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SEYCHELLES POSTAL SERVICES LTD

Liberty House, Victoria, Seychelles

DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

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CORPORATE INFORMATION

DIRECTORS	:	Ms. Melanie Stravens (Chairperson) Mr. Errol Dias Ms. Astride Tamatave Mr. Ayub S Adam Ms. Rudy Rose Ms. Dothy Valmont Raforme (Appointed effective August 1, 2019)
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	:	The Mauritius Commercial Bank (Seychelles) Limited Seychelles International Mercantile Banking Corporation Limited (Nouvobanq) Crown Agents (UK) ABSA Bank (Seychelles) Limited

The Directors have pleasure in submitting their report together with the audited financial statements of the Company for the year ended December 31, 2019.

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	(2,226,138)
Revenue deficit brought forward	(9,451,177)
Revenue deficit carried forward	**(11,677,315)**

DIVIDENDS

The Directors did not propose any dividend for the financial year under review (2018: Nil).

PROPERTY AND EQUIPMENT

Additions to fixed assets of **SR 1.2m** during the year comprised motor vehicle, office equipment and furniture and fittings (2018: SR 464k). There were no disposals during the year under review (2018: Nil).

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

EVENT AFTER REPORTING DATE

The outbreak of COVID-19 in early 2020 has brought considerable uncertainty and economic disruptions around the globe. The adverse consequences for Seychelles are significant with extensive impact on all industries in general. This pandemic is affecting the Company's business and therefore the Directors, together with the Management, have assessed the Company's ability to continue as a going concern and acknowledged the risk of lower revenue and higher cost in the short to medium term.

Based on the capital and liquidity position of the Company as well as all the ongoing measures being put in place at all levels by the Government, the Directors are of the opinion that the going concern basis of preparation of these financial statements remain appropriate. Refer to note 22 for more details.

DIRECTORS AND DIRECTORS' INTERESTS

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

Ms. Melanie Stravens (Chairperson)
Mr. Errol Dias
Ms. Astride Tamatave
Mr. Ayub S Adam
Ms. Rudy Rose
Ms. Dothy Valmont Raforme (Appointed effective August 1, 2019)

DIRECTORS AND DIRECTORS' INTERESTS (CONT'D)

None of the Directors had any interest in the shares of the Company during the year under review (2018: Nil).

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 and Public Enterprise Monitoring Commission Act, 2013. 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 Norman Weber Director and Chairperson	**Mr. Errol Dias** Director	**Ms. Astride Tamatave** Director
Mr. Ayub S Adam Director	**Ms. Rudy Rose** Director	**Ms. Dothy Valmont Raforme** Director

Dated: 11 JAN 2021
Liberty House, Victoria

BDO

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The Créole Spirit
Quincy Street
Victoria, Mahe
Seychelles
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SEYCHELLES POSTAL SERVICES LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS

Report on the audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of **SEYCHELLES POSTAL SERVICES LIMITED** set out on pages **5 to 32** which comprise the Statement of Financial Position as at December 31, 2019, 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, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the financial statements on pages **5 to 32** give a true and fair view of the financial position of the Company as at December 31, 2019 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 Qualified Opinion

(i) **Terminal and parcel dues from international partners**

The Company did not have adequate internal controls for the recording and reconciliation of terminal and parcel dues from international partners. Revenue and receivables from international dues in the ledger which amount to SR 4.5m and SR 6.7m respectively are based on estimates and assumptions and have not been reconciled with actual figures for the financial year 2019. Last estimates were done up to September 2019 and no further provision were made in the last quarter. SPS Management is working on reconciling information but was not able to complete it by the close of the 2019 audit. It was therefore not possible to confirm completeness of revenue and valuation of receivable as at December 31, 2019 and nor were there any supporting documentation to allow us to perform alternative procedures.

(ii) **Implementation of IFRS 9**

The Company has not implemented part of the requirements of IFRS 9 - Financial Instruments which was effective January 2018. IFRS 9 mandates the Company to compute expected credit loss (ECL) on trade and other receivable which are measured at amortised cost. Due to lack of adequate information as noted under point (i) above the Company was unable to compute ECL as at December 31, 2019. Therefore we could not satisfy ourselves with regards to valuation of trade and other receivables through alternative means.

(iii) **Inadequate controls over inventories**

We were unable to obtain sufficient appropriate audit evidence for inventories disclosed in *note 9* due to lack of adequate internal controls. No adequate internal controls procedures are in place for recording and reconciliation of inventory transactions to the Financial Statements. Physical inventory count listings provided have material differences with the ledger. The inventory valuation report generated from the system showed negative quantities in respect of some line items. We could not confirm inventory completeness or valuation by alternative means and consequently we were unable to determine whether any adjustments would have been necessary to inventories.

BDO Associates, a partnership registered in Seychelles, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

BDO is the brand name for the BDO network and for each of the BDO Member Firms.

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.

Emphasis of matter

Going concern

At December 31, 2019, the Company had revenue deficit of **SR 11.3m** (2018: SR 9.5m). This indicate the existence of a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern.

We also draw attention to note 22 of the financial statements which describes another material uncertainty following the Coronavirus pandemic which is affecting severely the World in general as well as Seychelles. Actions adopted by countries such as closing borders, grounding flights and discouraging people from travelling abroad are impacting heavily on all industries including the Postal Services sector thereby raising a significant uncertainty on the going concern of the Company.

The Directors of the Company together with Management are confident that they will continue to have the financial and otherwise support of the Government of Seychelles, the main Shareholders and are therefore of the opinion that the going concern basis of preparation of these financial statements remains appropriate in the foreseeable future.

Our opinion is not qualified in respect of the above points.

Key audit matter

During our audit we assessed all the areas of material risks for the Company and we highlight below where we believe that significant judgements were made in arriving at the figures disclosed in these financial statements and comprised compliance with the requirements of IFRS 16.

Adoption of IFRS 16 - leases

√	The Company adopted IFRS 16 Leases effective January 1, 2019 which modifies the classification and measurement of leases, with the recognition on the Statement of Financial Position of a right-of-use asset and a lease liability. The right-of-use asset and liability are unwound over the term of the lease, giving rise to an amortisation charge and interest expense
√	The adoption of IFRS 16 transition is reliant upon a number of key estimates and judgements, primarily determining the appropriate discount rates (incremental borrowing rates) and the lease period for each lease.
√	We considered the IFRS 16 recognition, presentation and disclosure requirements to be a matter of most significance to the audit due to estimation and judgement applied in the transition, i.e., the high volume of leases and the risk of the lease data used in the transition calculation which maybe incomplete or inaccurate.

BDO

Key audit matter (Cont'd)

Adoption of IFRS 16 - leases

Audit response

√	We assessed the discount rates used to calculate the lease obligation with support from our valuation experts. This included independently sourcing base rates for each currency and lease origination date, usually linked to inter-bank or sovereign bond rates, and adding a historically adjusted credit spread specific to the Company. Additional adjustments were made to cater for lease term, as well as the requirement for a collateralised incremental borrowing rate per IFRS 16.
√	We verified the accuracy of the underlying lease data by agreeing a representative sample of leases to the original contract or other supporting information, and checked the integrity and statistical mechanical accuracy of the IFRS 16 calculations for each lease sampled through recalculation of the expected IFRS 16 adjustment.
√	We tested the completeness of the lease data by reconciling a sample of the Company's existing lease commitments to the lease data underpinning the IFRS 16 model.
√	We evaluated the lease terms, including the renewal periods, where appropriate, by inspecting the underlying contracts and assessing Management's judgements for the lease periods applied in the lease calculation, to ensure they are accurate and complete.
√	The key estimates and judgements underpinning the Company's IFRS 16 impact assessment were found to be appropriate.
√	We are satisfied that the accounting disclosure of IFRS 16 Lease as stated in the accounting policy and the related disclosures which are per notes 2(f) and 7 of the financial statements.

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.

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 judgement 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.
- 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 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS (CONT'D)

Report on Other Regulatory Requirements (Cont'd)

Companies Act, 1972 (Cont'd)

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.

Public Enterprise Monitoring Commission Act, 2013

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

We have obtained all the information necessary for the purpose of our audit and are satisfied with the information received.

Other matter

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 auditor's 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.

BDO Associates

BDO ASSOCIATES
Chartered Accountants

Dated: 11 JAN 2021
Victoria, Seychelles

STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2019

	Notes	2019	2018
		SR	SR
ASSETS			
Non-current assets			
Property and equipment	5	**9,239,844**	9,617,147
Intangible asset	6	**47,973**	54,826
Right of use assets	7	**569,426**	-
Deferred tax asset	8	**444,631**	107,994
		10,301,874	9,779,967
Current assets			
Inventories	9	**5,670,988**	6,107,574
Trade and other receivables	10	**8,978,189**	9,634,355
Cash and cash equivalents	11	**3,476,667**	6,607,493
		18,125,844	22,349,422
Total assets		**28,427,718**	32,129,389
EQUITY AND LIABILITIES			
Equity			
Share capital	12	**100,000**	100,000
Capital and other reserves	13	**28,598,705**	28,598,705
Revenue deficit		**(11,677,315)**	(9,451,177)
		17,021,390	19,247,528
Liabilities			
Non-current liability			
Lease liabilities	8(d)	**343,346**	-
Retirement benefit obligation	14	**1,039,343**	359,979
		1,382,689	359,979
Current liability			
Lease liabilities	8(d)	**225,228**	-
Trade payables and other payables	15	**9,798,411**	12,521,882
		10,023,639	12,521,882
Total equity and liabilities		**28,427,718**	32,129,389

These financial statements were approved for issue by the Board of Directors on: 11 JAN 2021

Mr Norman Weber
Director and Chairperson

Mr. Errol Dias
Director

Ms. Astride Tamatave
Director

Mr. Ayub S Adam
Director

Ms. Rudy Rose
Director

Ms. Dothy Valmont Raforme
Director

The notes on pages 9 to 32 form an integral part of these financial statements.
Auditor's Report on pages 4 to 4(d).

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME - YEAR ENDED DECEMBER 31, 2019

	Notes	2019	2018
		SR	SR
Revenue	2(r)/16	**27,799,193**	28,762,562
Direct operating expenses	17	**(5,440,980)**	(6,247,873)
Gross profit		**22,358,213**	22,514,689
Employee expenses	18	**(18,733,130)**	(15,613,923)
General and administrative expenses	19	**(4,156,008)**	(7,995,206)
Depreciation of property and equipment	5	**(1,599,836)**	(1,231,147)
Amortisation of intangible asset	6	**(6,853)**	(6,853)
Depreciation of right of use asset	7(b)	**(370,166)**	-
Exchange (loss)/gain		**(16,694)**	28,280
Finance income	20	**13,327**	18,042
Finance costs	7(c)	**(51,628)**	-
Loss before taxation		**(2,562,775)**	(2,286,118)
Taxation credit/(charge)	8	**336,637**	(149,526)
Loss and other comprehensive expense for the year		**(2,226,138)**	(2,435,644)

The notes on pages 9 to 32 form an integral part of these financial statements.
Auditor's Report on pages 4 to 4(d).

STATEMENT OF CHANGES IN EQUITY - YEAR ENDED DECEMBER 31, 2019

	Share capital	Capital reserve	Revenue deficit	Total
	SCR	SCR	SCR	SCR
Balance at January 1, 2019	**100,000**	**28,598,705**	**(9,451,177)**	**19,247,528**
Total comprehensive expense for the year	**-**	**-**	**(2,226,138)**	**(2,226,138)**
Balance at December 31, 2019	**100,000**	**28,598,705**	**(11,677,315)**	**17,021,390**
Balance at January 1, 2018	100,000	28,598,705	(7,015,533)	21,683,172
Total comprehensive expense for the year	-	-	(2,435,644)	(2,435,644)
Balance at December 31, 2018	100,000	28,598,705	(9,451,177)	19,247,528

The notes on pages 9 to 32 form an integral part of these financial statements.
Auditor's Report on pages 4 to 4(d).

STATEMENTS OF CASH FLOWS - YEAR ENDED DECEMBER 31, 2019

	Notes	2019	2018
		SR	SR
CASH FLOW FROM OPERATING ACTIVITIES			
Loss for the year		**(2,562,775)**	(2,286,118)
Adjustments for:			
Depreciation charge	5	**1,599,836**	1,231,147
Amortisation charge of intangible asset	6	**6,853**	6,853
Amortisation of right of use assets	7(b)	**370,166**	-
Retirement benefit obligation charge	14	**1,201,606**	1,128,086
Foreign exchange movement		**16,694**	(28,280)
		632,380	51,688
Changes in working capital:-			
- Decrease in inventories		**436,586**	184,476
- Decrease/(Increase) in trade and other receivables		**656,166**	(1,968,151)
- Decrease in trade and other payables		**(2,723,471)**	(13,285,422)
Net cash absorbed by operations		**(998,339)**	(15,017,409)
Retirement benefit obligations paid	14	**(522,242)**	(1,626,506)
Net cash outflow from operating activities		**(1,520,581)**	(16,643,915)
CASH FLOW FROM INVESTING ACTIVITY			
Purchase of property and equipment and **Net cash outflow from investing activity**	5	**(1,222,533)**	(463,706)
FINANCING ACTIVITY			
Repayment of lease liabilities and **net cash outflow from financing activity**	7(c)	**(371,018)**	-
Net decrease in cash and cash equivalents		**(3,114,132)**	(17,107,621)
Movement in cash and cash equivalents			
At January 1,		**6,607,493**	23,686,834
Decrease		**(3,114,132)**	(17,107,621)
Foreign exchange movement		**(16,694)**	28,280
At December 31,	11	**3,476,667**	6,607,493

The notes on pages 9 to 32 form an integral part of these financial statements.
Auditor's Report on pages 4 to 4(d).

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 2.

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

2. SIGNIFICANT 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. These financial statements have been prepared under the historical cost convention as modified by the application of fair value measurements required or allowed by relevant accounting standards.

(b) New and amended standards and interpretations

(i) *IFRS 16 Leases*

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the Statement of Financial Position.

The Company adopted IFRS 16 using the modified retrospective approach, with recognition of transitional adjustments on the date of initial application (January 1, 2019), without restatement of comparative figures. The Company elected to use the transition practical expedient to not reassess whether a contract is or contains a lease at January 1, 2019. Instead, the Company applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) New and amended standards and interpretations (Cont'd)

(i) IFRS 16 Leases (Cont'd)

The Company recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets.

Right-of-use assets were measured upon transition as if the new requirements of the standard had always been applied, i.e., discounting using incremental borrowing rates as of January 1, 2019 and depreciation provided from inception date of the lease up to transition date. Upon adoption of IFRS 16, the Company also recognised lease liabilities in relation to leases which had previously been classified as operating leases under the principles of IAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate as of January 1, 2019 which was 11.5% per annum.

The Company also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Relied on its assessment of whether leases are onerous immediately before the date of initial application;
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application; and

Based on the above, as at January 1, 2019:

- Right-of-use assets of **SR 940k** were recognised and presented in the Statement of Financial Position within "right-of-use assets" *(note 7(b))*.
- Lease liabilities amounting to **SR 940k** were also recognised in the Statement of Financial Position *(note 7(c))*.
- The lease liabilities as at January 1, 2019 can be reconciled to the operating lease commitments as of December 31, 2018, as follows:

	SR
Operating lease commitments disclosed as at December 31, 2018	**1,556,270**
Discounted using the lessee's incremental borrowing rate at the date of initial application	**(220,678)**
Less: short-term leases not recognised as a liability (note 24)	**(396,000)**
Lease liability recognised as at January 1, 2019 (note 7(c)))	**939,592**

(ii) IFRIC 23 Uncertainty over Income Tax Treatments

The standard explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. There are no new disclosure requirements except to provide information about judgements and estimates made in preparing the financial statements. *The interpretation has no impact on the Company's financial statements.*

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

b) New and amended standards and interpretations (Cont'd)

(iii) Prepayment features with negative compensation (Amendment to IFRS 9)

This enables entities to measure certain prepayable financial assets with negative compensation at amortised cost. These assets, which include some loan and debt securities, would otherwise have to be measured at fair value through profit or loss. To qualify for amortised cost measurement, the negative compensation must be 'reasonable compensation for early termination of the contract' and the asset must be held within a 'held to collect' business model. *The amendment have no impact on the Company's financial statements.*

(iv) Annual Improvements to IFRSs 2015 - 2017 Cycle

IFRS 3 - clarified that obtaining control of a business that is a joint operation is a business combination achieved in stages;

IFRS 11 - clarified that party obtaining joint control of a business that is a joint operation should not remeasure its previously held interest in the joint operation;

IAS 12 - clarified that income tax consequences of dividends on financial instruments classified as equity should be recognised according to where the past transactions or events that generated distributable profits were recognised; and

IAS 23 - clarified that, if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings.

The amendments have no impact on the Company's financial statements.

(v) *Long- term interests in Associates and Joint Ventures (Amendment to IAS 28)*

The amendment clarify the accounting for long-term interests in an associate or joint venture, which in substance form part of the net investment in the associate or joint venture, but to which equity accounting is not applied. Entities must account for such interests under IFRS 9 before applying the loss allocation and impairment requirements in IAS 28. *The amendment have no impact on the Company's financial statements.*

(vi) *Plan Amendment, Curtailment or Settlement (Amendment to IAS 19)*

The amendment clarify that entities must calculate the current service cost and net interest for the remainder of the reporting period after a plan amendment, curtailment or settlement by using the updated assumptions from the date of the change;

Recognise any reduction in a surplus immediately in Statement of Profit or Loss, either as part of past service cost or as a gain or loss on settlement. In other words, a reduction in a surplus must be recognised in Statement of Profit or Loss even if that surplus was not previously recognised because of the impact of the asset ceiling; and

Separately recognise any changes in the asset ceiling through Statement of Other Comprehensive Income.

The amendment have no impact on the Company's financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Standards, Amendments to published Standards and Interpretation 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, 2020 or later periods, but which the Company has not early adopted.

At the reporting date the following amendments were in issue but not yet effective:

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28);
IFRS 17 Insurance Contracts;
Definition of a Business (Amendments to IFRS 3);
Definition of Material (Amendments to IAS 1 and IAS 8); and
Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7).

Certain new Standards, revised IFRSs and interpretations that are not mandatorily effective for the year ended December 31, 2019 are not likely to have an impact on the Company's financial statements. The Company will adopt the other standards on their effective dates.

(d) Use of estimates and judgements

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*.

(e) 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 recognised 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.

Assets are depreciated 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:

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Property and Equipment (Cont'd)

Buildings	4%
Office equipment	20%
Furniture and fittings	20%
Motor vehicles	20%
Operating equipment	20%

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

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 property and 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.

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

(f) Leases

(i) Leases (Policy applicable prior January 1, 2019)

The determination of whether an arrangement is a lease, or contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or whether the arrangement conveys a right to use the asset.

Leases that do not transfer to the Company substantially all of the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognised as an expense in the Statement of Profit or Loss on a straight-line basis over the lease term. Contingent rental payable is recognised as an expense in the period in which it is incurred.

(ii) Leases (Policy applicable effective January 1, 2019)

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Leases (Cont'd)

(ii) Leases (Policy applicable as of January 1, 2019) (Cont'd)

Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term.

The right of use assets are subject to impairment in line with the Company's policy as described in *note 2(h)* impairment of non-financial assets.

Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (less any lease incentives receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

(g) 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 Company's intangible asset comprises of purchased computer software which is being depreciated at 10% per annum.

The useful lives of intangible assets are assessed to be finite and they are amortised over the period of expected future use.

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.

(h) Impairment of non-financial assets

The Company assesses, at each reporting date, whether there is an indication that property and equipment, right of use asset, intangible assets and other non-financial assets may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the assets recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's (CGU) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

Provision for credit impairment, if any, is recognised in the Statement of Profit or Loss under Other operating expenses (*note 19*).

(i) 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.

(j) Financial assets

(i) Initial recognition

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets are recognised when the Company becomes a party to the contractual provisions of the respective instrument.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Financial assets (Cont'd)

(ii) Classification and Measurement

With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price.

The classification of financial assets depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in Statement of Profit or Loss when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost includes trade and other receivables and cash and bank balances.

(iii) *Impairment of financial assets*

The Company assesses, on a forward looking basis, the expected credit losses ("ECL") associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Company applied the simplified approach to IFRS 9 to measure the loss allowance which uses lifetime expected losses. The Company determines the expected credit losses by using a provision matrix, estimated on historical credit loss experience and based on past due dates of the receivables adjusted appropriate to reflect current conditions and estimates of future economic conditions.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Financial assets (Cont'd)

(iii) *Impairment of financial assets (Cont'd)*

Management could not compute expected credit loss for the period due to lack of supporting evidence on terminal and parcel dues from international partners.

(iv) Derecognition

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.

(k) *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 Statement of Cash Flows is prepared using the indirect method.

(l) *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.

(m) *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.

(n) 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.

(o) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) Taxation (Cont'd)

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.

The principal temporary differences arise mainly from retirement benefit obligations, lease liabilities, right of use assets and leave provision.

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.

(p) Employee benefit obligations

Defined contribution schemes

A defined contribution plan is a post employment benefit plan under which an entity pays fixed contributions into a separate entity and the Company have no legal or constructive obligation to pay further amounts. Contributions to defined contribution pension schemes are charged to the Statement of Profit or Loss in the year to which they relate.

Defined benefit schemes

A defined benefit plan is a post employment benefit other than a defined contribution plan. The Company currently operates an unfunded scheme for employees' end of service benefits that follows relevant local regulations and is based on periods of cumulative service and levels of employees' final basic salaries. The liability for staff terminal benefits is determined as the liability that would arise if employment of all staff was to be terminated at reporting date.

(q) Foreign currencies

Functional and presentation currency

Items included in the financial statements are measured using Seychelles Rupee (SR), 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 (SR), which is the Company's functional and presentation currency.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(q) Foreign currencies (Cont'd)

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 or 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.

(r) 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.

Revenue earned from the provision of services over a fixed period, such as post box rental is recognised on a straight line basis over the period of the service. It can be deferred based on the term of the rental agreement with customers.

3. FINANCIAL RISK MANAGEMENT

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) <u>Currency risk</u>

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.

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.1 Financial Risk Factors (Cont'd)

(i) Currency risk (Cont'd)

If at year end the Seychelles Rupee had weakened/strengthened against the above currencies by 10% 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, 2019

	USD	GBP
	+/- SR	+/- SR
Trade and other receivables	**674,158**	-
Cash and cash equivalents	**9,705**	178,987
Trade and other payables	**492,990**	-

December 31, 2018

	USD	GBP
	+/- SR	+/- SR
Trade and other receivables	688,793	-
Cash and cash equivalents	11,656	390,307
Trade and other payables	954,142	-

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

	Financial assets		Financial liabilities	
	2019	2018	**2019**	2018
	SR	SR	**SR**	SR
USD	**6,838,623**	7,004,489	**4,929,905**	9,541,415
Seychelles Rupees	**3,402,728**	4,257,032	**4,713,320**	2,203,592
Pound	**1,789,873**	3,903,071	-	-
	12,031,224	15,164,592	**9,643,225**	11,745,007

- Financial assets exclude prepayments amounting to **SR 467k** (2018: SR 1.08m).
- Financial liabilities exclude provision amounting to **SR 724k** (2018: SR 776K).

(ii) Credit risk

The Company's credit risk is primarily attributable to its trade receivables. The amounts presented in the Statement of Financial Position are estimated by the Company's Management based on experience and the current economic environment.

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.1 Financial Risk Factors (Cont'd)

(ii) Credit risk (Cont'd)

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.

	2019	2018
Major counterparties		
5 Major counterparties	**52%**	12%
Others (diversified risks)	**48%**	88%
	100%	100%

(iii) 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. Maturity of lease liabilities are shown on *note 7(d)*.

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).

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.3 Capital risk management (Cont'd)

At December 31, 2019, the Company was debt free (2018: 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 (SR).

(b) Depreciation policies

The Directors therefore make estimates based on historical experience and use best judgement 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 non financial assets

Non financial assets 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.

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

(d) Asset lives and residual values (Cont'd)

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 AND EQUIPMENT

	Buildings	Operating and office equipment	Furniture & fittings	Motor vehicles	Total
	SR	SR	SR	SR	SR
COST					
At January 1, 2018	11,730,000	2,766,130	921,544	2,801,003	18,218,677
Additions	-	119,836	55,924	287,946	463,706
At December 31, 2018	**11,730,000**	**2,885,966**	**977,468**	**3,088,949**	**18,682,383**
Additions	**-**	**395,315**	**149,540**	**677,678**	**1,222,533**
At December 31, 2019	**11,730,000**	**3,281,281**	**1,127,008**	**3,766,627**	**19,904,916**
DEPRECIATION					
At January 1, 2018	3,083,200	2,203,621	689,030	1,858,238	7,834,089
Charge for the year	469,200	285,603	165,093	311,251	1,231,147
At December 31, 2018	**3,552,400**	**2,489,224**	**854,123**	**2,169,489**	**9,065,236**
Charge for the year	**469,200**	**439,504**	**258,658**	**432,474**	**1,599,836**
At December 31, 2019	**4,021,600**	**2,928,728**	**1,112,781**	**2,601,963**	**10,665,072**
NET BOOK VALUES					
At December 31, 2019	**7,708,400**	**352,553**	**14,227**	**1,164,664**	**9,239,844**
At December 31, 2018	8,177,600	396,742	123,345	919,460	9,617,147

6. INTANGIBLE ASSET

Computer Software	2019	2018
	SR	SR
COST		
At January 1 and **December 31, 2019**	**68,532**	68,532
AMORTISATION		
At January 1,	**13,706**	6,853
Charge for the year	**6,853**	6,853
At December 31,	**20,559**	13,706
NET BOOK VALUE	**47,973**	54,826

7. LEASES

(a) Lease contracts

The Company leases three office buildings and the lease terms vary between 2 to 3 years. Generally, the Company is restricted from assigning and subleasing the leased assets. There are no lease contracts that include extension and termination options and variable lease payments.

(b) Right-of-use assets

Set out below are the carrying amounts of right-of-use assets recognised and the movements noted during the period under review.

	Total
	SR
As at January 1 - effect of adoption of IFRS 16	**939,592**
Depreciation charge for the year	**(370,166)**
As at December 31, 2019	**569,426**

(c) Lease liabilities

The carrying amounts of lease liabilities and the movements noted during the period were as follows:

	2019
	SR
As at January 1 - effect of adoption of IFRS 16 (note 2(b)(i))	**939,592**
Finance cost (notes 7(e) and page 6)	**51,628**
Lease payments	**(422,646)**
As at December 31, 2019	**568,574**

7. LEASES (CONT'D)

The Company had total cash outflows for leases of **SR 423k**. The initial application of IFRS 16 resulted in non-cash additions to right-of-use assets and lease liabilities of **SR 185k** at January 1, 2019.

(d) The maturity analysis of lease liabilities is as shown below:

	Up to 3 Months	Between 3 and 12 Months	Between 1 and 2 years	Total
	SR	SR	SR	SR
At December 31, 2019				
Lease liabilities	**53,914**	**171,314**	**343,346**	**568,574**

(e) The following are the amounts recognised in Statement of Profit or Loss:

	2019
	SR
Depreciation expense of right-of-use assets (note 14b))	370,166
Interest expense on lease liabilities (note 7(c))	51,628
Expense relating to short-term leases (note 19)	358,499
Total amount recognised in the Statement of Profit or Loss	**780,293**

8. TAXATION

Taxation represents deferred tax asset only since the Company has no current tax liability and has carried forward taxes amounting to **SR 15.1m** (2018: SR 9.3m)

(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. Deferred tax asset relates to Retirement Benefit Obligation, lease liabilities, right of use assets and leave provision.

	2019	2018
	SR	SR
At January 1,	**107,994**	257,520
Credit/(Charge) for the year	**336,637**	(149,526)
At December 31,	**444,631**	107,994

9. INVENTORIES

	2019	2018
	SR	SR
Stamps	**4,501,740**	4,720,492
Other	**1,169,248**	1,387,082
	5,670,988	6,107,574

9. INVENTORIES (CONT'D)

(a) Cost of inventories recognised as expense and included in cost of sales amounted to **SR 4,640,993** (2018: SR 4,809,115) (*note 17*).

10. TRADE AND OTHER RECEIVABLES

	2019	2018
	SR	SR
Trade receivable:		
- Foreign debtors	**6,741,578**	6,887,929
- Local debtors	**1,530,024**	1,464,582
	8,271,602	8,352,511
Staff loans (note 10(d))	**210,955**	132,588
Refundable deposits	**72,000**	72,000
Total financial assets	**8,554,557**	8,557,099
Other receivables-prepayments	**423,632**	1,077,256
	8,978,189	9,634,355

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

(b) The carrying amounts of trade and other receivable measured at amortised cost approximate their fair value.

(c) Loans and advances to staff are interest bearing and are due within one year. The Directors have estimated that the risk of default is remote and no ECL provided given that deductions are made monthly from salaries and wages.

(d) 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.

11. CASH AND CASH EQUIVALENTS

	2019	2018
	SR	SR
Cash at bank	**2,950,726**	6,004,585
Cash in hand	**525,941**	602,908
	3,476,667	6,607,493

12. SHARE CAPITAL

	2019 & 2018
	SR
(a) **Authorised, issued and fully paid share capital of 1,000 shares of SR 100 each**	100,000

(b) **Ownership**

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

13. 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 assets taken over of SR 28.6m by the Company has been recognised as Capital Reserve.

14. RETIREMENT BENEFIT OBLIGATIONS

	2019	2018
	SR	SR
At January 1,	**359,979**	858,399
Charge for the year (note 18)	**1,201,606**	1,128,086
Paid during the year	**(522,242)**	(1,626,506)
Total	**1,039,343**	359,979

15. TRADE AND OTHER PAYABLES

	2019	2018
	SR	SR
Trade payables	**1,578,018**	1,511,806
Postal Logistics Partners		
- Provision for PLP expenses (note 15(b) and 19)	**4,479,192**	8,029,609
Other payables	**3,741,201**	2,980,467
	9,798,411	12,521,882

(a) The Seychelles Postal Services entered into a contract with Postal Logistics Partners (PLP) to resell International Mail Products in Asia from November 1, 2016 to October 31, 2017. An initial deposit of USD 100,000 (SR 14.2m) was made into a separate bank account whereby all expenses to be incurred by the Seychelles Postal Service (SPS) on behalf of Postal Logistical Partners were recharged. However, the contract was cancelled in November 2017.

(b) In 2017 the Company made an assessment based on actual rates of the PLP and noted that the above 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 and the Directors decided at the end of 2017 for prudence sake to provide for 75% of the costs that were estimated at SR 10.4m as at December 31, 2017. The actual liability at December 31, 2019 amounted to **SR 4.5m**. The Company agreed an out of Court settlement with Postal Logistics Partners for an amount of USD 250,000 to settle some of the expenses. This amount has since been fully settled and communicated to the SPS Board.

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

16. REVENUE

	2019	2018
	SR	SR
Postal services	23,122,473	23,601,435
Philatelic shop	988,193	1,509,511
Commission receivable	188,527	151,616
Universal postal contribution (Seychelles Government) (note 21(d))	3,500,000	3,500,000
	27,799,193	28,762,562

17. DIRECT OPERATION EXPENSES

	2019	2018
	SR	SR
Cost of goods sold (note 9(a))	4,640,993	4,809,115
Mail conveyance charges	799,987	1,438,758
	5,440,980	6,247,873

18. EMPLOYEE EXPENSES

	2019	2018
	SR	SR
Salaries and wages	16,151,650	13,887,714
Directors fees (note 21)	289,000	119,680
Retirement benefits charge (note 14)	1,201,606	1,128,086
Contribution to pension fund	424,642	316,784
Leave accrual	443,613	-
Staff welfare	222,619	161,659
	18,733,130	15,613,923

19. GENERAL AND ADMINISTRATIVE EXPENSES

	2019	2018
	SR	SR
Audit fees	131,200	180,125
Electricity and water charges	550,612	521,944
Bank charges	40,077	43,986
Professional charges	167,906	537,658
Repairs and maintenance	416,881	335,912
Office expenses	923,198	1,394,869
Transportation costs	693,978	529,856
Workshop and seminar expenses	103,284	106,129
Commission expenses	56,638	79,384
Rent (note 7(e))	358,499	819,420
License and insurance charges	150,418	164,144
Communication charges	446,682	543,495
Corporate social responsibility tax	116,635	71,389
Postal Logistical Partners expenses	-	2,666,895
	4,156,008	7,995,206

20. FINANCE INCOME

	2019	2018
	SR	SR
Interest income on staff loans	13,327	18,042

21. RELATED PARTY TRANSACTIONS

(a) Transactions with Directors

(i) Directors

	2019	2018
	SR	SR
Salary - Mr. Erol Dias	624,060	609,782
Directors fees (note 21(a)(ii))	289,000	119,680
	913,060	729,462

(ii) **Directors fees**

	2019	2018
	SR	SR
Ms. Rudy Rose	60,000	21,760
Ms. Astride Tamatave	60,000	21,760
Ms. Melanie Stravens	84,000	32,640
Mr. Alex Etienne	-	21,760
Mr. Ayub S Adam	60,000	21,760
Ms. Dothy Valmont Raforme	25,000	-
	289,000	119,680

(b) There has been no guarantees provided or received from any related parties. For the year ended December 31, 2019, there was no receivables from related parties (2018: Nil).

(c) Key management personnel compensation

	2019	2018
	SR	SR
Salaries and other benefits	1,269,942	1,225,173
Pension costs	13,058	30,629
	1,283,000	1,255,802

(d) Government of Seychelles

	2019	2018
	SR	SR
Universal postal contribution (note 16)	3,500,000	3,500,000

22. EVENTS AFTER THE REPORTING PERIOD

Effects of COVID-19 pandemic

The COVID-19 pandemic outbreak caused severe disruptions in Seychelles and the World at large. Several countries closed their borders, grounded flights and discouraged people from travelling abroad. However being a State-owned entity and being an essential service, the Company did not stop any operations as all the clientele of the organisation are local consumers except for parcel and terminal dues which are ferried by air transport.

The following economic and financial measures were taken during the Covid 19 pandemic period:

(i) *At Company level*

The Company revised its budget for 2020 and concluded on the following:

Revenue from EMS service, terminal dues, overseas postcards and souvenirs is expected to decrease by 50%. Expenditure was also reduced by SR 1.3m due to lower Directors fees, airlines expenses and workshops. A business plan for the period 2019 to 2026 was also developed for Seychelles Postal Services with the assistance of the Ministry of Finance to improve on initiatives to reduce costs and boost income, focus on modernisation and re-positioning of the business and infrastructure developments and acquisition of more modern facilities and technology.

(ii) *At Government level*

The company benefited from salary assistance since April through subvention assistance and this was part of the Government 2020 supplementary budget.

The Board together with the Management of the Company have assessed the Company's ability to continue as a going concern and are confident that they will continue the operations with the financial and otherwise support of the Government of Seychelles, its main shareholder as and when required. They are therefore of the opinion that the going concern basis of preparation of these financial statements remains appropriate in the foreseeable future.

23. CONTINGENT LIABILITIES

	2019	2018
	SR'000	SR'000
Contingent liability on PLP expenses provision (notes 15)	**-**	**2,677**

24. COMMITMENTS

(a) There were no capital commitments as at December 31, 2019 (2018: Nil).

(b) Operating lease commitments - where the Company is the lessee

The Company leases offices under operating lease agreements. The leases have varying terms, escalation clauses and renewable rights.

The future aggregate minimum lease payments under operating leases are as follows:

24. COMMITMENTS

	2019	2018
	SR	SR
Operating lease - not later than one year (note 10)	**198,000**	396,000

25. FIVE YEAR FINANCIAL SUMMARY

	2019	2018	2017	2016	2015
	SR'000	SR'000	SR'000	SR'000	SR'000
(Loss)/Profit for the year	**(2,226)**	(2,436)	(5,948)	171	(4,590)
(Revenue deficit)/Retained earnings					
- brought forward	**(9,451)**	(7,015)	(1,067)	(1,238)	3,352
Revenue Deficit carried forward	**(11,677)**	(9,451)	(7,015)	(1,067)	(1,238)

	2019	2018	2017	2016	2015
	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	**(11,677)**	(9,451)	(7,015)	(1,067)	(1,238)
	17,022	19,248	21,684	27,632	27,461