SEYCHELLES POSTAL SERVICES LTD

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

SEYCHELLES POSTAL SERVICES LTD

Liberty House, Victoria, Seychelles

DIRECTORS REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2017

CONTENTS **PAGES**

DIRECTORS	:	Mr. Errol Dias Ms. Astride Tamatave Mr. Ayub S Adam **Appointed effective: 1 November 2017** Ms. Rudy Rose Ms. Melanie Stravens (Chairperson) Mr. Alex Etienne **Resigned effective: 31 October 2017** Ms. Marie Doreen Bradburn Mr. Jeffrey Dogley Mr. Brijesh Jivan
SECRETARY	:	La Rosiere Maison La Rosiere P.O. Box 117, Victoria, Mahé Seychelles
REGISTERED OFFICE	:	Liberty House, Victoria Seychelles
PRINCIPAL PLACE OF BUSINESS	:	Liberty House, Victoria Seychelles
AUDITORS	:	BDO Associates Chartered Accountants Seychelles
BANKERS	:	Mauritious Commercial Bank Seychelles International Mercantile Banking Corporation Limited (Nouvobanq) Crown Agents (UK)

The Directors have pleasure in submitting their report together with the audited financial statements of the Company for the year ended December 31, 2017.

PRINCIPAL ACTIVITY

The Company is engaged in the operation of providing postal services in Seychelles. This remained unchanged during the year under review.

RESULTS

	SR
Loss for the year	(5,948,457)
Revenue deficit brought forward	(1,067,076)
Revenue deficit carried forward	**(7,015,533)**

DIVIDENDS

The Directors did not propose any dividend for the financial year under review (2016: Nil).

PROPERTY, PLANT AND EQUIPMENT

Additions to fixed assets of **SR 871k** during the year comprised office equipment, furniture and fittings and motor vehicles (2016: SR 654k). Motor vehicle with a nil net book value was disposed during the year.

The Directors have estimated that the carrying value of property, plant and equioment at the balance sheet date approximate their fair value.

DIRECTORS AND DIRECTORS' INTERESTS

The Directors of the Company since the date of the last report and at the date of this report are:

Mr. Errol Dias
Ms. Astride Tamatave
Mr. Ayub S Adam

Appointed effective: 1 November 2017

Ms. Rudy Rose
Ms. Melanie Stravens (Chairperson)
Mr. Alex Etienne

Resigned effective: 31 October 2017

Ms. Marie Doreen Bradburn
Mr. Jeffrey Dogley
Mr. Brijesh Jivan

None of the Directors had any interest in the shares of the Company.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for the overall management of the affairs of the Company including the operations of the Company and making investment decisions.

The Board is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS) and in compliance with the Seychelles Companies Act, 1972. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error and making accounting estimates that are reasonable. The Directors have the general responsibility of safeguarding the assets, both owned by the Company and those that are held in trust and used by the Company.

The Directors consider they have met their aforesaid responsibilities.

AUDITORS

The auditors, BDO Associates, Seychelles retire and being eligible, offer themselves for re-appointment.

BOARD APPROVAL

Mr. Errol Dias
Director

Ms. Melanie Stravens
Director

Mr. Ayub S Adam
Director

Ms. Rudy Rose
Director

Tamatave

Ms. Astride Tamatave
Director

Mr. Alex Etienne
Director

Dated:
Liberty House, Victoria

Tel : +248 461 2612
Fax : +248 461 2300
e-mail: bdoseychelles@bdo.sc

P.O. Box 18
The Creole Spirit
Quincy Street, Mahé
Victoria, Seychelles

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS

This report is made solely to the members of **SEYCHELLES POSTAL SERVICES LIMITED** (hereafter referred to as the "Company"), as a body, in terms of our engagement to conduct the audit on their behalf. Our audit work has been undertaken so that we might state to the Company's members those matters which we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company or the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Report on the audit of the Financial Statements

Opinion

We have audited the financial statements of **SEYCHELLES POSTAL SERVICES LIMITED** set out on pages 5 to 25 which comprise the Statement of Financial Position as at DECEMBER 31, 2017, the Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and the Statement of Cash Flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements on pages 5 to 25 give a true and fair view of the financial position of the Company as at DECEMBER 31, 2017 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Seychelles Companies Act, 1972.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Seychelles, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and in compliance with the Companies Act, 1972 and for such internal control as the directors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company'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 the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

BDO

Responsibilities of Directors and Those Charged with Governance for the Financial Statements (Cont'd)

Those Charged with Governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We 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 our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Directors.
- Conclude on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

SEYCHELLES POSTAL SERVICES LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS (CONT'D)

Auditor's Responsibilities for the Audit of the Financial Statements (Cont'd)

- 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 fair presentation.

We communicate with Those Charged with Governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other Legal Regulatory Requirements

Companies Act, 1972

We have no relationship with, or interests in, the Company, other than in our capacity as auditors and dealings in the ordinary course of business.

We have obtained all information and explanations we have required.

In our opinion, proper accounting records have been kept by the Company as far as it appears from our examination of those records.

Other Matter

The financial statements of the Company for the year ended December 31, 2016 were audited by another auditor who expressed a unqualified opinion on May 30, 2017.

BDO ASSOCIATES
Chartered Accountants

Dated:
Victoria, Seychelles

STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2017

	Notes	2017	2016
		SR	SR
ASSETS			
Non-current assets			
Property and equipment	5	**10,384,588**	10,641,612
Intangible asset	6	**61,679**	-
Deferred tax asset	7	**257,520**	233,679
		10,703,787	10,875,291
Current assets			
Inventories	8	**6,292,050**	6,306,287
Trade and other receivables	9	**7,666,204**	9,215,299
Cash and cash equivalents	10	**23,686,834**	21,714,090
		37,645,088	37,235,676
Total assets		**48,348,875**	48,110,967
EQUITY AND LIABILITIES			
Equity			
Share capital	11	**100,000**	100,000
Capital and other reserves	12	**28,598,705**	28,598,705
Revenue deficit		**(7,015,533)**	(1,067,076)
		21,683,172	27,631,629
Liabilities			
Non-current liability			
Retirement benefit obligation	13	**858,399**	834,569
Current liability			
Trade payables and other payables	14	**25,807,304**	19,644,769
Total equity and liabilities		**48,348,875**	48,110,967

These financial statements were approved for issue by the Board of Directors on

Mr. Errol Dias
Director

Ms. Melanie Stravens
Director

Mr. Ayub S Adam
Director

Ms. Rudy Rose
Director

Aamatave

Ms. Astride Tamatave
Director

Mr. Alex Etienne
Director

The notes on pages 9 to 25 form an integral part of these financial statements.
Auditors' Report on pages 4 and 4(b).

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME - YEAR ENDED DECEMBER 31, 2017

	Notes	2017	2016
		SR	SR
Revenue	2(k)/15	**28,241,201**	27,503,667
Direct operating expenses	16	**(6,099,629)**	(6,718,374)
Gross profit		**22,141,572**	20,785,293
Employee expenses	17	**(14,922,177)**	(14,260,447)
General and administrative expenses	18	**(12,580,310)**	(4,590,782)
Depreciation on property plant and equipment	5	**(1,127,540)**	(1,214,870)
Amortisation	6	**(6,853)**	-
Exchange gain/(loss)		**481,824**	(765,308)
Other income	19	**41,186**	95,794
(Loss)/ profit before taxation		**(5,972,298)**	49,680
Deferred tax credit	7	**23,841**	120,981
(Loss)/Profit and other comprehensive (expense) /income for the year		**(5,948,457)**	170,661

The notes on pages 9 to 25 form an integral part of these financial statements.
Auditors' Report on pages 4 and 4(b).

STATEMENT OF CHANGES IN EQUITY - YEAR ENDED DECEMBER 31, 2017

	Share capital	Capital Reserve	Revenue Deficit	Total
	SCR	SCR	SCR	SCR
Balance at January 1, 2017	**100,000**	**28,598,705**	**(1,067,076)**	**27,631,629**
Total comprehensive expense for the year	**-**	**-**	**(5,948,457)**	**(5,948,457)**
Balance at December 31,2017	**100,000**	**28,598,705**	**(7,015,533)**	**21,683,172**
Balance at January 1, 2016	100,000	28,598,705	(1,237,737)	27,460,968
Total comprehensive income for the year	-	-	170,661	170,661
Balance at December 31, 2016	100,000	28,598,705	(1,067,076)	27,631,629

The notes on pages 9 to 25 form an integral part of these financial statements.
Auditors' Report on pages 4 and 4(b).

STATEMENTS OF CASH FLOWS - YEAR ENDED DECEMBER 31, 2017

	Notes	2017	2016
		SR	SR
CASH FLOW FROM OPERATING ACTIVITIES			
(Loss)/Profit before tax		(5,972,298)	49,680
Adjustments for:			
Depreciation charged	5	1,127,540	1,214,870
Depreciation adjustment	5		(64,999)
Amortisation charged	6	6,853	-
Profit on disposal		(30,000)	-
Bad debt written off		19,266	-
Retirement benefit obligation charge	13	827,708	846,991
Foreign exchange (gain)/loss		(481,824)	765,308
		(4,502,755)	2,811,850
Changes in working capital:-			
- Inventories		14,237	112,963
- Increase/(Decrease) trade and other receivables		1,529,829	(3,741,225)
- Increase trade and other payables		6,162,535	17,033,270
Net cash generated from operations		3,203,846	16,216,858
Retirement benefit obligations paid		(803,878)	(414,914)
Net cash inflow from operating activities		2,399,968	15,801,944
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	5	(870,516)	(654,467)
Purchase of intangible asset	6	(68,532)	-
Net proceeds from investment in bonds		-	1,300,000
Proceeds from sale of motor vehicle		30,000	-
Net cash (outflow)/inflow from investing activities		(909,048)	645,533
Net increase in cash and cash equivalents		1,490,920	16,447,477
Movement in cash and cash equivalents			
At January 1,		21,714,090	6,031,921
Increase		1,490,920	16,447,477
Foreign exchange gain/(loss)		481,824	(765,308)
At December 31,	10	23,686,834	21,714,090

The notes on pages 9 to 25 form an integral part of these financial statements.
Auditors' Report on pages 4 and 4(b).

1. GENERAL INFORMATION

SEYCHELLES POSTAL SERVICES LIMITED is a limited company incorporated in 2011 and is domiciled in Seychelles. Its registered office of the company is Liberty House, Victoria, Seychelles.

The principal activities of the Company are as stated in the Directors' report on page 3.

These financial statements will be submitted for consideration and approval at the forthcoming Annual General Meeting of Shareholders of the Company.

2. PRINCIPAL ACCOUNTING POLICIES

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

(a) Basis of preparation

The financial statements of **SEYCHELLES POSTAL SERVICES LIMITED** have been prepared in accordance with International Financial Reporting Standards (IFRS), the Companies Act, 1972 and presented in Seychelles Rupees (SR).

Where necessary, comparative figures have been amended to conform with change in presentation in the current year. The financial statements are prepared under the historical cost convention, except that:

(i) Relevant financial assets are stated at their fair value; and
(ii) Borrowings and other financial liabilities at their amortised cost.

Amendments to published Standards effective in the reporting period

Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12). The amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. *The amendment has no impact on the Company's financial statements.*

Disclosure Initiative (Amendments to IAS 7). The amendments require the entity to explain changes in its liabilities arising from financing activities. This includes changes arising from cash flows and non-cash changes such as acquisitions, disposals, accretion of interest and unrealised exchange differences. A reconciliation of the opening and closing carrying amounts for each item for which cash flows have been or would be classified as financial activities is presented in the financial statements. *The amendment has no impact on the Company's financial statements.*

Annual Improvements to IFRSs 2014 - 2016 cycle

IFRS 12 Disclosure of Interests in other Entities. The amendments clarify that entities are not exempt from all of the disclosure requirements in IFRS 12 when entities have been classified as held for sale or as discontinued operations.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of preparation (cont'd)

Standards, Amendments to published Standards and Interpretations issued but not yet effective

Certain standards, amendments to published standards and interpretations have been issued that are mandatory for accounting periods beginning on or after January 1, 2018 or later periods, but which the Company has not early adopted.

At the reporting date of these financial statements, the following were in issue but not yet effective:

IFRS 9 Financial Instruments;
IFRS 15 Revenue from Contracts with Customers;
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28);
IFRS 16 Leases;
Clarifications to IFRS 15 Revenue from Contracts with Customers;
Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2);
Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments to IFRS 4);
Annual Improvements to IFRSs 2014-2016 Cycle;
IFRIC 22 Foreign Currency Transactions and Advance Consideration;
Transfers of Investment Property (Amendments to IAS 40);
IFRS 17 Insurance Contracts;
IFRIC 23 Uncertainty over Income Tax Treatments;
Prepayment Features with negative compensation (Amendments to IFRS 9);
Long- term Interests in Associates and Joint Ventures (Amendments to IAS 28);
Annual Improvements to IFRSs 2015-2017 Cycle.

Where relevant, the Company is still evaluating the effect of these Standards, Amendments to published Standards and Interpretations issued but not yet effective, on the presentation of its financial statements.

The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

(b) Property and Equipment

Property and equipment are stated at historical cost less accumulated depreciation and any impairment in value. Historical cost consists of purchase cost, together with any incidental expenses of acquisition and installation.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Property and Equipment (Cont'd)

The assets' residual value and useful lives are reviewed, and adjusted if appropriate, at each reporting period.

Gains and losses on disposal of equipment are determined by comparing proceeds with carrying amount and are included in the Statement of Profit or Loss.

Assets are depreciated or amortised from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed. Depreciation is calculated on a straight line method to write off the cost of each asset evenly to its residual value over their estimated useful lives as stated below:

Buildings	4%
Office equipment	20%
Furniture and fittings	20%
Motor Vehicles	20%
Operating Equipment	20%

When the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its estimated recoverable amount.

The carrying values of equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount or amortised over a period determined by the Management.

(c) Intangible asset

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be finite and they are amortised over the period of expected future use. The intangible asset was purchased. The useful life of the software has been estimated at five years.

Components of intangible assets are derecognized when the entity recognizes the cost of a replacement for that component, regardless of whether the replaced part had been amortized separately. The carrying amount derecognized is recognized through Statement of Profit or Loss.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in Statement of Profit or Loss when the asset is derecognised.

The Company's intangible asset comprises of computer software which is being depreciated at 10% per annum

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost is based on the first-in, first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing condition and location. Net realisable value is the estimated selling price the inventory would fetch in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. In the case of stamps, inventory is carried at the cost price which includes cost of printing, transportation, delivery and related costs.

(e) Financial instruments

Financial assets are recognised when the Company becomes a party to the contractual provisions of the respective instrument. Such assets consist of cash, equity instruments, a contractual right to receive cash or another financial asset, or a contractual right to exchange financial instruments with another entity on potentially favourable terms. Financial assets are derecognised when the right to receive cash flows from the asset has expired or has been transferred and the Company has transferred substantially all risks and rewards of ownership.

Financial liabilities are recognised when there is an obligation to transfer benefits and that obligation is a contractual liability to deliver cash or another financial asset or to exchange financial instruments with another entity on potentially unfavourable terms. Financial liabilities are derecognised when they are extinguished, that is discharged, cancelled or expired.

The Company's accounting policies in respect of the main financial instruments are as listed as follow:

(i) *Trade and other receivables*

Trade receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of provision is recognized in the Statement of Profit or Loss.

The carrying amounts of trade receivables approximate their fair value.

(ii) *Cash and cash equivalents*

Cash comprises of cash in hand and at bank, deposits with one year maturity.

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value, against which bank overdrafts, if any, are deducted. The cash flow statement is prepared using the indirect method.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Financial Instruments (Cont'd)

(iii) ***Share Capital***

Ordinary shares are classified as equity.

The transaction cost of an equity instrument is accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

(vi) ***Trade and other payables***

Trade and other payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received whether billed or not billed to the Company.

The carrying amounts of trade payables approximate their amortised costs.

(f) Provisions

Provisions are recognised when the Company has a present or constructive obligation as a result of past events; it is probable that an outflow of resources that can be reliably estimated will be required to settle the obligation.

(g) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

(h) Taxation

Current tax

Taxation on the statement of profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of taxes payable in respect of the taxable profit for the year and is measured using the tax rates laid down by the Business Tax Act 2009 that have been enacted at the end of the reporting period.

Deferred tax

Deferred tax is provided in full using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred tax arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for.

Deferred tax is determined using tax rates that have been enacted by the end of the reporting period and are expected to apply in the period when the related deferred tax asset is realised or the deferred tax liability is settled.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Taxation (cont'd)

The principal temporary differences arise mainly from depreciation on property, plant and equipment, revaluation of buildings, tax losses carried forward, provision for credit impairment and retirement benefit obligations.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which deductible temporary differences can be utilised.

(i) Retirement benefit obligations

Defined benefits plan

The Company provides for a payment of compensation to permanent employees for continuous service. The amount provisioned every year is based on the number of years the employee has worked after the last payment date. This type of employee benefits has the characteristics of a defined benefit plan. The liability recognised in the statement of financial position in respect of the defined benefit plan is the present value of the defined obligation at the reporting date less fair value of plan assets together with adjustments for unrecognised actuarial gains and losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability.

The Company does not carry out any actuarial valuation since the Company Management have based themselves on the method as prescribed by the Seychelles Employment Act and they have estimated that the amount of liability provided will not be materially different had it been computed by an external Actuary.

(j) Foreign currencies

Functional and presentation currency

Items included in the financial statements are measured using Seychelles Rupee(SCR), the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements of the Company are presented in Seychelles Rupee (SCR), which is the Company's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of profit or loss. Such monetary assets and liabilities are translated into presentation currency using the exchange rates ruling at end of the reporting period.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date these assets were recognised in the Financial Statements. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date the fair value was determined.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Revenue recognition

In relation to sale of goods , revenue is recognised where the ownership has been transferred to the buyer and no significant uncertainties remain regarding the derivation of consideration, associated costs or the possible return of goods.

In relation to rendering services, revenue is recognised by reference to the state of completion of the transaction at the Statement of Financial Position date.

3. FINANCIAL RISK MANAGEMENT

(a) Market risk

The Company's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Company's businesses whilst managing its interest rate, foreign exchange, liquidity and credit risk. The Company operates within clearly defined guidelines that are approved by the Board and the Company's policy is not to engage in speculative transactions. The Company's activities expose it to a variety of financial risks including the following:

3.1 Financial Risk Factors

(i) Currency risk

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Seychelles Rupee, Great Britain Pound and South African Rand arising from expenses, foreign supplies and revenue. In order to ensure adequacy of its foreign exchange requirements, foreign currency cash flow forecasts are prepared regularly and actions taken accordingly.

If the Seychelles Rupee had weakened/strengthened against the above currencies by 10 basis points with all other variables held constant, the impact (increase/(decrease)) on the results for the year would have been as depicted in the table hereunder mainly as a result of foreign exchange gains/(losses).

December 31, 2017

	USD	GBP
	+/- SR	+/- SR
Trade and other receivables	607,121	-
Cash and cash equivalents	1,417,499	585,210
Trade and other payables	2,023,787	-

3. FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Market risk (Cont'd)

(i) Currency risk (Cont'd)

December 31, 2016

	USD	GBP
	+/- SR	+/- SR
Trade and other receivables	772,859	-
Cash and cash equivalents	1,387,344	532,658
Trade and other payables	1,473,344	-

The currency portfolio of financial assets and liabilities is summarised as follows:

	Financial assets		Financial liabilities	
	2017	2016	**2017**	2016
	SR	SR	**SR**	SR
USD	**20,246,202**	2,160,204	**20,237,867**	14,733,444
Seychelles Rupees	**4,428,733**	3,091,105	**2,972,823**	4,911,325
Pound	**5,852,097**	532,658	-	-
	30,527,032	5,783,966	**23,210,690**	19,644,769

(b) Credit risk

The Company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are estimated by the Company's management based on experience and the current economic environment.

The Company has significant concentration of credit risk, with exposure spread over a few counterparties and customers. However, the Company has policies in place to ensure that sales of services are made to customers with an appropriate credit history.

The table below shows the credit concentration of the company at the end of the reporting period.

	2017	2016
Major counterparties	**%**	%
5 Major counterparties	**56%**	51%
Others (diversified risks)	**44%**	49%
	100%	100%

Prudent liquidity risk management implies maintaining sufficient cash and availability of funding through an adequate amount of committed credit facilities. Furthermore, the Management monitors rolling forecasts of the Company's liquidity reserve on the basis of expected cash flows.

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.1 Financial Risk Factors

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and availability of funding through an adequate amount of committed credit facilities. Furthermore, the management monitors rolling forecasts of the Company's liquidity reserve on the basis of expected cash.

3.2 Fair value estimation

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

3.3 Capital risk management

The Company's objectives when managing capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Company sets the amount of capital in proportion to risk. It manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt. Adjusted capital comprises all components of equity (i.e. share capital, capital and other reserves and revenue deficit).

At December 31, 2017, the Company was debt free (2016: same)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Functional currency

The choice of the functional currency of the Company has been based on factors such as the primary economic environment in which the entity operates, the currency that mainly influences sales prices for goods and services, cost of providing goods and services and labour costs. The financial currency has been assumed by the Directors to be the Seychelles Rupee (SCR).

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Cont'd)

(b) Depreciation policies

The Directors therefore make estimates based on historical experience and use best judgment to assess the useful lives of assets and to forecast the expected residual values of the asset at the end of their expected useful lives.

(c) Impairment of assets

Equipment are considered for impairment if there is a reason to believe that impairment may be necessary. Factors taken into consideration in reaching such a decision include the economic viability of the asset itself and where it is a component of a larger economic unit, the viability of that unit itself.

Future cash flows expected to be generated by the assets or cash-generating units are projected, taking into account market conditions and the expected useful lives of the assets. The present value of these cash flows, determined using an appropriate discount rate, is compared to the current net asset value and, if lower, the assets are impaired to the present value.

(d) Asset lives and residual values

Equipment is depreciated over its useful life taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In reassessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values. Consideration is also given to the extent of current profits and losses on the disposal of similar assets.

Equipment is depreciated to their residual values over their estimated useful lives. The residual value of an asset is the estimated net amount that the Company would currently obtain from the disposal of the asset, if the asset were already of the age and in condition expected at the end of its useful life.

(e) Retirement benefit obligations

The cost of defined benefit pension plans has been determined using the method as per the Seychelles Employment Act and the Directors have estimated that the amount of liability provided will not be materially different had it been computed by an external Actuary.

(f) Limitation of sensitivity analysis

Sensitivity analysis demonstrates the effect of a change in a key assumption while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear and larger or smaller impacts should not be interpolated or extrapolated from these results.

Sensitivity analysis does not take into consideration that the Company's assets and liabilities are actively managed. Other limitations include the use of hypothetical market movements to demonstrate potential risk that only represent the Company's views of possible near-term market changes that cannot be predicted with any certainty.

5. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Office Equipment	Furniture & Fittings	Motor Vehicles	Total
	SR	SR	SR	SR	SR
(a) COST					
At January 1, 2016	11,730,000	2,225,639	819,489	1,983,566	16,758,694
Additions	-	144,397	48,070	462,000	654,467
At December 31, 2016	**11,730,000**	**2,370,036**	**867,559**	**2,445,566**	**17,413,161**
Additions	**-**	**396,094**	**53,985**	**420,437**	**870,516**
Disposals	**-**	**-**	**-**	**(65,000)**	**(65,000)**
At DECEMBER 31, 2017	**11,730,000**	**2,766,130**	**921,544**	**2,801,003**	**18,218,677**
DEPRECIATION					
At January 1, 2016	2,144,800	1,556,992	395,433	1,524,453	5,621,678
Charge for the year	469,200	394,756	155,301	195,613	1,214,870
Adjustment	-	-	-	(64,999)	(64,999)
At DECEMBER 31, 2016	**2,614,000**	**1,951,748**	**550,734**	**1,655,067**	**6,771,549**
Charge for the year	**469,200**	**251,873**	**138,296**	**268,171**	**1,127,540**
Disposal adjustment	**-**	**-**	**-**	**(65,000)**	**(65,000)**
At DECEMBER 31, 2017	**3,083,200**	**2,203,621**	**689,030**	**1,858,238**	**7,834,089**
NET BOOK VALUES					
At DECEMBER 31, 2017	**8,646,800**	**562,509**	**232,514**	**942,765**	**10,384,588**
At December 31, 2016	9,116,000	418,288	316,825	790,499	10,641,612

6. INTANGIBLE ASSET

Computer Software	2017
	SR
COST	
Addition and at **31 December 2017**	**68,532**
ARMOTISATION	
Amortistaion charge and at **31 December 2017**	**6,853**
NET BOOK VALUE	**61,679**

7. DEFERRED TAX ASSET

(a) There is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets and liabilities when the deferred tax rates relate to the same fiscal authority on the same entity. Defered tax asset relates to Retirement Benefit Obligation.

	2017	2016
	SR	SR
At January 1,	**233,679**	112,698
Credit for the year	**23,841**	120,981
At December 31,	**257,520**	233,679

8. INVENTORIES

	2017	2016
	SR	SR
Stamps	**7,021,382**	7,242,076
Other	**1,317,937**	1,111,480
	8,339,319	8,353,556
Provision for obsolete stock	**(2,047,269)**	(2,047,269)
	6,292,050	6,306,287

(a) Cost of inventories recognised as expense and included in cost of sales amounted to **SR 5,037,571** (2016: SR 4,540,684) (note 16).

9. TRADE AND OTHER RECEIVABLES

	2017	2016
	SR	SR
Trade receivable:		
- Foreign debtors	**6,071,209**	7,728,597
- Local debtors	**536,568**	357,809
	6,607,777	8,086,406
Staff loans	**160,422**	147,226
Refundable deposits	**72,000**	72,000
Total financial assets	**6,840,199**	8,305,632
Other receivables-prepayments	**826,005**	909,667
	7,666,204	9,215,299

(a) As at December 31, 2017, trade receivables of SR **5,241,911** were past due but not impaired (2016: SR 3,773,942). These relate to a number of independent customers for whom there is no recent history of default. The aged analysis of these trade receivables is as follows:

	2017	2016
	SR	SR
Up to 90 days	**1,365,866**	4,312,464
Above 90 days	**5,241,911**	3,773,942
	6,607,777	8,086,406

(b) The other classes within trade and other receivables do not contain any impaired assets. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above.

(c) The currency and credit risks are detailed under note 3.1a(i) and 3.1b(ii) respectively.

10. CASH AND CASH EQUIVALENTS

	2017	2016
	SR	SR
Cash at bank	**22,970,120**	21,239,925
Cash in hand	**716,714**	474,165
	23,686,834	21,714,090

Cash and cash equivalence includes **SR 14,174,993** held on behalf of Postal Logistical Partners (PLP) to meet their expenses. (2016: SR 13,873,444) (Refer to note 14)

11. SHARE CAPITAL

	2017 & 2016
	SR
(a) **Authorised,issued and fully paid share capital:**	
1,000 share of SR1 each	**100,000**

11. SHARE CAPITAL (CONT'D)

(b) Ownership

	Ratio	No. of shares
Government of Seychelles	**99.99%**	**999**
Societe Seychelloise d'investissement	**0.01%**	**1**

12. CAPITAL AND OTHER RESERVES

The Company was incorporated on June 1, 2011 when it took over the assets and liabilities of an an independent postal services entity which was under the Ministry of Finance, Trade and Economic Planning. The net amount taken over by the Company has been recognised as Capital Reserve.

13. RETIREMENT BENEFIT OBLIGATIONS

	2017	2016
	SR	SR
At January 1,	**834,569**	402,492
Charge for the year (note 17)	**827,708**	846,991
Paid during the year	**(803,878)**	(414,914)
Provision for staff terminal benefits	**858,399**	834,569

14. TRADE AND OTHER PAYABLES

	2017	2016
	SR	SR
Trade payables	**869,596**	860,000
Postal Logistics Partners		
- Advances (note 14(b))	**14,174,993**	13,873,444
- Provision for PLP expenses (note 14(b) and 18)	**7,789,842**	-
Other payables	**2,972,873**	4,911,325
	25,807,304	19,644,769

(a) The carrying amounts of 'trade and other payables' approximate their amortised costs.

(b) Seychelles Postal Services entered into a contract with Postal Logistics Partners to resell International Mail Products in Asia from 1 November 2016 to 31 October 2017. An initial deposit of USD 100,000 was made into a separate account whereby all expenses to be incurred by the Seychelles Postal Service (SPS) on behalf of Postal Logistical Partners were recharged.

At year end, advances refer to the deposit made by Postal Logistical Partners (PLP) of **SR 14.2m** (2016: SR 13.9m) and which is being kept in a separate bank account.

(c) At year end, following an increase of volume of activities of PLP, the Company made an assessment based on actual rates and noted that the deposit of SR 14.2m was inadequate and requested a further deposit to meet PLP's expenses. This was however disputed and disagreed by PLP. SPS has initiated a court case to recover this SR 10.4m but in the meantime, the Directors have decided for prudence sake to provide for three-quarters of the above amount in the current year's Statements of Profit or Loss.

15. REVENUE

	2017	2016
	SR	SR
Postal services	22,138,885	24,177,040
Philatelic shop	1,821,364	1,589,237
Commission receivable	780,952	650,390
Universal postal contribution (Seychelles Government)	3,500,000	1,087,000
	28,241,201	27,503,667

16. DIRECT OPERATION EXPENSES

	2017	2016
	SR	SR
Cost of goods sold (note 8)	5,037,571	4,540,684
Mail conveyance charges	1,062,058	2,177,690
	6,099,629	6,718,374

17. EMPLOYEE EXPENSES

	2017	2016
	SR	SR
Salaries and wages	13,566,118	12,938,568
Directors fees (note 22)	119,680	119,740
Retirement benefits (note 13)	827,708	846,991
Contribution to pension fund	239,009	239,231
Staff welfare	169,663	115,917
	14,922,177	14,260,447

18. GENERAL AND ADMINISTRATIVE EXPENSES

	2017	2016
	SR	SR
Audit fees	50,000	50,000
Electricity and water charges	518,771	508,440
Bank charges	19,592	40,871
Professional charges	231,178	232,887
Repairs and maintenance	349,424	646,545
Office expenses	1,413,543	1,124,937
Transportation costs	486,261	567,658
Workshop and seminar expenses	38,749	167,504
Commission expenses	93,745	180,160
Rent	794,220	454,620
License and insurance charges	232,052	151,525
Communication charges	422,266	345,057
Corporate social responsibility tax	121,401	120,578
Bad debts written off	19,266	-
Postal Logistical Partners expenses (note 14)	7,789,842	-
	12,580,310	4,590,782

19. OTHER INCOME

	2017	2016
	SR	SR
Interest income	11,186	35,695
Gain on disposal	30,000	60,099
	41,186	95,794

20. RELATED PARTY TRANSACTIONS

(a) Transactions with Directors

(i) Directors

	2017	2016
	SR	SR
Salary - Mr. Erol Dias	578,474	578,474
Directors fees (note 22(ii))	119,680	119,740
	698,154	698,214

(ii) **Directors fees**

	2017	2016
	SR	SR
Ms. Rudy Rose	3,612	-
Ms. Astride Tamatave	21,742	21,772
Ms. Melanie Stravens	5,426	-
Mr. Alex Etienne	3,612	-
Mr. Ayub S Adam	21,756	21,771
Ms. Marie Doreen Bradburn	27,200	32,655
Mr. Jeffrey Dogley	18,166	21,771
Mr. Brijesh Jivan	18,166	21,771
	119,680	119,740

(b) There has been no guarantees provided or received from any related parties. For the year ended 2017, there was no receivables from related parties (2016: Nil)

(c) Key management personnel compensation

	2017	2016
	SR	SR
Salaries and other benefits	1,121,036	1,070,409
Pension costs	23,500	33,094
	1,144,536	1,103,503

21. CONTINGENT LIABILITIES

	2017	2016
	SR'000	SR'000
Contingent liability on PLP expenses provision (notes 14)	**2,597**	-

22. COMMITMENTS

There were no capital commitments as at December 31, 2017 (2016: Nil).

23. FIVE YEAR FINANCIAL SUMMARY

	2017	2016	2015	2014	2013
	SR'000	SR'000	SR'000	SR'000	SR'000
Loss/Profit for the year	**(5,948)**	171	(4,589)	1,358	997
(Revenue deficit)/Retained earnings - brought forward	**(1,067)**	(1,238)	3,351	1,994	997
(Revenue Deficit)/Retained earnings - carried forward	**(7,015)**	(1,067)	(1,238)	3,352	1,994

	2017	2016	2015	2014	2013
	SR'000	**SR'000**	SR'000	SR'000	SR'000
EQUITY					
Share capital	**100**	100	100	100	100
Capital reserves	**28,599**	28,599	28,599	28,599	28,599
(Revenue deficit)/Retained earnings	**(7,015)**	(1,067)	(1,238)	3,352	1,994
	21,684	27,632	27,461	32,051	30,693