

COMMODITIES EXPORT MARKETING AUTHORITY

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

Commodities Export Marketing Authority

Financial Statements for the year ended 31 December 2018

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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 2018 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 Suibaca	20/11/2014	
Jeffery Aihunu	20/11/2008	
Lawry Wickham	20/11/2008	Deceased
Robert Pae Kuve	20/11/2008	Deceased
Riley Mesepitu	28/09/2017	

Principal activities

The principal activity of the Authority during the course of the financial year ended 31 December 2018 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 \$331,036 (2017 net profit- \$320,117).

Commodities Export Marketing Authority Directors' Report - cont'd

Significant Changes in the State of Affairs

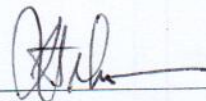
In July 2007 the Solomon Island Government passed the State Owned Enterprises Act 2007 and listed Commodities Export Marketing Authority as a State Owned Enterprise under the jurisdiction of the Act. The Act was implemented in 2010. Compliance with the Act could impact on the future operations of Commodities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

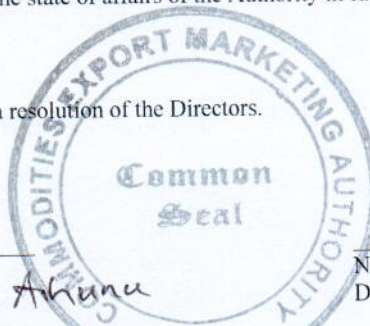
- The Minister of Finance and the Responsible Minister (the "accountable Ministers") can direct Authority to perform a community service obligation (Section 8, 1);
- The accountable Ministers can determine the amount of any dividend payable by Authority (Section 12, 1b);
- The requirement to issue a 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).

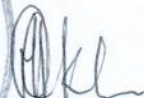
There were no other significant changes in the state of affairs of the Authority during the year ended 31 december 2018.

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: Jeffrey Ahuna
Director




Name: Belani Tekulu
Director

Dated at Honiara this 26th day of March 2019.



INDEPENDENT AUDITOR'S REPORT

To the Board of the Commodities Export Marketing Authority

Report on the Audit of the Financial Statements

Opinion

I have audited the accompanying financial statements of the Commodities Export Marketing Authority ("CEMA"), which comprise the statement of financial position as at 31 December 2018, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended and notes to the financial statements including a summary of significant accounting policies and other explanatory notes.

In my opinion, the accompanying financial statements presents fairly, in all material respects, the financial position of the CEMA as at 31st December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

I have conducted the audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs). 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 CEMA in accordance to 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 opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with IFRS, and for such internal control as 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 is responsible for assessing CEMA'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 intends to liquidate or to cease operations, or has no realistic alternatives but to do so.

Those charged with governance are responsible for overseeing CEMA'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 ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material 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 or users taken on the basis of these financial statements.

As part of an audit in accordance with ISSAIs, I exercise professional judgement and maintain professional scepticism 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 to 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 CEMA'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 CEMA'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 CEMA to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves the fair presentation.

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 controls that I identify during my audit.

I also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

I have obtained all the information and explanation which, to the best of my knowledge and belief, were necessary for the purpose of my audit.

In my opinion:

- i. Proper books of accounts have been maintained by CEMA, sufficient to enable statement of financial position as at 31st December 2018, statement of financial performance and other comprehensive income, statement of changes in equity, statement of cash flows for the year ended and significant accounting policies and explanatory notes to be prepared, and
- ii. To the best of my knowledge and according to the information and explanations given to me the financial statements give the information required by CEMA Act (1996).



Peter Lokay
Auditor-General
26 March, 2019

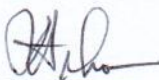
Office of the Auditor-General
Honiara, Solomon Islands

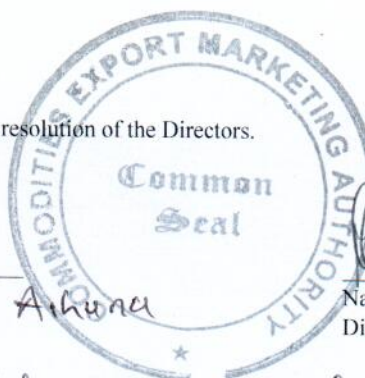
Commodities Export Marketing Authority Statement by Directors


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 6 to 18:
 - (i) give a true and fair view of the Authority's financial position as at 31 December 2018 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: Jeffrey Ahuna
Director




Name: Belani Tekulu
Director

Dated at Honiara this 26th day of March 2019.

Commodities Export Marketing Authority
Statement of profit or loss and other comprehensive income
For the year ended 31 December 2018

	Note	<u>2018</u> \$	<u>2017</u> \$
Revenue from continuing operation			
Rents		1,553,125	1,664,605
Management Fees	3	996,019	1,352,155
SIG CSO Grant		130,000	-
Licence Fees	4	162,739	164,244
Project clips		-	-
Other Revenues		39,616	67,030
Total revenue from continuing operation		<u>2,881,499</u>	<u>3,248,034</u>
Expenses from continuing operation			
Administrative expenses	5	734,321	721,396
Depreciation expense	10	393,720	316,943
Director costs		185,738	168,408
Employee costs	6	1,179,489	1,170,584
Other operating expenses	7	395,131	220,597
Repairs and maintenance		324,136	329,989
Total expenses from continuing operation		<u>3,212,535</u>	<u>2,927,917</u>
Net profit / (loss) from continuing operation		<u>(\$331,036)</u>	<u>\$320,117</u>
Other comprehensive income			
Revaluation increment		-	2,499,111
Total other comprehensive income		<u>-</u>	<u>2,499,111</u>
Profit for the year		<u>(331,036)</u>	<u>2,819,228</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 10 to 19.

Commodities Export Marketing Authority
Statement of Changes in Equity for the year ended 31 December 2018

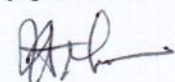
<u>Note</u>	<u>Shareholder Contributions/ Equity</u> \$	<u>Revaluation Reserve</u> \$	<u>Accumulated Funds</u> \$	<u>Total</u> \$
Balance at 1 January 2017	10,000	12,896,746	18,241,807	31,148,553
Net profit / (loss) for the year			320,117	320,117
Other comprehensive income	-	-	2,499,111	2,499,111
Balance at 31 December 2017	10,000	12,896,746	21,061,035	33,967,781
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	-	-	-	-
Balance at 31 December 2018	10,000	12,896,746	20,729,999	33,636,745

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 10 to 19.

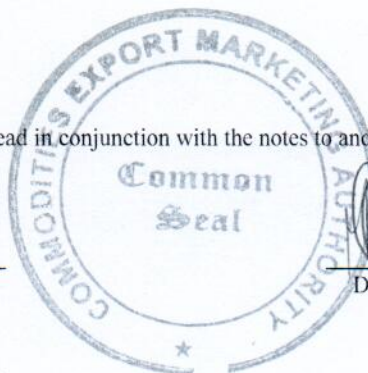
Commodities Export Marketing Authority
Statement of financial position as at 31 December 2018

	Note	2018 \$	2017 \$
CURRENT ASSETS			
Cash and Cash equivalent	8	929,641	973,470
Receivables & Prepayments	9	70,118	56,377
TOTAL CURRENT ASSETS		<u>999,759</u>	<u>1,029,847</u>
NON-CURRENT ASSETS			
Investments Properties	11	18,395,000	18,395,000
Property, Plant and Equipment	10	14,502,846	14,841,335
TOTAL NON-CURRENT ASSETS		<u>32,897,846</u>	<u>33,236,335</u>
TOTAL ASSETS		<u>33,897,605</u>	<u>34,266,182</u>
CURRENT LIABILITIES			
Trade and other payables	12	69,969	46,102
Deferred income	13	84,089	86,828
Employee provisions	14	72,977	134,934
TOTAL CURRENT LIABILITIES		<u>227,035</u>	<u>267,864</u>
NON - CURRENT LIABILITIES			
Employee provisions	14	33,825	30,537
TOTAL NON-CURRENT LIABILITIES		<u>33,825</u>	<u>30,537</u>
TOTAL LIABILITIES		<u>260,860</u>	<u>298,401</u>
NET ASSETS		<u>33,636,745</u>	<u>33,967,781</u>
EQUITY			
Shareholder contributions / equity		10,000	10,000
Revaluation Reserves		12,896,746	12,896,746
Accumulated funds		20,729,999	21,061,035
TOTAL EQUITY		<u>33,636,745</u>	<u>33,967,781</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 10 to 19.



DIRECTOR





DIRECTOR

Commodities Export Marketing Authority
Statement of cash flow for the year ended 31 December 2018

	Note	<u>2018</u> \$	<u>2017</u> \$
Cash Flows From Operating Activities			
Cash receipts from customers		2,878,760	3,258,790
Cash payments to suppliers and employees		<u>(2,867,358)</u>	<u>(2,638,493)</u>
Cash generated from operations		<u>11,402</u>	<u>620,297</u>
Net cash provided by / (used in) operating activities		<u>11,402</u>	<u>620,297</u>
Cash Flows From Investing Activities			
Acquisition of property, plant and equipment		<u>(55,231)</u>	<u>(34,145)</u>
Net cash provided by / (used in) investing activities		<u>(55,231)</u>	<u>(34,145)</u>
Net increase / (decrease) in cash and cash equivalents		(43,829)	586,152
Cash and cash equivalents at the beginning of the financial year		<u>973,470</u>	<u>387,318</u>
Cash and cash equivalents at the end of the financial year	8	<u><u>929,641</u></u>	<u><u>973,470</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 10 to 19.

Commodities Export Marketing Authority
Notes to and forming part of the Financial Statements
31 December 2018

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 26th March 2019

Bases of Measurement

The financial statements have been prepared on the historical cost basis except for the revaluation of certain non-current assets and financial instruments. 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 judgements, 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 2018

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 have utilised replacement method of valuation in determining the fair value of the investment property.

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 2018

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 recognized 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 2018

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 2018

2. EMPLOYEES

The number of employees at period end 31 December 2018 is 13 (2017: 15).

3. MANAGEMENT FEES

	<u>2018</u>	<u>2017</u>
	\$	\$
Copra Management Fees	620,465	1,085,269
Cocoa Management Fees	375,553	266,886
	<u>996,019</u>	<u>1,352,155</u>

4. LICENCE FEES

	<u>2018</u>	<u>2017</u>
	\$	\$
Copra Licence	31,486	36,054
Cocoa Licence	81,252	78,190
Palm Oil Licence	50,000	50,000
Spice Licence	-	-
	<u>162,739</u>	<u>164,244</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>2018</u>	<u>2017</u>
	\$	\$
Professional Service Fees	29,453	23,750
Bank Charges	5,758	6,460
Entertainment	-	3,196
Training-Capacity Building	10,800	4,150
Freight	6,225	10
Legal Expenses	45,931	22,200
IT Lease Expenditures	37,194	34,720
Office Supply & Cleaning	5,980	14,869
Fuel and Consumables	34,755	27,915
Postage	-	7
Transportation - Truck hiring	5,266	1,419
Rent and Rates	238,240	251,641
Printing, Photocopy & Stationer	56,778	39,385
Vehicles & Maintenance	52,598	43,457
Sundry Expenses	13,099	8,249
Office Equipment Expense	29,753	27,769
Pest Control Chemicals	1,329	1,420
Regulation Reviews & Drafting	1,056	17,665
Labotaory Accessories & Consum	3,774	2,906
Noro Operations	200	42,131
Regulated Marketing Info	48,866	16,291
Telephone Expense	95,797	110,579
Quality Assurance & Inspector	-	-
Advertisement	5,188	10,476
Insurance	193	5,000
Rent Post Office Box	1,100	3,630
Tools & Equipment	4,990	2,100
	<u>734,321</u>	<u>721,396</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 2018

6. EMPLOYEE COSTS

	<u>2018</u>	<u>2017</u>
	\$	\$
Wages & Salaries	812,624	792,837
Housing Allowance	39,500	48,354
Education exp-Contract Staff	2,940	17,170
NPF Contributions	57,981	62,655
Medical Exp-Contract staff	7,620	5,240
Accom & Allowance-Relief Staff	12,600	15,865
Utilities - Contract Staff	97,554	63,611
COLA 7%	-	-
Annual Leave Passage	42,842	51,278
Transport Allowance	29,909	33,873
Staff Uniform/Safety	28,478	18,853
Gratuity Expense	44,153	42,946
LSB Expense	3,288	17,902
	<u>1,179,489</u>	<u>1,170,584</u>

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

7. OTHER OPERATING EXPENSES

	<u>2017</u>	<u>2016</u>
	\$	\$
Electricity	206,544	198,088
Laboratory expense	130,067	-
Fuel expense for generator	1,531	0
Water	56,990	22,508
	<u>395,131</u>	<u>220,597</u>

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>2018</u>	<u>2017</u>
	\$	\$
Cash on hand and at bank	929,641	973,470
	<u>929,641</u>	<u>973,470</u>

9. RECEIVABLES and PREPAYMENTS

Other debtors and prepayments	70,118	56,377
Less: Provision for doubtful debts	-	-
	<u>70,118</u>	<u>56,377</u>

Commodities Export Marketing Authority
Notes to and forming part of the Financial Statements
31 December 2018

10. PROPERTY, PLANT AND EQUIPMENT

	Leasehold Land at revalued amount	Building at revalued amount	Plant and Equipment	Furnitures and Fixtures	Office Equipments	Motor Vehicle Equipments	Total
<u>Cost or Valuation</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
At 1 January 2017	6,005,200	7,872,770	181,468	82,665	204,322	300,000	14,646,425
Additions during the year	-	-	-	-	34,145	-	34,145
Revaluation Increment	- 1,878,940	3,096,232	-	-	-	-	1,217,292
Disposals during the year	-	(200,000)	-	-	-	-	(200,000)
At 31 December 2017	4,126,260	10,769,002	181,468	82,665	238,467	300,000	15,697,862
Balance 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	-	-	-	-	-	-	-
Balance as at 31 December 2018	4,126,260	10,769,002	181,468	86,565	289,798	300,000	15,753,093
<u>Accumulated depreciation</u>							
At 1 January 2017	-	812,738	181,464	52,212	116,592	300,000	1,463,006
Depreciation	-	285,377	-	8,972	22,594	-	316,943
Revaluation write back	-	(723,423)	-	-	-	-	(723,423)
Disposals during the year	-	(200,000)	-	-	-	-	-
At 31 December 2017	-	174,692	181,464	61,184	139,186	300,000	1,056,526
Balance at 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	-	-	-	-	-	-	-
Balance at 31 December 2018	-	524,077	181,464	69,838	174,867	300,000	1,250,246
<u>Carrying Amounts</u>							
At 31 December 2016	<u>6,005,200</u>	<u>7,060,032</u>	<u>4</u>	<u>30,453</u>	<u>87,730</u>	<u>-</u>	<u>13,183,419</u>
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>14,841,335</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>

10.1 Property under legal case

Nine buildings still under legal case and not part of the PPE balance as disclosed on note 11 above as follows:

a. Vara Creek Porperty

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 against the Authority. As of 31 December 2018, the court decision has been in favour of CEMA. Actions has yet to be taken-enforcement of court order for Wewela to vacate the property.

Commodities Export Marketing Authority
Notes to and forming part of the Financial Statements
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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>2018</u>	<u>2017</u>
Balance at 1 January	18,395,000	18,395,000
Acquisition	-	-
Reclassification from property, plant and equipment	-	-
change in fair value	-	-
Balance at 31 December	<u><u>18,395,000</u></u>	<u><u>18,395,000</u></u>

Investment property was revalued during the year 2017. The revaluation was done by Victor Ma'ahanoa of Group Professionals (Association of professional), P.O Box 1722, Honiara, Solomon Islands.

12. TRADE AND OTHER PAYABLES

	<u>2018</u>	<u>2017</u>
	\$	\$
Trade creditors	18,400	7,776
Other creditors and accrued expenses	51,569	38,326
	<u><u>69,969</u></u>	<u><u>46,102</u></u>

13. DEFERED INCOME

Current

Licence fees received in advance	84,089	86,828
	<u><u>84,089</u></u>	<u><u>86,828</u></u>

Commodities Export Marketing Authority
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14. EMPLOYEE PROVISIONS	<u>2018</u> \$	<u>2017</u> \$
Current		
Annual leave	50,178	27,568
Gratuity	<u>22,799</u>	<u>107,366</u>
	<u><u>72,977</u></u>	<u><u>134,934</u></u>
Non-current		
Long service leave	33,825	30,537
Gratuity	<u>-</u>	<u>-</u>
	<u><u>33,825</u></u>	<u><u>30,537</u></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 2018 the Authority expensed \$57,981 in NPF contributions (2017: \$62,655).

16. CONTINGENCIES

The Authority has a number of contingent liabilities estimated at an aggregate value of \$435,000 (2017: 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 2013 the matter become a legal case between CEMA and Levers Solomon Limited (LSL) 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
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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:

	2018	2017
	\$	\$
Wages & salaries	294,724	339,819
Other employment benefits	177,173	143,605
Termination benefit	-	-
Post employment benefits	-	-
Other long term benefit	44,153	107,366
	<u>516,050</u>	<u>590,790</u>