Solomon Islands Ports Authority
Financial Statements
For the year ended 30 September 2019

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Solomon Islands Ports Authority
Directors' report (continued)
For the year ended 30 September 2019

Bad and Doubtful debts

The directors took reasonable steps before the Authority's financial statements were made out to ascertain that all known bad debts were written off and adequate provision was made for doubtful debts.

At the date of this report, the directors are not aware of any circumstances which would render the amount written off for bad debts, or the amount of the provision for doubtful debts, inadequate to any substantial extent.

Directors' benefit

No director of the Authority has, since the last financial year, received or become entitled to receive any benefit (other than benefits included in the amount of emoluments or shown in the financial statements under related party note) by reason of a contract made with the Authority or a related corporation with the director or with a firm of which he is a member or with a company in which a director has a substantial financial interest.

Unusual transactions

The results of the Authority's operations during the financial period have not, in the opinion of the directors been substantially affected by any item, transaction or event of a material and unusual nature other than those disclosed in the financial statements.

Events subsequent to balance date

World Health Organisation announced the spread of COVID-19 virus to be a pandemic on 11 March 2020. The impact of the spread of this virus is disrupting travel and businesses in Solomon Island and throughout the world. It is not clear at the time of finalising these financial statements, the impact this will have on services provide by the Authority during 2020. Management and the Board are monitoring developments on an ongoing basis. Other than this, there has not arisen in the interval between the end of the financial period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Authority to affect significantly the operations of the Authority the results of those operations, or the state of affairs of the Authority in subsequent financial years.

Other circumstances

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements which render amounts stated in the financial statements misleading.

Dated at Honiara this 22nd day of ...December... 2020.

Signed in accordance with a resolution of the Board of Directors:

Vice Chairman of the Board

Director

Solomon Islands Ports Authority
Directors' report
For the year ended 30 September 2019

The Board of directors present their report together with the financial statements of the Solomon Islands Ports Authority ("the Authority") for the year ended 30 September 2019 and the auditors' report thereon.

Directors

The Board of directors in office during the financial year and at the date of this report were:

Name	Position	Date Appointed	
Billy Titiulu	Chairman	01/10/18	Resigned on 31/12/18
Harry Kuma	Chairman	31/12/18	Resigned on 30/04/19
Johnny Sy	Chairman	01/05/19	
Michael Wate	Vice Chairman	01/12/19	
Humphrey Tura	Board Member	01/10/18	Resigned on 31/01/19
Steven Maesiola	Board Member	01/12/19	
Donald Kudu	Board Member	10/02/20	
Moses Virivolomo	Board Member	10/02/20	

State of affairs

In the opinion of the directors:

- there were no significant changes in the state of affairs of the Authority during the financial year under review not otherwise disclosed in this report or the financial statements;
- the accompanying statement of financial position gives a true and fair view of the state of affairs of the Authority as at 30 September 2019 and the accompanying statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows give a true and fair view of the results, changes in equity and cash flow, of the Authority for the year then ended.

Principal activities

The principal activities of the Authority is providing and managing the port infrastructure and services in the declared ports.

Results

The net profit of the Authority for the year ended 30 September 2019 was $73,748,830 (2018: $88,092,779).

Going Concern

The directors believe that the Authority will be able to continue to operate for at least 12 months from the date of this report.

Reserves

There were no transfers of reserves in the statement of changes in equity during the year.

Dividends

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

Assets

The directors took reasonable steps before the Authority's financial statements were made out to ascertain that the assets of the Authority were shown in the accounting records at a value equal to or below the value that would be expected to be realised in the ordinary course of business.

At the date of this report, the directors were not aware of any circumstances which would render the values attributable to the assets in the financial statements misleading.

Solomon Islands Ports Authority
Statement by Directors
For the year ended 30 September 2019

In the opinion of the Directors:

(a) the accompanying statement of profit or loss and other comprehensive income is drawn up so as to give a true and fair view of the results of the Authority for the year ended 30 September 2019;

(b) the accompanying statement of financial position is drawn up so as to give a true and fair view of the state of affairs of the Authority as at 30 September 2019;

(c) the accompanying statement of changes in equity is drawn up so as to give a true and fair view of the changes in equity of the Authority for the year ended 30 September 2019;

(d) the accompanying statement of cash flows is drawn up so as to give a true and fair view of the cash flows of the Authority for the year ended 30 September 2019;

(e) at the date of this statement there are reasonable grounds to believe the Authority will be able to pay its debts as and when they fall due;

(f) all related party transactions have been adequately recorded in the books of the Authority, and

(g) the financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRS").

For and on behalf of the Board of Directors by authority of a resolution of the Directors this ...22nd... day of ......December...... 2020.

Vice Chairman of the Board

Director

Solomon Islands Office of the Auditor-General

Independent auditor's report to the Members of the Solomon Islands Ports Authority

Opinion

I have in joint consultation with the Board of the Solomon Islands Ports Authority ("the Authority") pursuant to Section 23(3) of the Ports Act contracted KPMG Fiji which is part of the KPMG International network to assist me to audit the accompanying financial statements of the Solomon Islands Ports Authority, which comprise the statement of financial position as at 30 September 2019, and the statements of profit or loss and other comprehensive income, changes in equity and cash flow statements for the year then ended, and notes 1 to 24 comprising of a summary of significant accounting policies and information.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Authority as at 30 September 2019, and of its financial performance, its changes in equity and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

I conducted the audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs). My responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Authority in accordance with the International Ethics Standards Board for Accountants code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) and the ethical requirements that are relevant to my audit of the financial statements and I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Directors' report, but does not include the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Responsibilities of Management and Directors for the Financial Statements

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

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

The Directors of the Authority are responsible for overseeing the Authority's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

My 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 my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs) will always detect a material misstatement when it exists.

Independent auditor's report to the Members of the Solomon Islands Ports Authority (continued)

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

In my opinion:

i) proper books of account have been kept by the Authority, sufficient to enable financial statements to be prepared, so far as it appears from my examination of those books; and

ii) to the best of my knowledge and according to the information and explanations given to me the financial statements give the information required by the Section 23(3) of the Ports Act (Cap 161), in the manner so required.

iii) the Authority has not complied with the requirements of the Public Finance and Audit Act [Cap 120] and the State Owned Enterprises Act 2007 which requires the audited financial statements to be submitted to the Minister before 31 December of the same year to which the financial statements relate. The signed statements were not presented to me until 22 December 2020.

Peter Lokay
Auditor-General
22 December 2020

Office of Auditor-General
Honiara, Solomon Islands

Solomon Islands Ports Authority
Statement of profit or loss and other comprehensive income
For the year ended 30 September 2019

	Note	2019 $	2018 $
Revenue	5	200,177,310	205,932,973
Other income	6	17,918,887	20,968,817
Change in fair value of investment properties	15	1,487,023	1,583,407
Release of deferred revenue	19	3,510,257	3,510,257
Operational expenses	7	(78,832,328)	(63,821,715)
Administrative and other operating expenses	8	(71,759,790)	(81,363,047)
Profit from operations		72,501,359	86,810,692
Finance income	10 (a)	2,017,099	1,379,479
Finance cost	10 (b)	(769,628)	(97,392)
Net finance cost		1,247,471	1,282,087
Net profit before tax		73,748,830	88,092,779
Income tax	3 (h)	-	-
Net profit for the year		**73,748,830**	**88,092,779**
Other comprehensive income		-	-
Total comprehensive income for the year		**73,748,830**	**88,092,779**

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes set out on pages 11-36.

Solomon Islands Ports Authority
Statement of financial position
As at 30 September 2019

	Note	2019 $	2018 $
ASSETS			
Current assets			
Cash and cash equivalents	11	195,176,790	180,255,739
Trade and other receivables	12	90,610,595	60,311,905
Inventories	13	701,000	715,987
Investments	14	50,318,418	50,984,115
Total current assets		336,806,803	292,267,746
Non-current assets			
Investment property	15	36,541,406	35,054,383
Property, plant and equipment	16	523,755,703	508,118,215
Total non-current assets		560,297,109	543,172,598
Total assets		897,103,912	835,440,344
LIABILITIES			
Current liabilities			
Trade and other payables	17	17,192,306	14,056,354
Employee benefits	18	8,547,190	9,189,699
Deferred revenue	19	3,510,257	3,510,258
Total current liabilities		29,249,753	26,756,311
Non-current liabilities			
Employee benefits	18	1,894,419	1,316,814
Deferred revenue	19	161,179,331	164,689,586
Total non-current liabilities		163,073,750	166,006,400
Total liabilities		192,323,503	192,762,711
Net assets		704,780,409	642,677,633
EQUITY			
SIG equity contribution		402,824	402,824
Asset revaluation reserves		248,823,215	248,823,215
Retained earnings		455,554,370	393,451,594
Total equity		704,780,409	642,677,633

Signed in accordance with the resolution of the Board of Directors:

Vice Chairman of the Board **Director**

The above statement of financial position should be read in conjunction with the accompanying notes set out on pages 11-36.

Solomon Islands Ports Authority
Statement of changes in equity
For the year ended 30 September 2019

	Solomon Island Government contribution $	Asset revaluation reserve $	Retained earnings $	Total $
Restated balance as at 1 October 2017	**402,824**	**248,823,215**	**305,358,815**	**554,584,854**
Total comprehensive income for the year				
Net profit for the year	-	-	88,092,779	88,092,779
Other comprehensive income	-	-	-	-
Balance as at 30 September 2018	**402,824**	**248,823,215**	**393,451,594**	**642,677,633**
Balance at 1 October 2018, as previously reported	402,824	248,823,215	393,451,594	642,677,633
Adjustment on initial application of IFRS 9 Note 2e(iii)			(11,646,054)	(11,646,054)
Restated balance as at 1 October 2018	**402,824**	**248,823,215**	**381,805,540**	**631,031,579**
Total comprehensive income for the year				
Net profit for the year	-	-	73,748,830	73,748,830
Other comprehensive income	-	-	-	-
Balance as at 30 September 2019	**402,824**	**248,823,215**	**455,554,370**	**704,780,409**

The above statement of changes in equity should be read in conjunction with the accompanying notes set out on pages 11-36.

Solomon Islands Ports Authority
Statement of cash flows
For the year ended 30 September 2019

	Note	2019 $	2018 $
Cash flow from operating activities			
Receipts from customers		184,855,540	210,594,098
Payments to suppliers and employees		(128,883,198)	(130,089,084)
Bank fees paid		(57,869)	(97,392)
Interest received		1,864,963	1,044,124
Net cash flows from operating activities		57,779,436	81,451,746
Cash flow used in investing activities			
Acquisition of investment securities		(18,872)	(30,000,000)
Acquisition of property, plant and equipment	16	(41,932,386)	(51,561,887)
Proceeds from disposal of property, plant and equipment		-	14,932
Net cash flows (used in) investing activities		(41,951,258)	(81,546,955)
Cash flow from financing activities			
Dividend paid		-	-
Borrowings repayment		-	-
Cash flows from financing activities		-	-
Net increase / (decrease) in cash and cash equivalents		15,828,178	(95,209)
Cash and cash equivalents at the beginning of the year		180,255,739	180,350,948
Cash and cash equivalents at the end of the financial year	11	196,083,917	180,255,739

The above statement of cash flows should be read in conjunction with the accompanying notes set out on pages 11-36.

Solomon Islands Ports Authority
Notes to and forming part of the financial statements
For the year ended 30 September 2019

1. General information

The Solomon Islands Ports Authority ("the Authority") is domiciled in the Solomon Islands.

The principal activities of the Authority is providing and managing the port infrastructure and services in the declared ports. The Authority's principal place of operations is located at Dowling Drive, Honiara, Solomon Islands.

The financial statements were authorised for issue by the Board of Directors on 22nd December 2020.

2. Basis of preparation

(a) Statement of compliance

The financial statements of the Authority have been prepared in accordance with International Financial Reporting Standards ('IFRS') and the provisions of the Ports Act (CAP.161).

(b) Basis of measurement

The financial statements have been prepared under the historical cost basis and do not take into account changes on money values except for investment property and land & buildings in property, plant and equipment which is matured at fair value. Non-current assets are stated at the lower of carrying amount and fair value less costs to sell.

(c) New standards and interpretations not yet adopted

The following standards, amendments and interpretations to existing standards have been published which are relevant to the Authority and are mandatory for accounting periods beginning on and after 1 October 2019, but the Authority does not plan to early adopt them. The impact of these standards and interpretations on the financial statements of the Authority has not yet been fully determined.

IFRS 16 'Leases', removes the classification of leases as either operating leases or finance leases – for the lessee – effectively treating all leases as finance leases. Short-term leases (less than 12 months) and leases of low-value assets (such as personal computers) are exempt from the lease accounting requirements. There are also changes in accounting over the life of the lease. In particular, organisations will now recognise a front-loaded pattern of expense for most leases, even when they pay constant annual rentals. Lessor accounting remains similar to current practice – i.e. lessors continue to classify leases as finance and operating leases. The standard is effective for annual reporting periods beginning on or after 1 October 2019, with early adoption permitted.

(d) Use of estimates and judgment

The preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- Note 3 (i) – Investment properties revaluation
- Note 3 (g) – Trade and other receivables
- Note 3 (j) – Employee benefits

2. Basis of preparation (continued)

(e) Changes in accounting policy and disclosures

Except for the changes below, the Authority has consistently applied the accounting policies to all periods presented in these financial statements.

IFRS 15 Revenue from Contracts with Customers

SIPA has adopted IFRS 15 Revenue from Contracts with Customers with a date of initial application of 1 October 2018. As a result, the Authority has changed its accounting policy for revenue recognition as detailed below.

The Authority has applied IFRS 15 using the cumulative effect method – i.e. by recognising the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of equity at 1 October 2018. Therefore, the comparative information has not been restated and continues to be reported under IAS 18 and IAS 11.

Rendering of port services

Revenue from providing all port services and managing port infrastructure is recognised on an accrual basis as services were rendered. Revenue is recognized to the extent that it is probable that the economic benefits will flow to the entity and revenue can be reliability measured.

Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control- at a point in time or over time- can require judgement. Given the nature of the business, the Authority does not have significant long-term contractual agreements in place with its customers as the majority of the Authority's revenues are derived from a short-term set of activites performed whilst a ship is docked in the ports. These fees are agreed at the time based on the applicable port tariff and are charged based on the actual services performed. Revenue is then recognised when the invoice is issued as the ship departs the port, after all services have been provided. The only potentially longer services performed by the Authority are the land services in relation to storing of cargo, and rental income, when performance obligations might be performed over a period greater than a few weeks.

There is however, no impact as at 1 October 2018 as a result of changes in accounting for port revenue. This is because as at 1 October 2018, there were no contracts that were determined to be not complete.

IFRS 9-Financial Instruments

SIPA has adopted IFRS 9 Financial Instruments issued in July 2014 with a date of initial application of 1 October 2018. The requirements of IFRS 9 represents a significant change from IAS 39 Financial Instruments: recognition and measurement.

The nature and effects of the key changes to the Authority's accounting policies resulting from its adoption of IFRS 9 are summarised below.

As a result of the adoption of IFRS 9, the Authority adopted consequential amendments to IAS 1 "Presentation of Financial Statements" which requires impairment of financial assets to be presented in a separate line item in the statement of profit and loss and other comprehensive income. The Authority's approach was to present impairment losses on trade receivables as "allowance for uncollectability". No change is required for this approach under IFRS 9. Impairment losses relating to other financial assets are presented under 'finance costs', similar to the presentation under IAS 39, and not presented separately in the statement of profit and loss and other comprehensive income due to materiality considerations.

2. Basis of preparation (continued)

(e) Changes in accounting policy and disclosures (continued)

IFRS 9-Financial Instruments (continued)

Additionally, the Authority adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to disclosures about 2019 but generally have not been applied to comparative information.

i. Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale.

For an explanation of how the Authority classifies and measures financial assets and accounts for related gains and losses under IFRS 9, see Note 3(f).

The adoption of IFRS 9 has not had a significant effect on the Authority's accounting policies for financial liabilities.

ii. Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI.

iii. Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below.

- Comparative periods have not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings as at 1 October 2018. Accordingly, the information presented for 2018 does not generally reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2019 under IFRS 9.
- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.
    - o The determination of the business model within which a financial asset is held; and

Solomon Islands Ports Authority
Notes to and forming part of the financial statements
For the year ended 30 September 2019

2. Basis of preparation (continued)

(e) Changes in accounting policy and disclosures (continued)

IFRS 9-Financial Instruments (continued)

***iii.* Transition (continued)**

The following table summarises the impact, net of tax, of transition to IFRS 9 on retained earnings at 1 October 2018.

	Impact of adopting IFRS 9 on opening balances
	$
Retained Earnings	
Closing balance under IAS 39 (31 September 2018)	393,451,594
Impact of expected credit losses under IFRS 9	(11,646,054)
Opening balance under IFRS 9 (1 October 2018)	381,805,540

***iv.* Classification of financial assets and financial liabilities on the date of initial application of IFRS 9.**

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Authority's financial assets and financial liabilities as at 1 October 2018.

	Original Classification under IAS 39	New Classification under IAS 39	Original carrying amount under IAS 39	New carrying amount under IFRS 9
			$	$
Financial Assets				
Cash and cash equivalents	Loans and receivables	Amortised cost	180,255,739	179,402,089
Receivables	Loans and receivables	Amortised cost	60,311,905	49,703,883
Term deposit investments	Held-to-maturity	Amortised cost	50,984,115	50,799,734
Total financial assets			**291,551,759**	**279,905,706**

2. Basis of preparation (continued)

(e) Changes in accounting policy and disclosures (continued)

IFRS 9-Financial Instruments (continued)

iv. **Classification of financial assets and financial liabilities on the date of initial application of IFRS 9 (continued)**

	Original Classification under IAS 39	New Classification under IAS 39	Original carrying amount under IAS 39	New carrying amount under IFRS 9
			$	$
Financial Liabilities				
Trade and other payable	Other financial liabilities	Other financial liabilities	14,056,354	14,056,354
Total financial liabilities			**14,056,354**	**14,056,354**

The authority's accounting policies on the classification of financial instruments under IFRS 9 are set out in Note 3(f). The application of these policies resulted in the reclassifications set out in the table above and further explained below.

1. Investment that were previously classified as held-to-maturity are now classified at amortised cost. The Authority intends to hold the assets to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding. An allowance for impairment of $184,381 was recognised in opening retained earnings at 1 October 2018 on transition to IFRS 9.

2. Trade and other receivables that were classified as loans and receivables under IAS 39 are now classified at amortised cost. An increase of $10,608,022 in the allowance for impairment was recognised in opening retained earnings at 1 October 2018 on transition to IFRS 9.

3. Cash and cash equivalents that were classified as loans and receivables under IAS 39 are now classified at amortised cost. An allowance for impairment of $853,650 was recognised in opening retained earnings at 1 October 2018 on transition to IFRS 9.

2. Basis of preparation (continued)

(e) Changes in accounting policy and disclosures (continued)

IFRS 9-Financial Instruments (continued)

iv. **Classification of financial assets and financial liabilities on the date of initial application of IFRS 9 (continued)**

The following table reconciles the carrying amounts of financial assets under IAS 39 to the carrying amounts under IFRS 9 on transition to IFRS 9 on 1 October 2018.

	IAS 39 carrying amount at 30 September 2018	Re-measurement	IFRS 9 carrying amount at 1 October 2018
	$	$	$
Financial Assets			
Amortised cost			
Cash and cash equivalents:			
Brought forward: Cash and cash equivalents	180,225,739		
Re-measurement		853,650	
Carried forward: Amortised cost			179,372,089
Trade and other receivables:			
Brought forward: Trade and other receivables	60,311,905		
Re-measurement		10,608,022	
Carried forward: Amortised cost			49,703,883
Term deposit investment			
Brought forward: Term deposits	50,984,115		
Re-measurement		184,381	
Carried forward: Amortised cost			50,799,734

3. Statement of significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in the financial statements.

(a) Foreign currency translation

(i) Functional and presentation currency

The functional currency adopted in the preparation of the financial statements is the Solomon Islands currency, the Solomon Islands dollar which is also the Authority's presentation currency. All amounts have been rounded to the nearest dollar, unless otherwise indicated.

(ii) Foreign Currency Translation

Transactions in foreign currencies are translated to Solomon Islands dollar at the exchange rates prevailing at the date of the transaction. Foreign exchange differences arising on translation are recognised in profit or loss. Foreign currency monetary assets and liabilities are translated at the exchange rate prevailing at balance date. Resulting exchange differences are recognised in profit or loss for the year. Non-monetary assets and liabilities denominated in foreign currency are recorded at the exchange rate prevailing at the date of the transaction.

(b) Property plant and equipment

Items of property, plant and equipment are initially measured at cost less accumulated depreciation and any accumulated impairment losses. Land and buildings are initially recognised at cost less accumulated depreciation and subsequently revalued to fair value.

Costs includes expenditures that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Any gain or loss on disposal of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the asset at the time of disposal) is recognised in profit or loss.

Subsequent expenditure

Subsequent expenditure is capitalised only when it is probable that the future economic benefits of the expenditure will flow to the Authority. Routine ongoing repairs and maintenance are expensed as incurred.

Depreciation

Items of property, plant and equipment are depreciated from the date they are available for use. Depreciation is charged on a straight line basis over the estimated useful lives of the assets.

The rates of depreciation used are based on the following estimated useful lives:

Leasehold land and properties	Over the period of lease
Land and buildings	10 to 50 years
Wharves and jetties	5 to 50 years
Vehicles	5 to 15 years
Plant and equipment	5 to 15 years

Deferred income

Property, plant and equipment acquired with the aid of specific grants are capitalised and depreciated in accordance with the above policy, with the related grant being credited to the deferred income as a liability and released to profit or loss over the expected useful economic life of the related property, plant and equipment.

3. Statement of significant accounting policies (continued)

c) Impairment

The carrying amounts of all assets are reviewed at each balance date to determine whether there is any indication of impairment. If any such indication exists, then the assets recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the statement of profit or loss, unless an asset has previously been devalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through profit or loss.

d) Inventory

Inventory are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The cost of inventory is based on the first-in-first-out basis.

e) Revenue

Revenue is measured based on the consideration specified in a contract with a customer. Revenue from the provision of ports services comprises rates and dues, cargo handling charges, infrastructure charges, marine operations, utilities and fuel, service fees, port related rental income and other sundry income. Port related rental income comprises property rental income and rental premiums, which is recognised on a straight-line basis over the lease term unless another systematic basis of recognition is more appropriate. SIPA recognises revenue when it transfers control over a product or service to a customer.

f) Financial instruments

i. Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Authority becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

ii. Classification and subsequent measurement

Financial assets-policy applicable from 1 October 2018

On initial recognition, a financial asset is classified as measured at: amortised cost.

Financial assets are not reclassified subsequent to their initial recognition unless the Authority changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

3. Statement of significant accounting policies (continued)

f) Financial instruments (continued)

ii. Classification and subsequent measurement (continued)

Financial assets-policy applicable from 1 October 2018 (continued)

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Authority may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets: Business model assessment- Policy applicable from 1 October 2018

The Authority makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Authority's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and, the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for de-recognition are not considered sales for this purpose, consistent with the Authority's recognition of the assets.

Financial assets: Assessment whether contractual cash flows are solely payments of principal and interest – Policy applicable from 1 October 2018

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

3. Statement of significant accounting policies (continued)

f) Financial instruments (continued)

ii. Classification and subsequent measurement (continued)

Financial assets: Assessment whether contractual cash flows are solely payments of principal and interest – Policy applicable from 1 October 2018 (continued)

In assessing whether the contractual cash flows are solely payments of principal and interest, the Authority considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Authority considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and,
- terms that limit the Authority's claim to cash flows from specified assets (e.g. nonrecourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets: Reclassifications-Policy applicable from 1 October 2018

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Authority changes its business model for managing financial assets.

Financial assets: Subsequent measurement and gains and losses – Policy applicable from 1 October 2018

Financial assets at amortised cost:
These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on de-recognition is recognised in profit or loss.

Financial instruments- Policy applicable before 1 October 2018

i. Non-derivative financial assets
The Authority initially recognises loans and receivables on the date that they are originated. All other financial assets are recognised initially on the trade date, which is the date that the Authority becomes a party to the contractual provisions of the instruments.

The Authority derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the authority is recognised as a separate asset or liability.

3. Statement of significant accounting policies (continued)

f) Financial instruments (continued)

ii. Classification and subsequent measurement (continued)
Financial instruments- Policy applicable before 1 October 2018 (continued)

i. Non-derivative financial assets (continued)

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the authority has a legal right to offset the amounts and intends either to settle on a net basis or realise the asset and settle the liability simultaneously.

Non-derivative financial assets of the Authority include loan and receivables.

Loans and receivables
Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Loans and receivables comprise trade and other receivables and other assets excluding prepayments.

Cash and cash equivalents
Cash and cash equivalents comprise cash balances, call deposits and term deposits with the original maturity of less than three months. Bank overdrafts that are repayable on demand and form an integral part of the Authority cash management are included as a component of cash and cash equivalents for the purpose of the cash flow statement.

Accounts receivables
Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade receivables is established when there is objective evidence that the Authority will not be able to collect all amounts due according to the original terms of the receivables. When a receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited to other income in profit or loss.

Investments
Investments are non-derivate assets with a fixed or determinable payments fixed maturity that the Authority has a positive intent and ability to hold to maturity. Investments are carried at amortised cost using the effective interest method. Investments comprise of term deposits and since they are not quoted in an active market they are classified as loans and receivables.

ii. Non-derivative financial liabilities

All financial liabilities are recognised initially on the trade date, which is the date that the Authority becomes a party to the contractual provisions of the instrument. The Authority derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the authority has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Authority classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method. Other financial liabilities comprise trade and other payables.

3. Statement of significant accounting policies (continued)

f) Financial instruments (continued)

ii. Classification and subsequent measurement (continued)

Financial instruments- Policy applicable before 1 October 2018 (continued)

ii. Non-derivative financial liabilities (continued)

Trade and other payables
Liabilities for trade payable and other amounts are credited at the fair value of the consideration to be paid in the future for goods and services received whether or not billed to the Authority. A provision is recognized in the statement of financial position when the Authority has legal or constructive obligation as a result of past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Derecognition

Financial assets

The Authority derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Authority also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

The Authority enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Authority derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Authority also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Modification of financial assets

If the terms of a financial asset are modified, the Authority evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case the original financial assets is derecognized and a new financial assets is recognized at fair value.

Policy applicable from 1 October 2018

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial assets. In this case, the Authority recalculates the gross carrying amount of the financial assets and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss. If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income.

3. Statement of significant accounting policies (continued)

f) Financial instruments (continued)

ii. Classification and subsequent measurement (continued)

Financial instruments- Policy applicable before 1 October 2018 (continued)

ii. Non-derivative financial liabilities (continued)

Modification of financial assets (continued)

Policy applicable before 1 October 2018

If the terms of a financial asset were modified because of financial difficulties of the borrower and the asset was not derecognised, then impairment of the asset was measured using the pre-modification interest rate.

g) Impairment

Policy applicable from 1 October 2018

Financial instruments:

The Authority recognises loss allowances for expected credit losses (ECL) on financial assets measured at amortised cost.

The Authority measures loss allowances at an amount equal to lifetime ECL, except for the following, which are measured as 12 month ECL:

- Cash at bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables is always measured at an amount equal to lifetime ECL as it does not include significant financing component.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Authority considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Authority's historical experience and informed credit assessment and including forward-looking information.

The Authority assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due depending on the terms and conditions with respective customers.

The Authority considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the authority in full, without recourse by the Authority to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

The Authority considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Authority considers this to be Baa3 or higher per rating agency Moody's or BBB- or higher per rating agency Standards & Poor's.

3. Statement of significant accounting policies (continued)

g) Impairment (continued)

Policy applicable from 1 October 2018 (continued)

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the authority is exposed to credit risk.

Measurement of ECLs:

Trade receivables

The Authority uses a provision matrix to determine the lifetime expected credit losses. It is based on the Authority's historical observed default rates, and is adjusted by a forward-looking estimate that includes the probability of a worsening economic environment within the next year. At each reporting date, the Authority updates the observed default history and forward-looking estimates.

Debt securities including cash at bank and term deposit investments

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that SIPA expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets:

At each reporting date, the Authority assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or

Presentation of allowance for ECL in the statement of financial position:

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off:

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Authority determines that the debtor does not have assets or sources of income or adequate customer deposits that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Authority's procedures for recovery of amounts due.

3. Statement of significant accounting policies (continued)

g) Impairment (continued)

Policy applicable before 1 October 2018

(i) Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Authority on terms that the Authority would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, the disappearance of an active market for a security.

The Authority considers evidence of impairment for receivables at a specific asset level. All individually significant receivables are assessed for specific impairment.

In assessing impairment the Authority uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

h) Tax expense

The Authority is exempt from income tax pursuant to Schedule 3 of the Solomon Islands Income Tax Act, which states that the Authority is exempt from tax on the condition that income is not derived from haulage, sea transport or from the provision of warehousing in a warehouse appointed as a private warehouse under Section 2 of the Customs and Excise Act.

i) Investment properties revaluation

Investment property is initially recorded at cost and subsequently at fair value with any change therein recognised in profit and loss. When investment property previously was classified as property, plant and equipment is sold, any related amount included in the asset revaluation reserve is transferred to retained earnings.

Any gain or loss on disposal of investment property (calculated as the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

Investment property rental income

Rental income from investment property is recognised as other income on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

3. Statement of significant accounting policies (continued)

j) Employee benefit

Short-term employee benefits

Short-term employee benefits comprising of accrued wages and salaries, bonus, annual leave and entitlement to Solomon Islands National Provident Fund are measured on an undiscounted basis and are expensed as the related service is provided.

Liabilities recognised in respect of short-term employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Long-term employee benefits

Long-term employee benefits comprises of long service leave and early retirement benefit.

The Authority's net obligation in respect of long-term employee benefits is the amount of future benefits that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. The Directors and management resolved that employees can utilize their long-service leave that have been accrued once the employee has served at least 5 years of employment.

k) Operating leases

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense and spread over the lease term.

l) Net financial costs

Finance income comprises of interest earned on investments and operating bank accounts. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Ffinancial costs comprise of bank charges and interest paid on overdraft accounts.

m) Goods and sales tax

Revenue, expenses and assets are recognised net of the amount of goods and sales tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable or payable is included as a current asset or liability in the statement of financial position.

n) Comparative figures

Where necessary, comparative figures have been changed to conform to changes in presentation in the current year.

4. Financial risk management

Overview

The Authority has exposure to the following risks:
(i) credit risk;
(ii) liquidity risk; and
(iii) market risk.

This note presents information about the Authority's exposure to each of the above risks, the Authority's objectives, policies and processes for measuring and managing risk, and the Authority's management of capital. Further quantitative disclosures are included throughout these financial statements.

Risk management framework

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

(i) Credit risk

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

The carrying amount of financial assets represents the maximum credit exposure.

The Authority's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Authority's customer base, including the default risk of the industry as these factors may have an influence on credit risk.

Trade and other receivables

In monitoring customer credit risk, customers are grouped according to their credit characteristics, aging profile, maturity and existence of previous financial difficulties. Trade and other receivables relate mainly to the Authority's corporate customers. The Authority establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures. The Authority does not require collateral in respect of financial assets. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. The Authority has credit risk arising from credit exposure to customers, including outstanding receivables. The level of credit granted is regularly monitored.

	Note	2019	2018
		$	$
Cash and cash equivalents		195,764,025	180,248,645
Trade and other receivables	12	90,610,596	60,311,905
Investments	14	50,318,418	50,984,115
		336,693,039	291,544,665

4. Financial risk management (continued)

(h) Credit risk (continued)

	2019 $	2018 $
As at 30 September 2019, the aging of gross trade receivables was as follows:		
Neither past due nor impaired	15,780,220	571,928
Past due 1-30 days	10,004,906	13,587,661
Past due 31-60 days	4,284,558	13,166,012
Past due 61-90 days	4,874,833	3,788,492
Past due greater than 90 days	19,563,813	19,375,288
	54,508,330	50,489,381

The Authority uses an allowance matrix to measure the ECLs of trade receivables from individual customers, which comprise a very large number of small balances.

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off.

The following table provides information about the exposure to credit risk and ECLs for other receivables and contract assets from individual customers as at 30 September 2019:

	Weighted-average loss rate	Gross carrying amount $	Loss allowance $	Credit impaired
30 September 2019				
Not past due	3.13 %	15,780,220	(494,163)	15,286,057
1 – 30 days past due	2.12%	10,004,906	(212,192)	9,792,714
31 – 60 days past due	3.69%	4,284,558	(157,916)	4,126,642
60 – 90 days past due	100%	4,874,833	(4,874,833)	-
More than 90 days past due	100%	19,563,813	(19,563,813)	-
		54,508,330	(25,302,917)	29,205,413

Loss rates are based on actual credit loss experience over the past few years. These rates are multiplied by scalar factors to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Authority's view of economic conditions over the expected lives of the receivables. Scalar factors are based on actual and forecast inflation.

The calculation of impairment based on expected credit loss experience was $25,302,917.

The movement in the allowance for doubtful debts in respect of trade receivables during the year was as follows:

		2019 $	2018 $
Balance at 1 October		9,629,548	7,107,899
Allowance for doubtful debt recognised		5,065,347	2,521,649
Adjustment on initial application of IFRS 9		10,608,022	-
Balance as 30 September	12	25,302,917	9,629,548

4. Financial Risk Management (continued)

(i) Credit risk (continued)

Cash and cash equivalents

The Authority held cash of $195,176,790 at 30 September 2019 (2018: $180,255,739). Cash are held with banks, which are rated A, B+, B-, based on Standard and Poor ratings.

Impairment on cash and cash equivalents has been measured on the 12 month expected loss basis and reflects the short maturities of the exposures. The Authority considers that its cash have low credit risk based on the external credit ratings of the counterparties.

On initial application of IFRS 9, the Authority recognised $853,650 impairment allowance as at 1 October 2018. The amount of the allowance as at 30 September 2019 was $724,760.

(ii) Liquidity risk
Liquidity risk is the risk that the Authority will not be able to meet its financial obligations as they fall due. The Authority's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Authority's reputation. Liquidity risk is considered minimal as all liabilities of the Authority are payable within 12 months.

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

Currency risk
The Authority is exposed to currency risk to the extent that there is a mismatch between the currencies in which purchases, and borrowings are denominated and the respective functional currencies. The Authority does not have significant exposure to currency risk.

(iv) Capital management
The Authority's capital includes Solomon Islands Government contribution, asset revaluation reserves and retained earnings.

The Authority's policy is to maintain a strong capital base so as to maintain creditor and market confidence and to sustain future development of the business. The Authority is not subject to any externally imposed capital requirements. There have been no material changes in the Authority's management of capital during the year.

The Authority's adjusted net debt to equity ratio as at 30 September was as follows:

	Note	2019 $	2018 $
Total liabilities		192,323,503	192,762,711
Less: cash and cash equivalents	11	(195,176,790)	(180,255,739)
Adjusted net debt		(2,853,287)	12,506,972
Total equity		704,780,409	642,677,633
Adjusted net debt to equity ratio		0.40%	1.95%

		2019 $	2018 $
5.	**Revenue**		
	Anchorage	306,884	361,698
	Berthage - overseas ship	13,216,083	13,653,182
	Container cleaning	4,405,925	3,533,317
	Handling	8,422,993	15,307,976
	Port machinery hire	12,906,385	12,333,833
	Pilotage and mooring line fees	18,929,083	22,317,484
	Port dues	2,084,758	1,037,377
	Stevedoring	49,445,086	55,783,436
	Storage	37,939,120	21,593,475
	Tonnage dues	35,154,339	42,062,836
	Wharfage	11,027,758	11,500,971
	Port utilisation	6,338,896	6,447,388
		200,177,310	205,932,973
6.	**Other income**		
	Environment fee – overseas ships	109,276	337,262
	Investment property rental income	7,051,631	6,110,495
	Overtime recovery and rations	6,761,554	8,169,519
	Power and water sales	1,029,829	1,933,378
	Wharf entry fees	2,652,246	4,286,079
	Other income	314,351	132,084
		17,918,887	20,968,817
7.	**Operational expenses**		
	Depreciation	24,549,920	21,044,394
	Electricity and water	2,616,364	3,113,270
	Employees amenities	30,000	94,378
	Fuel	2,519,093	3,427,929
	Insurance	1,027,118	1,036,200
	Personnel expenses	40,762,928	33,462,984
	Repair and maintenance	3,091,919	472,878
	Uniforms	49,149	5,040
	Other costs of sales	4,185,837	1,164,642
		78,832,328	63,821,715

		Note	2019	2018
8.	**Administrative and other operating expenses**		$	$
	Auditors remuneration		334,240	300,000
	Bad and doubtful debts		5,065,347	3,131,919
	Computer consumables		483,360	1,962,450
	Consultancy services		3,247,727	374,492
	Depreciation		1,580,144	2,338,266
	Board of director's expenses	20	1,398,333	2,735,732
	Electricity and water		2,268,283	3,367,980
	Land rents and rates		2,266,243	3,022,548
	Legal expenses		245,841	127,759
	Personnel expenses		39,506,833	45,883,399
	Postage, telephone and fax		1,574,687	1,691,941
	Printing and stationeries		1,112,389	946,753
	Repairs and maintenance		1,809,921	4,671,457
	Travel allowances		4,127,382	5,046,982
	Entertainment		557,716	613,677
	Donation		1,199,159	825,507
	Write-off deposit on asset		-	2,535,996
	Other operating expenses		4,982,185	1,786,189
			71,759,790	81,363,047

			2019	2018
9.	**Personnel expenses**			
	Salaries and wages		46,267,573	39,621,910
	National Provident Fund		4,315,056	4,053,554
	Other staff benefits and costs		29,687,132	35,670,919
			80,269,761	79,346,383

The average total number of employees during the year ended 30 September 2019 was 494 (2018: 471).

			2019	2018
10.	**(a) Finance Income**			
	Interest Income		2,017,099	1,379,808
			2,017,099	**1,379,808**
	(b) Finance Cost			
	Bank charges		57,869	97,392
	Currency exchange loss		158,094	329
	Impairment expenses on application of IFRS 9		553,665	-
			769,628	**97,721**

11. Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following:

	2019	2018
Cash at bank	165,134,813	169,882,078
Short term deposit with original maturity less than 3 months	30,629,212	10,366,567
Cash on hand	319,892	7,094
	196,083,917	180,255,739
Provision for impairment through application of IRFS 9	(907,127)	-
	195,176,790	180,255,739

Short term deposits are held with Bred Bank at an interest rate of 2.25% maturing in October 2019.

			2019 $	2018 $
12.	**Trade and other receivables**			
	Trade receivables		54,508,330	50,489,381
	Less allowance for doubtful debts	4 (i)	(25,302,917)	(9,629,548)
			29,205,413	40,859,833
	Prepayments		24,248,125	9,139,321
	Other receivables		35,573,963	8,729,656
	Over-payment ADB loan		1,583,095	1,583,095
			90,610,596	60,311,905
13.	**Inventories**			
			701,000	715,987
14.	**Investments**			
	Short term deposit		51,002,987	50,984,115
	Provision for impairment through application of IRFS 9		(684,569)	-
			50,318,418	50,984,115

The Authority has term deposits with BRED Bank, Bank of South Pacific and Pan Oceanic Bank at an interest rate ranging from 0.75% to 4% per annum maturing in March 2020.

		2019 $	2018 $
15.	**Investment properties**		
	Balance at the beginning of the financial year – at fair value	35,054,383	31,668,476
	Changes in fair value	1,487,023	1,583,407
	Reclass from Property, plant and equipment	-	1,802,500
	Balance at the ending of the financial year – at fair value	36,541,406	35,054,383

Investment property comprises of commercial and residential property that are leased to third parties. Each lease contains a lease period of 3 and 50 years respectively with annual rental subject to increase upon renewal indexed to the Honiara retail price index. Subsequent renewals are negotiated with the lessee.

Rental income from investment properties of $7,051,631 (2018: $6,110,495) has been recognised in other income (Note 6).

Fair value hierarchy

The fair value of investment property was determined by an external, independent property valuer, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The independent valuer provide the fair value of the Authority's investment property portfolio every 12 months.

Valuation techniques and significant unobservable inputs

The following table shows the valuation technique used in measuring the fair value of investment properties, as well as significant unobservable inputs used.

Valuation technique	**Significant unobservable inputs**	**Inter-relationship between key unobservable inputs and fair value measurement**
Replacement cost method: where the improvements are valued using current replacement cost and an allowance for depreciation and obsolescence plus the freehold value of the land (notable sales of comparable vacant sites within Honiara are noted).	• Depreciation rate applied. • Locality of the property • Proximity to civic amenities • Topography/geographic al feature of the land Demand for the land	The estimated fair value would increase (decrease) if: • depreciation rate were lower (higher); • the property located in urban locality; • closer to civic amenities; • the higher the demand for the land.

16. Property, plant and equipment

	Land and buildings $	Wharves and jetties $	Plant and equipment $	Vehicles $	Work in Progress $	Total $
Cost						
Balance at 1 October 2017	174,645,012	287,847,180	88,566,228	11,141,993	15,480,403	577,680,816
Acquisitions	150,839	-	21,539,621	12,007,402	20,522,574	54,220,436
Disposals	-	-	(1,860,207)	(432,000)	(52,137)	(2,344,344)
Transfer to investment properties	(1,802,500)	-	-	-	-	(1,802,500)
Transfers (In/(Out))	16,250,650	-	-	-	(16,250,650)	-
Balance at 30 September 2018	189,244,001	287,847,180	108,245,642	22,717,395	19,700,190	627,754,408
Acquisitions	6,148,686	-	12,214,952	812,435	22,756,313	41,932,386
Disposals	(8,950)	-	(2,989,830)	(3,742,417)		(6,741,197)
Transfer to investment properties	-	-				
Transfers (In/(Out))	1,154,871	-	24,574,583		(25,729,454)	-
Balance at 30 September 2019	196,538,608	287,847,180	142,045,347	19,787,413	16,727,049	662,945,597
Accumulated depreciation						
Balance at 1 October 2017 – restated	28,543,830	29,450,163	37,617,210	2,890,266	-	98,501,469
Depreciation charge for the year	5,859,644	8,381,143	7,582,973	1,558,901	-	23,382,661
Disposals	-	-	(1,815,937)	(432,000)	-	(2,247,937)
Balance at 30 September 2018	34,403,474	37,831,306	43,384,246	4,017,167	-	119,636,193
Depreciation charge for the year	5,445,533	8,381,143	10,322,718	1,980,951		26,130,345
Disposals	(8,950)	-	(2,625,309)	(3,942,385)		(6,576,644)
Balance at 30 September 2019	39,840,057	46,212,449	51,081,655	2,055,733	-	139,189,894
Carrying amount						
At 30 September 2017	146,101,182	258,397,017	50,949,018	8,251,727	15,480,403	479,179,347
At 30 September 2018	154,840,527	250,015,874	64,861,396	18,700,228	19,700,190	508,118,215
At 30 September 2019	156,698,551	241,634,731	90,963,692	17,731,680	16,727,049	523,755,703

	2019	2018
	$	$
17. Trade and other payables		
Trade payables	9,698,402	4,442,670
Other payables and accrued expenses	7,493,904	9,613,684
	17,192,306	14,056,354

	2019	2018
18. Employee entitlements		
Current	8,547,190	9,189,699
Non current	1,894,419	1,316,814
	10,441,609	10,506,513
Movement is made up of the following:		
Opening balance	10,506,513	9,030,716
Provisions made during the year	11,428,642	8,300,725
Provisions utilised during the year	(11,493,546)	(6,824,928)
Closing balance	10,441,609	10,506,513

	2019	2018
19. Deferred revenue		
Current	3,510,257	3,510,258
Non-current	161,179,331	164,689,586
	164,689,588	168,199,844
Opening balance	168,199,844	171,710,102
Less: Depreciation charge for the year	3,510,257	3,510,258
Closing balance	164,689,588	168,199,844

The deferred revenue relates to the international wharf which was funded by the Government of Japan. The grant was initially recognised as deferred revenue and subsequently amortized to profit or loss as income on a straight-line basis over the useful life of the acquired asset.

There were no unfulfilled conditions and other contingencies.

20. Equity

Equity comprises of Solomon Island Government contribution, retained earnings and asset revaluation reserves.

Solomon Islands Government equity contribution comprises of initial contribution by the Solomon Islands Government at the inception of the Authority.

21. Related parties

(a) Identity of related parties

The following were Board of Directors of the Authority during the period:

Name	Position	Date Appointed	
Billy Titiulu	Chairman	01/10/18	Resigned on 31/12/18
Harry Kuma	Chairman	31/12/18	Resigned on 30/04/19
Johny Isy	Chairman	01/05/19	
	Vice Chairman	01/01/19	
Michael Water	Board Member	01/12/18	
Humphrey Tura	Board Member	01/10/18	Resigned on 31/01/19
Steven Maesiola	Board Member	01/12/19	
Henry Murray	Deputy Chairman	01/12/19	

Director's fees and related expenses amounting to $1,398,333 were incurred and paid during the period (2018: $2,735,732).

(b) Key management personnel

In addition to the Board of Directors, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly (whether executive or otherwise) of that entity.

During the period, the following persons were the executives identified as key management personnel, with the greatest authority and responsibility for planning, directing and controlling the activities of the Authority.

Name	Designation	
Eranda Kotelawala	Chief Executive Officer	
George Rausi	Chief Financial Officer	
Benny Legua	Director Corporate services	Resigned on 01/08/2019
Glyn Joshua	Director Commercial	Resigned on 01/08/2019
Judah Kulabule	Director Harbour Master	Resigned on 01/08/2019
John Hugo Bugoro	Director Operations	Resigned on 01/08/2019
Ronald Ivupitu	Director Engineering	
Christopher Sade	Noro Port Manager	Appointed on 1st October 2019
Percy Biliki	Director Harbour Master	Appointed on 1st October 2019
James Kabini	Assistant Manager Operations	Appointed on 1st October 2019
John Irofaalu	Assistant Manager Operations	Appointed on 1st October 2019
Maefiri	Assistant Manager Operations	Appointed on 1st October 2019
James Gerea	Head of Human Resources	Appointed on 1st October 2019
Ellison Pade	Chief Information Systems Officer	Appointed on 12th February 2020

The aggregate compensation of the key management personnel for the Authority comprises of short term benefits and is set out below:

	2019	2018
	$	$
Short term benefits	4,548,200	4,344,307

21. Related parties

(c) Amounts receivable related parties

Overpayment of ADB loan by the Authority to SIG	1,583,095	1,583,095

22. Capital commitments

Capital commitments as at 30 September 2019 was $Nil (2018: $0).

23. Contingent liabilities

The Authority is not aware of any contingent liabilities as at 30 September 2019 (2018: $Nil).

24. Events subsequent to balance date

World Health Organisation announced the spread of COVID-19 virus to be a pandemic on 11 March 2020. The impact of the spread of this virus is disrupting travel and businesses in Solomon Island and throughout the world. It is not clear at the time of finalising these financial statements, the impact this will have on services provide by the Authority during 2020. Management and the Board are monitoring developments on an ongoing basis. Other than this, there has not arisen in the interval between the end of the financial period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Authority to affect significantly the operations of the Authority the results of those operations, or the state of affairs of the Authority in subsequent financial years.