon Islands Postal Corporation
Statement of Comprehensive Income for the year ended 31 December 2018

	Notes	<u>2018</u> \$	<u>2017</u> \$
Revenue from Continuing Operations			
Property Rentals		2,217,000	2,608,675
SIG Grant (CSO funding)		2,000,000	-
Other Income	16	773,353	1,415,114
Foreign currency sales		1,868,564	2,305,631
Post shop sales		1,149,717	1,232,488
Post Box Rentals		448,814	540,539
Terminal Dues		415,005	-
ETOE Business Activities (CJAH)		78,728,036	9,106,018
Bulk Postage		395,414	439,444
Stamp sales		103,139	180,999
Total revenue from continuing operations		<u>88,099,042</u>	<u>17,828,908</u>
Expenses from Continuing Operations			
Advertising, Printing and Stationery		139,835	280,578
Board expenses		491,360	132,140
Cost of goods purchased for resale	17	2,844,723	2,735,015
Depreciation	6	1,016,097	750,037
Operating expenses		3,152,033	1,135,475
Maintenance and repairs		493,559	251,887
Office expenses		226,966	115,416
Terminal dues expenses		8,753,222	844,937
Rent expense		1,133,323	896,301
Seminars, conferences and training		977,928	103,344
Travel and transport		182,890	129,667
Utilities		956,518	1,762,640
Employment Expense		5,908,218	2,920,906
Mail freights		579,219	135,321
Withholding tax expenses		-	-
Total expenses from continuing operation		<u>26,855,891</u>	<u>12,193,664</u>
Profit / (loss) from continuing operation		61,243,151	5,635,244
Finance revenues		225,510	93,311
Financial costs		-	(2,060,001)
Net Finance Cost		<u>225,510</u>	<u>(1,966,690)</u>
Profit (loss) before income tax		<u>61,468,661</u>	<u>3,668,554</u>
Income tax expense	1(M)	-	-
Net Profit (loss) for the year		<u>61,468,661</u>	<u>3,668,554</u>
Other comprehensive income			
Revaluation increment of land & building		-	-
Total Other Comprehensive income		<u>-</u>	<u>-</u>
Total Comprehensive income for the year		<u><u>61,468,661</u></u>	<u><u>3,668,554</u></u>

The Statement of comprehensive income is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 10 to 22.

Solomon Islands Postal Corporation
Statement of Changes in Equity for the year ended 31 December 2018

	<u>Note</u>	Asset Revaluation Reserve \$	Retained Earnings/ (Accumulated) Losses \$	Total \$
Balance as at 1 January 2017				
Net Profit/loss for the year		6,756,167	(54,600,007)	(47,843,840)
Total Other Comprehensive Income			3,668,554	3,668,554
Total Comprehensive Income for the year		<u>6,756,167</u>	<u>(50,931,453)</u>	<u>(44,175,286)</u>
Balance as at 31 December 2017 as previously reported		<u>6,756,167</u>	<u>(50,931,453)</u>	<u>(44,175,286)</u>
Correction of prior year error	18		37,388	37,388
Balance as at 31 December 2017 as restated		<u>6,756,167</u>	<u>(50,894,065)</u>	<u>(44,137,898)</u>
Balance as at 1 January 2018		6,756,167	(50,894,065)	(44,137,898)
Net Profit/loss for the year			61,468,661	61,468,661
Total Other Comprehensive Income			-	-
Total Comprehensive Income for the year		<u>6,756,167</u>	<u>10,574,596</u>	<u>17,330,763</u>
Balance as at 31 December 2018		<u>6,756,167</u>	<u>10,574,596</u>	<u>17,330,763</u>

The statement of changes in equity is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 10 to 22.

Solomon Islands Postal Corporation
Statement of Financial Position as at 31 December 2018

	Note	2018 \$	2017 \$
CURRENT ASSETS			
Cash at bank and cash equivalents	2	56,125,417	4,938,931
Trade and other receivables	3	19,028,319	3,432,033
Inventories	4	<u>2,642,223</u>	<u>2,748,604</u>
TOTAL CURRENT ASSETS		<u>77,795,959</u>	<u>11,119,568</u>
NON-CURRENT ASSETS			
Investment Properties	5	7,968,059	7,968,059
Property, plant and equipment	6	<u>19,943,152</u>	<u>17,342,694</u>
TOTAL NON-CURRENT ASSETS		<u>27,911,211</u>	<u>25,310,753</u>
TOTAL ASSETS		<u>105,707,170</u>	<u>36,430,321</u>
CURRENT LIABILITIES			
Deferred Income	7	110,918	110,918
Trade and other payables	7	88,149,160	80,099,062
Long Service Benefit	7	<u>-</u>	<u>78,204</u>
TOTAL CURRENT LIABILITIES		<u>88,260,078</u>	<u>80,288,184</u>
NON - CURRENT LIABILITIES			
Deferred Income	7	116,329	227,247
Long Service Benefit	7	<u>-</u>	<u>90,176</u>
TOTAL NON-CURRENT LIABILITIES		<u>116,329</u>	<u>317,423</u>
TOTAL LIABILITIES		<u>88,376,407</u>	<u>80,605,607</u>
NET ASSETS		<u>17,330,763</u>	<u>(44,175,286)</u>
SHAREHOLDERS' EQUITY			
Asset revaluation reserves		6,756,167	6,756,167
Retained earnings / (Accumulated losses)		<u>10,574,596</u>	<u>(50,931,453)</u>
TOTAL SHAREHOLDERS' EQUITY		<u>17,330,763</u>	<u>(44,175,286)</u>
		(0.17)	-

The Statement of financial position is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 10 to 22.

Solomon Islands Postal Corporation
Statement of Cash flow for the year ended 31 December 2018

	Notes	2018 \$	2017 \$
Cash Flows From Operating Activities			
Cash receipts from customers		86,324,552	17,865,840
Cash receipts from SIG CSO Grant		2,000,000	-
Cash payments to suppliers and employees		<u>(33,521,511)</u>	<u>(12,725,821)</u>
Cash generated from / (used in) operations		<u>54,803,041</u>	<u>5,140,019</u>
Net cash provided by / (used in) operating activities	15(b)	<u>54,803,041</u>	<u>5,140,019</u>
Cash Flows From Investing Activities			
Acquisition of property, plant and equipment		(3,616,555)	(1,340,313)
Proceeds from sale of PPE		<u>-</u>	<u>5,000</u>
Net cash provided by / (used in) investing activities		<u>(3,616,555)</u>	<u>(1,335,313)</u>
Net increase / (decrease) in cash and cash equivalents		51,186,486	3,804,706
Cash and cash equivalents at the beginning of the financial year		<u>4,938,931</u>	<u>1,134,225</u>
Cash and cash equivalents at the end of the financial year	2	<u>56,125,417</u>	<u>4,938,931</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 10 to 22.

Solomon Islands Postal Corporation
Notes to and forming part of the accounts

1. SIGNIFICANT ACCOUNTING POLICIES

(a) 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.

(b) Basis of Preparation

The financial statements have been prepared primarily on the historical cost basis except that investment properties and financial instruments classified as available for sale have been stated at their fair value.

Non-current assets held for sale are stated at the lower of carrying amount and fair value less costs to sell.

The preparation of a financial report in conformity with International Financial Reporting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, Income & Expense. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgement about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods.

The accounting policies have been consistently applied by the Corporation and they are consistent with those of the previous year.

The financial statements are presented in Solomon Islands currency, the Solomon Islands dollar (\$), and the balances are rounded off 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. The Corporation's current liabilities exceed its current assets. As a going concern, the Corporation 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 at stake taking into account the Corporation huge debt with Japanese post (refer note 8) and no formal indication from the Solomon Islands Government that it will provide the Corporation 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) 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 Statement of Comprehensive Income. Foreign currency monetary assets and liabilities are translated at the exchange rate at the balance date. Resulting exchange differences are recognised in the Statement of Comprehensive Income for the year. Non-monetary assets and liabilities denominated in foreign currency are recorded at the exchange rate at the date of the transaction.

Solomon Islands Postal Corporation
Notes to and forming part of the accounts

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Property, plant and equipment

Items of property, plant and equipment are stated at original cost, deemed cost or valuation 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.

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 Statement of Comprehensive income. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

The Corporation recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the Corporation and the cost of the item can be measured reliably. All other costs are recognised in the Statement of Comprehensive income as an expense as incurred.

Depreciation is charged to the Statement of comprehensive income 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 estimated useful life in current and comparative periods are as follows:

• Buildings	20 years
• Plant and equipment	5 years
• Fixtures and fittings	10 years
• Motor vehicles	5 years

(f) 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 Statement of Comprehensive income.

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.

(g) Inventories

Inventory for resale and consumable materials are valued at the lower of purchase cost, which is based on invoice prices and includes expenditure incurred in acquiring the goods and bring them to their existing condition and location, and net realisable value. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(h) Trade and other receivables

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

Solomon Islands Postal Corporation
Notes to and forming part of the accounts (continued)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) 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 Statement of Comprehensive income.

(j) Provisions

Provisions are recognised when the Corporation 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.

(k) Revenue

Revenue from the sale of goods is recognised in the Statement of comprehensive income when the significant risks and rewards of ownership has been transferred to the buyer.

Revenue from services rendered is recognised in the Statement of comprehensive income 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.

The Corporation recognises Property, plant and equipment donated by NGO, Donor partners, government and other stakeholders as deferred income. These are recorded at fair value at the time the assets was received by the Corporation. They are then recognised in the profit and loss as other income systematically over the useful life of the asset.

(l) Trade and other payables

Trade and other payables are stated at cost.

Solomon Islands Postal Corporation
Notes to and forming part of the accounts (continued)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Taxation

The Corporation is exempt from income tax for income derived from postal services in terms of Solomon Islands Postal Act.

(n) Investment Property

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are stated at fair value.

Any gain or loss arising from a change in fair value is recognised in the income statement. Rental income from investment property is recognised in the income statement on straight line basis over the term of the lease.

When an item of property, plant and equipment is transferred to investment property following a change in its use, any difference arising at the date of transfer between the carrying amount of the item in its use, any differences arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised directly in equity if it is a gain. Upon disposal of the item the gain is transferred to retained earnings. Any loss arising in this manner is recognised immediately in the income statement.

If an investment property becomes owner-occupied, it is reclassified as property, fixtures and fittings and its fair value at the date of reclassification becomes its cost for accounting purposes of subsequent recording. When the Corporation begins to redevelop an existing investment property for continued future use as investment property, the property remains an investment property, which is measured based on a fair value model, and is not reclassified as property, plant and equipment during the redevelopment.

(o) Cash and cash equivalent

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

(p) Employee benefits

The Corporation's obligation in respect of long-term service benefits is the amount of future benefit that employees have earned in return for their services 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 employee's services provided to reporting date, are calculated at amounts based on remuneration wage and salary rates that the Corporation expects to pay as at reporting date including related on-costs.

(q) Expense

Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

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.

(r) Financial income

Interest income is recognised in the income statement as it accrues, using the effective interest method. Dividend income is recognised in the income statement on the date the Corporation's right to receive payments is established which in the case of quoted securities is ex-dividend date. The interest expense component of finance lease payments is recognised in the income statement using the effective interest method.

Solomon Islands Postal Corporation

Notes to and forming part of the accounts (continued)

A review of all International Mail (IMA) dues to and from all Designated Operators (DOs) that Solomon Post traded mails with was started in 2014. This was a first of a series of review to be made and was made possible with the identification of mail due documentations from prior years. The review resulted in corrections to a number of prior year balances for terminal dues (LC/AO), Parcel dues (ILR), and EMS dues (EMS Imbalance). It is expected that the review will bring up to date current records of all mails due to and from other DOs to a stage that Solomon Post should be in a position to manage it's International dues in a consistence and accountable manner.

Designated Operators	Currency	Bal as at 31 Dec 2017	Total Invoices	Total Payments	Adjustments	Bal as at 31 Dec 2018
Debtors:						
Cjah Mission In'tl Ltd	USD	249,216	1,977,863	0	(241,759)	1,985,320
Frelpost	USD	0	0	0	214	214
Total USD		249,216	1,977,863	0	(241,545)	1,985,534
Australian Post	SDR	10,013	15,602	0	0	25,615
Brussel Post	SDR	483	0	0	0	483
Chungwha Post	SDR	12,728	0	(19)	0	12,709
Hong Kong Post	SDR	79	0	0	0	79
Netherlands Post	SDR	2,162	859	0	0	3,021
New Zealand Post	SDR	3,389	0	0	0	3,389
Niederwala (Germany)	SDR	4,181	0	0	0	4,181
Post Fijl	SDR	1,367	267	0	(1,367)	267
Royal Mail (UK Post)	SDR	0	3,347	(3,347)	3,347	3,347
Singapore Post	SDR	110	0	0	0	110
Swiss Post	SDR	0	1,636	0	0	1,636
United States Postal	SDR	0	1,190	0	0	1,190
Japan Post	SDR	0	1,054	0	0	1,054
Total SDR		34,512	23,955	(3,366)	1,980	57,081
Creditors:						
Orbit Remit GMT	USD	559	864	0	(559)	864
Air Niugini Ltd	USD	0	43	0	0	43
Qantas Airways Ltd	USD	0	58,388	0	0	58,388
Total USD		559	59,295	0	(559)	59,295
Australian Post	SDR	4,994	17,390	0	0	22,384
Deutsche Post	SDR	190,613	0	0	0	190,613
India Post	SDR	0	0	0	0	0
Japan Post	SDR	6,405,680	8,761	(5,680)	0	6,408,761
Post Fijl Ltd	SDR	94	350	0	0	444
PNG Post	SDR	317	0	0	0	317
PostNod – Denmark	SDR	9,608	0	(9,608)	0	0
Qantas Airways	SDR	3,914	0	0	(3,914)	0
US Postal Service	SDR	14,501	12,718	0	0	27,219
Royal Mail (UK Post)	SDR	50,172	247,703	0	(50,172)	247,703
Vanuatu Post	SDR	125	0	0	0	125
Singapore Post	SDR	0	2,374	0	0	2,374
BPOST Belgium	SDR	0	8,606	0	0	8,606
Brazilian Post	SDR	0	47,790	0	0	47,790
Canada Post	SDR	0	25,028	0	0	25,028
Correios De Portugal	SDR	0	9,447	0	0	9,447
Czech Republic	SDR	0	380	0	0	380
Hungary Post	SDR	0	16,933	0	0	16,933
Korea Post	SDR	0	1,172	0	0	1,172
Norway Post	SDR	0	5,952	0	0	5,952
Post AG Austria	SDR	0	7,275	0	0	7,275
Pos CH Swiss Post	SDR	0	5,778	0	0	5,778
Post Finland Ltd	SDR	0	709	0	0	709
Royal Post NL BV	SDR	0	3,577	0	0	3,577
Russian Post	SDR	0	9,248	0	0	9,248
Spain Post	SDR	0	90,857	0	0	90,857
Sweden Post	SDR	0	6,675	0	0	6,675
Thailand Post	SDR	0	4,403	0	0	4,403
United Emirates Post	SDR	0	1,243	0	0	1,243
Total SDR		6,680,018	594,969	(15,288)	(54,086)	7,145,013

The adjustments were stated in SDR converted to USD and to SBD at year-end.

Solomon Islands Postal Corporation
Notes to and forming part of the accounts (continued)

	2018	2017
	\$	\$
2. CASH AND CASH EQUIVALENTS		
Petty Cash (Cash imprest)	67,206	215,744
Cash at bank	<u>56,058,211</u>	<u>4,723,187</u>
	<u>56,125,417</u>	<u>4,938,931</u>
The Corporation has no approved overdraft facility. Management advise that any overdraft position at the bank is temporary.		
3. TRADE AND OTHER RECEIVABLES		
Trade debtors	18,455,957	3,553,808
Less: Provision for doubtful debts	(444,741)	(444,741)
Staff advance	38,574	-
Other Debtors and prepayments	<u>978,529</u>	<u>322,966</u>
	<u>19,028,319</u>	<u>3,432,033</u>
4. INVENTORIES		
Stores and consumable materials	2,642,223	2,748,604
Less: Provision	<u>-</u>	<u>-</u>
	<u>2,642,223</u>	<u>2,748,604</u>
5. INVESTMENT PROPERTY		
Opening Balance	7,968,059	7,968,059
Fair Value adjustments	<u>-</u>	<u>-</u>
Closing Balance	<u>7,968,059</u>	<u>7,968,059</u>

The carrying amount of investment property is the fair value of the property as determined by independent valuers in December 2014. Solomon Post finally undertook a valuation of its Land and Buildings in December 2014 after the last valuation was done in 2007.

Solomon Islands Postal Corporation
Notes to and forming part of the accounts (continued)

6. PROPERTY, PLANT AND EQUIPMENT

<u>Cost</u>	<u>Note</u>	<u>Leashold land at Revalued amount</u> \$	<u>Buildings at Revalued amount</u> \$	<u>Office and Postal Equipments</u> \$	<u>Furnitures and Fittings</u> \$	<u>Computer Assecories</u> \$	<u>Motor Vehicles</u> \$	<u>Total</u> \$
At 1 January 2017		8,663,128	8,582,613	3,705,252	513,257	1,100,195	735,443	23,299,888
Additions during the year		-	585,000	231,179	7,281	248,623	268,230	1,340,313
Revaluation Increment during the year		-	-	-	-	-	(80,000)	(80,000)
Disposals during the year		-	-	-	-	-	-	-
At 31 December 2017		8,663,128	9,167,613	3,936,431	520,538	1,348,818	923,673	24,590,201
Balance at 1 January 2018		8,663,128	9,167,613	3,936,431	520,538	1,348,818	923,673	24,560,201
Additions during the year		298,271	1,282,689	451,383	62,938	996,522	524,752	3,616,555
Disposals during the year		-	-	-	-	-	-	-
Balance as at 31 December 2018		8,961,399	10,450,302	4,387,814	583,476	2,345,340	1,448,425	28,176,756

Accumulated depreciation

At 1 January 2017	-	1,718,274	3,456,116	401,648	963,675	677,797	6,547,472
Depreciation	-	430,881	129,256	50,256	117,291	22,354	750,038
Disposals during the year	-	-	-	-	-	(80,000)	(80,000)
Revaluation write-off	-	-	-	-	-	-	-
At 31 December 2017	-	2,149,155	3,456,116	451,904	1,080,966	620,151	7,217,510
Balance at January 2018	-	1,718,274	3,456,116	401,648	963,675	677,797	7,217,510
Depreciation	-	489,037	160,348	42,045	221,978	102,686	1,016,094
Disposals during the year	-	-	-	-	-	-	-
Balance at 31 December 2018	-	2,207,311	3,616,464	443,693	1,185,653	780,483	8,233,604

Carrying Amounts

At 31 December 2016	8,663,128	7,295,220	378,392	161,865	253,811	-	16,752,416
At 31 December 2017	8,663,128	7,449,339	480,315	118,890	385,143	245,876	17,342,691
At 31 December 2018	8,961,399	8,242,991	771,350	139,783	1,159,687	667,942	19,943,152

7. TRADE AND OTHER PAYABLES

Current Liabilities

Trade creditors	84,615,463	77,088,149
Deposits and other liabilities	3,422,779	3,010,913
Deferred income-Unexpended property, plant and equipment	110,918	110,918
Long service benefit	-	78,204
	88,149,160	80,288,184

Non current Liabilities

Trade creditors	-	-
Deferred income-Unexpended property, plant and equipment	116,329	227,247
Long service benefit	-	90,176
	116,329	317,423

2018
\$

2017
\$

Solomon Islands Postal Corporation
Notes to and forming part of the accounts (continued)

8. TRADE AND OTHER PAYABLES (Continue)

A Japanese Post

Approximately 95% of trade payable as stated above relates to Japanese post. As at 31 December 2018, the debt stands at SDR6,408,761 equivalent to \$73,663,146 SBD. This huge debt is accumulated from a contract with Morris International and Australian Mail Service (AMS) in 2004 whereby these companies used SIPC prepaid stamps and envelopes to deliver bulk mails to their business clients in Japan through the Japan Post network. SIPC charged its client in Australian dollars while Japan Post invoiced SIPC in SDRs resulting in huge difference which is unfavourable for SIPC. SIPC, apparently, does not refute the claim but finds it impossible to pay, so management think that the debts should be settled by government-to-government dialogue. As at 31 december 2018, no formal evidence received from solomon government that it will settled the debts and this has greatly affected the going concern basis for the Corporation.

B SIG - Inland Revenue

SIPC has not been remitting withholding tax and other dues to the Solomon island government on timely basis and has accumulated to \$1,015,067 (2017: \$865,218) as at 31 December 2017. On the other hand Solomon Islands Government and other ministries have owed the Corporation \$621,927 (refer note 9 (b) below) on bulk mails & office rental as at 31 December 2018. An arrangement to offset between the ministry of finance and the corporation was implemented in 2015 financial year.

9. RELATED PARTY TRANSACTIONS	2018	2017
	\$	\$
A. Controlled entities		
The Corporation does not control any other entities		
B. Outstanding Balances		
The following Balances were owing to the corporation:		
Ministry of Culture and Tourism	168	-
Ministry of Agriculture	541,195	427
Ministry of Commerce (Trade & dispute panel)	2,338	1,612
Ministry of Finance	70,803	53,742
Ministry of Youth Sport Women & Children's Affairs	85	69
Ministry of Development Planning & Coordination	60	60
Ministry of Education & Human Resources	2,114	826
Ministry of Environment Conservation & Meteorology	25	21
Ministry of Forestry & Research	(7,542)	(8,584)
Ministry of Health & Medical Services	22,267	14,998
Ministry of Home Affairs	1,004	773
Ministry of Infrastructure & Development	498	334
Ministry of Justice and Legal Affairs	15,775	8,973
Ministry of Lands & Survey	6,185	4,276
National Parliament house	82	60
Ministry of Fisheries and Marine Resources	1,349	1,274
Ministry of Foreign Affairs	345	272
Ministry of National Unity and Reconciliations	(37,416)	(37,429)
Ministry of Police and National Security	251	(2,160)
Ministry of Provincial Government	388	77
Ministry of Rural Development	42	38
Ministry of Public Service	1,010	753
Prime Ministers office	-	486,291
Ministry of Aviation and Communication	258	-
Ministry of Mines and Energy	643	-
	621,927	526,703

Solomon Islands Postal Corporation
Notes to and forming part of the accounts (continued)

10. RELATED PARTY TRANSACTIONS (Continue)

C. Offset of outstanding

In 2015, the Corporation and the Ministry of finance successfully implemented an offset agreement. At the time of the negotiation, SIG owed the Corporation \$974,928.88, while the Corporation owed SIG \$603,040.07 and when the offset was actioned, the amount owed by SIG has already been paid by separate ministries. At the time of compiling this financial statement, amount totalled to \$481,772 still available for offset, against ministries debtors account.

Transaction

The following revenues(expense) were incurred by the Corporation:

Auditor general	-	-
Directors remuneration and expenses	491,360	132,140
	<u>491,360</u>	<u>132,140</u>

C. Key Management Compensation

Key management includes, Chief Executive officer, Deputy Chief Executive Officer-Corporate Services, Deputy Chief Executive Officer-Mail Operations.

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

• Wages & salaries	306,000	306,000
• Other employment benefits	303,000	303,000
• Termination benefit	67,500	67,500
	<u>676,500</u>	<u>676,500</u>

All transactions with related parties are concluded on an arm's length basis.

11. EMPLOYMENT BENEFITS

The Corporation has provided for long service benefits which entitles employees who have completed ten years service to three months of paid leave. The portion of the provision with a maturity of less than 1 year has been classified as current. The portion of the provision with an expected maturity of greater than 1 year has been classified as non-current. refer to note 8 above for detail LSB liability for the year & comparative period.

On 3 November 2009, the SIPC Board endorsed the Retirement Benefit policy entitling staff to retirement benefits through early retirement or normal retirement. The following being summaries of retirees since the policy became effect in 2009:

- In 2012 there were 3 staff retired with gross retirement benefit totalling \$121,158.62
- In 2013 there were no staff on retirement
- In 2014 there were 7 staff on retirement with gross retirement benefit totalling \$518,815.79
- In 2015 there were 2 staff on retirement with gross retirement benefit totalling \$80,039.33
- In 2016 there were no staff on retirement
- In 2017 no staff on retirement
- In 2018 there were 3 employees being made retired.

Solomon Islands Postal Corporation

Notes to and forming part of the accounts (continued)

12. FINANCIAL RISK MANAGEMENT

Overview

The Corporation has exposures to the following risks arising from financial instruments:

- Credit risk; Liquidity risk; and Market risk

This note presents information about the Corporation's exposure to each of the above risks, and the Corporation's objectives, policies and processes for measuring and managing risk.

Risk Management Framework

The Board of Directors have overall responsibility for the establishment and oversight of the Corporation's risk management framework. The Corporation's risk management policies are established to identify and analyse the risks faced by the Corporation, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market and conditions and the Corporation's activities.

Credit risk

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Corporation's receivables from customers.

Trade and other receivables

The Corporation's exposure to credit risk is influenced mainly by individual characteristics of each customer. However, the Corporation has established a credit policy under which each new customer is analysed individually for creditworthiness before the Corporation's standard payment and delivery terms and conditions are offered.

The Corporation establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main component of this allowance are specific loss component that relates to individually significant exposures, and a collective loss component established for similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to the credit risk at the reporting date was as follows:

	2018	2017
	\$	\$
Cash at bank	56,125,417	4,938,931
Trade receivables	18,011,216	3,109,067
Other receivables	1,017,103	322,966
	<u>75,153,736</u>	<u>8,370,964</u>

Impairment losses

The ageing of trade receivables at reporting date that were not impaired was as follows:

Not past due	3,358,745	2,258,823
Past due 31-60 days	6,557,436	44,743
Past due 61-90 days	6,388,532	21,746
Past due more than 90 days	1,706,503	783,755
	<u>18,011,216</u>	<u>3,109,067</u>

Solomon Islands Postal Corporation
Notes to and forming part of the accounts (continued)

13. FINANCIAL RISK MANAGEMENT (continued)

Liquidity Risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Corporation's reputation. The Corporation does not operate any bank overdraft facilities.

The following are the contractual maturities of financial liabilities:

	Carrying amount	<= 6 months	<= 12 months	<= 2 years	> 2 years
31 December 2018					
<u>Financial liabilities:</u>					
Trade, other payables and accruals	88,265,489	-	88,149,160	116,329	-
31 December 2017					
<u>Financial liabilities:</u>					
Trade, other payables and accruals	80,605,607	-	80,288,184	317,423	-

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Corporation's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

The Corporation is exposed to foreign currency risks on revenue, expenses and borrowings that are denominated in a currency other than the Solomon Islands Dollar. The Corporation for its international mail activities bills in SDR and settles in USD. Other currency of billing and settlements are AUD and FJD.

As at year end, assets, liabilities denominated in foreign currencies include trade receivables and trade payables. Significant foreign exchange exposures are as follows:

	USD/SBD	AUD/SBD	CHF/SBD	FJD/SBD
31 December 2018				
<u>Financial assets:</u>				
Trade and other receivables	15,849,416	-	-	-
<u>Financial liabilities:</u>				
Trade and other payables	490,039	-	-	-
31 December 2017				
<u>Financial assets:</u>				
Trade and other receivables	1,990,540	-	-	-
<u>Financial liabilities:</u>				
Trade and other payables	6,359	-	-	-

Solomon Islands Postal Corporation
Notes to and forming part of the accounts (continued)

14. FINANCIAL RISK MANAGEMENT (continued)

Market Risk (continued)

Currency risk (continued)

A strengthening of the Dollar as indicated below against SDR, USD, AUD, and FJD at 31 December 2018 would have increased (decreased) profit after tax by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Corporation considered to be reasonably possible at the reporting date. This assumes that all other variables are constant:

	2018	2017
	\$	\$
<u>Financial assets</u>		Restated
Impact on profit after tax if 1% increase in USD fx rate against SBD	15,344	158,494
Impact on profit after tax if 1% decrease in USD fx rate against SBD	(15,344)	(158,494)
Impact on profit after tax if 1% increase in AUD fx rate against SBD	-	-
Impact on profit after tax if 1% decrease in AUD fx rate against SBD	-	-
<u>Financial liabilities</u>		
Impact on profit after tax if 1% increase in USD fx rate against SBD	(39,421)	4,900
Impact on profit after tax if 1% decrease in USD fx rate against SBD	39,421	(4,900)
Impact on profit after tax if 1% increase in FJD fx rate against SBD	-	-
Impact on profit after tax if 1% decrease in FJD fx rate against SBD	-	-

15. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of cash

For the purpose of the Statement of Cash Flows, 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 Flow is reconciled to the related items in the balance sheet as follows:

	2018	2017
	\$	\$
Cash and short term deposits	56,125,417	4,938,931

(b) Reconciliation of operating profit after income tax to net cash provided by operating activities

Operating profit (loss) after income tax	61,468,661	3,668,554
Add (deduct) non-cash items:		
Depreciation	1,016,097	750,038
Foreign currency (gain) loss	-	2,059,288
Sale of Motor vehicle	-	-
Provision for doubtful debts	-	(304,590)
Deferred Income - donated computer	-	245,165
Prior period adjustments	37,388	81,332
Net cash provided by operating activities before changes in assets and liabilities	62,522,146	6,499,787
Changes in assets and liabilities:		
(Increase) decrease in inventories	106,381	(107,326)
(Increase) decrease in trade debtors	(15,596,286)	(2,295,403)
Increase (decrease) in trade creditors	7,770,800	1,042,961
Net cash provided by (used in) operating activities	54,803,041	5,140,019

Solomon Islands Postal Corporation

Notes to and forming part of the accounts (continued)

16. OTHER INCOME

	2018	2017
	\$	\$
Philatelic sales	27,390	28,841
DMT Comissions	296,111	171,219
Storage fees	895	32,373
Internet Sales	121,910	46,170
Professional services	19,774	60,973
Stamp agent royalties	-	389,087
Sundry fees/receipts	196,355	686,452
Deffered Income	110,918	-
	<u>773,353</u>	<u>1,415,115</u>

17. COST OF GOODS AVAILABLE FOR SALE

Opening Stock:		
Postshop	969,071	1,046,881
Mobile Topups	8,979	21,525
Foreign Currency	75,149	22,292
Philatelic	1,695,405	1,550,579
Add: Purchase		
Postshop	844,652	594,593
Mobile Topups	320,000	350,000
Foreign Currency	1,563,690	1,889,988
Philatelic	10,000	7,760
Less: Closing stock		
Postshop	(944,852)	-969,071
Mobile Topups	(21,568)	-8,979
Foreign Currency	(10,136)	-75,149
Philatelic	(1,665,667)	-1,695,405
COG Available for sale	<u>2,844,723</u>	<u>2,735,015</u>

18. PRIOR YEAR ADJUSTMENTS

Prior year adjustments	<u>37,388</u>	-
	<u>37,388</u>	-