

INVESTMENT CORPORATION OF SOLOMON ISLANDS
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

Investment Corporation of Solomon Islands

Financial Statements for the year ended 31 December 2011

Index

	Page No.
State Owned Entity Information	1
Directors' Report	2
Independent Audit Report	4
Statement by Directors	5
Statement of profit and loss and other comprehensive income	6
Statement of Changes in Equity	7
Statement of financial position	8
Cash Flow Statement	9
Notes to and forming part of the Financial Statements	10

Investment Corporation of Solomon Islands Financial Statements State Owned Enterprise Information

The Investment Corporation of Solomon Islands ('the Corporation') is a State Owned Enterprise domiciled in the Solomon Islands

Registered Office

Investment Corporation of Solomon Islands Building, Honiara

Principal Place of Business

Mendana Avenue, Honiara

Directors

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

Investment Corporation of Solomon Islands Financial Statements Directors' Report

The Directors present their report together with the financial statements of Investment Corporation of Solomon Islands ("the Corporation") for the year ended 31 December 2011 and the Independent Audit Report thereon.

Directors

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

P Boyers (Chairman)
D Rarawa
C Hapa
S Alekera
D Aihari
J Maneniaru
G Suri

Principal activities

The principal activity of the Corporation during the course of the financial year ended 31 December 2011 was the management of investments in Solomon Islands portfolio companies.

Operating and financial review

The Corporation achieved a net profit for the year amounting to \$35,584,716 (2010: net profit of \$3,527,299)

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.

Investment Corporation of Solomon Islands Financial Statements Directors' Report - cont'd

Significant Changes in the State of Affairs

In July 2007 the Solomon Island Government passed the State Owned Enterprises Act 2007 and listed Investment Corporation of Solomon Islands as a State Owned Enterprise under the jurisdiction of the Act.

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


- The Minister of Finance and the Responsible Minister (the "accountable Ministers") can direct ICSI to perform a community service obligation (Section 8, 1);
- The accountable Ministers can determine the amount of any dividend payable by ICSI (Section 12, 1b);
- The requirement to issue a Statement of Corporate Objectives that provides disclosure of intended activities, accounting policies, performance targets, dividends and taxes to be paid during the period in question (Section 13, 2);
- The requirement to issue the audited consolidated financial statements of the group within 3 months after the end of the financial year (Section 14, 1b); and
- This act shall prevail where there is any inconsistency in requirements with the Investment Corporation of Solomon Islands Acts (Section 26, 7 and 8).

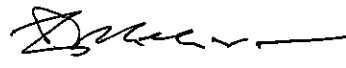
There were no other significant changes in the state of affairs of the Corporation during the year.

Events Subsequent to reporting date

There has not arisen in the interval between the end of the financial year and the date of this report any other item, transaction or event of a material or unusual nature likely to affect significantly the operations of the Corporation, the results of its operations, or the state of affairs of the Corporation in future financial years.

Signed in accordance with a resolution of the Directors.


Name: Christopher Hampa
Director


Name: Denton Ranaiva
Director

Dated at Honiara this 18TH day of DECEMBER 2017.



INDEPENDENT AUDITOR'S REPORT

To the Board of the Investment Corporation of Solomon Islands

Report on the Financial statements

I was engaged to audit the accompanying financial statements of the Investment Corporation of Solomon Islands (ICSI), which comprise the statement of financial position as at 31 December 2011, the statement of profit and loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes 1 to 21 comprising a summary of significant accounting policies and other explanatory information.

Directors' and Management Responsibility for the Financial Statements

Directors and Management are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards, and for such internal control as directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit. The audit has been conducted in accordance with International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion the financial statements give a true and fair view of the financial position of Investment Corporation of Solomon Islands as at 31 December 2011 and its financial performance, its changes in equity and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without modifying my audit opinion, I draw your attention to Note (b) to the financial statement with regards to *Consolidation*. ICSI owned six subsidiaries which were disclosed as Investment in Subsidiaries in the financial statements but are not presented and prepared in accordance with International Accounting Standards (IFRS) 10 "Consolidated Financial Statement" which requires an entity (the *parent*) that controls one or more other entities (*subsidiaries*) to present consolidated financial statements. The financial statements in which the assets, liabilities, equity, income, expenses and cash flows of the **parent** and its **subsidiaries** are presented as those of a single economic entity.

Report on Other legal and Regulatory Requirements

Lack of compliance with Public Finance and Audit Act and State Owned Enterprises Act.

The Corporation 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 responsible Minister before 31 March which is three months after the financial year end. The Management signed financial statements were not presented to me until 6th March 2018.



Peter Lokay
Auditor-General
20 March 2018


Office of the Auditor-General
Honiara, Solomon Islands


Investment Corporation of Solomon Islands Financial Statements Statement by Directors

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

- (a) the financial statements and notes set out on pages 10 to 25:
 - (i) give a true and fair view of the Corporation's financial position as at 31 December 2011 and of its performance for the financial year ended on that date; and
 - (ii) comply with International Financial Reporting Standards;
- (b) there are reasonable grounds to believe that the Corporation will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors.


Name: Christopher Hampa
Director


Name: Denton Rarawa
Director

Dated at Honiara this 18th day of DECEMBER 2017.

Investment Corporation of Solomon Islands Financial Statements
Statement of profit or loss and other comprehensive income
For the year ended 31 December 2011

	Note	2011 \$	2010 \$
Revenue from continuing operation			
Rental income		415,490	834,311
Dividends received		1,075,000	623,585
Other Income		5,851	46,395
Interest income		59,885	589,799
Total revenue from continuing operation		<u>1,556,226</u>	<u>2,094,090</u>
Expenses from continuing operation			
Directors Expenses		28,590	415,062
Employee costs		239,478	417,878
Office and administrative expenses		659,454	559,644
Other Operating expenses		334,643	645,045
Rental property expenses		154,664	359,398
Total expenses from continuing operation		<u>1,416,829</u>	<u>2,397,027</u>
Net profit / (loss) from continuing operation		<u>\$139,397</u>	<u>(\$302,937)</u>
Other comprehensive income for the year			
Gain on reversal of impairment	8	13,225,087	3,830,236
Gain - disposal of investment	8	9,601,755	-
Gain - Loan Forgiveness	13	12,618,477	-
Total other comprehensive income		<u>35,445,319</u>	<u>3,830,236</u>
Total comprehensive income for the year		<u>35,584,716</u>	<u>3,527,299</u>

The profit and loss statement is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 10 to 25

Investment Corporation of Solomon Islands Financial Statements
Statement of Changes in Equity for the year ended 31 December 2011

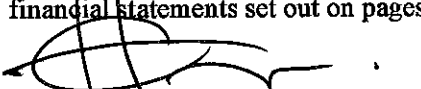
<u>Note</u>	<u>Shareholder Contributions/ Equity</u> \$	<u>General & Asset Revaluation Reserve</u> \$	<u>Retained Earnings/ (Accumulated) Losses</u> \$	<u>Total</u> \$
Balance at 1 January 2010	102,698,795	9887180	(4,231,381)	108,354,594
Net profit / (loss) for the year,	-	-	3,527,299	3,527,299
Balance at 31 December 2010,	<u>102,698,795</u>	<u>9,887,180</u>	<u>(704,082)</u>	<u>111,881,893</u>
Balance of 1st January 2011	102,698,795	9,887,180	(704,082)	111,881,893
Net profit / (loss) for the year	-	-	35,584,716	35,584,716
Balance at 31 December 2011	<u><u>102,698,795</u></u>	<u><u>9,887,180</u></u>	<u><u>34,880,634</u></u>	<u><u>147,466,609</u></u>

The statement of changes in equity is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 10 to 25.

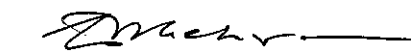
Investment Corporation of Solomon Islands Financial Statements
Statement of financial position as at 31 December 2011

	Note	2011 \$	2010 \$
CURRENT ASSETS			
Cash on hand and at bank	19	27,686,066	7,943,828
Trade and other receivables	4	<u>229,770</u>	<u>504,952</u>
TOTAL CURRENT ASSETS		<u>27,915,836</u>	<u>8,448,780</u>
NON-CURRENT ASSETS			
Interest bearing deposit	20	5,119,585	-
Advances for future share issues	5	-	11,916,209
Other Investments	6	28,831,071	28,831,071
Investment in subsidiaries	8	69,425,087	56,200,000
Investment in associates	9	22,868,537	8,952,328
Investment property	11	8,325,000	8,325,000
Property, plant and equipment	12	<u>2,494,798</u>	<u>2,702,144</u>
TOTAL NON-CURRENT ASSETS		<u>137,064,078</u>	<u>116,926,752</u>
TOTAL ASSETS		<u>164,979,914</u>	<u>125,375,532</u>
CURRENT LIABILITIES			
Trade and other payables	14	793,220	335,405
Solomon Islands Government	15	16,180,328	-
Interest bearing loans and borrowings	13	<u>-</u>	<u>12,618,477</u>
TOTAL CURRENT LIABILITIES		<u>16,973,548</u>	<u>12,953,882</u>
NON-CURRENT LIABILITIES			
Interest bearing loans and borrowings	13	<u>539,757</u>	<u>539,757</u>
TOTAL NON-CURRENT LIABILITIES		<u>539,757</u>	<u>539,757</u>
TOTAL LIABILITIES		<u>17,513,305</u>	<u>13,493,639</u>
NET ASSETS		<u>147,466,609</u>	<u>111,881,893</u>
SHAREHOLDERS' EQUITY			
Shareholder contributions / equity		102,698,795	102,698,795
General Reserves	21	8,806,992	8,806,992
Asset revaluation reserve	22	1,080,188	1,080,188
Retained earnings / (Accumulated losses)		<u>34,880,634</u>	<u>(704,082)</u>
TOTAL SHAREHOLDERS' EQUITY		<u>147,466,609</u>	<u>111,881,893</u>

The statement of financial position is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 10 to 25.



 DIRECTOR



 DIRECTOR

**Investment Corporation of Solomon Islands Financial Statements
Statement of cash flow for the year ended 31 December 2011**

	Note	2011 \$	2010 \$
Cash Flows From Operating Activities			
Cash receipts from customers		685,765	610,172
Cash payments to suppliers and employees		<u>(1,176,413)</u>	<u>(1,957,134)</u>
Cash flows from (used in) operating activities		<u>(490,648)</u>	<u>(1,346,962)</u>
Cash Flows From Investing Activities			
Dividend Received		1,075,000	623,585
Interest Bearing Deposit		(5,119,585)	-
Interest Received		59,885	589,799
Acquisition of property, plant & equipment	12	<u>-</u>	<u>(41,669)</u>
Net cash provided by / (used in) Investing Activities		<u>(3,984,700)</u>	<u>1,171,714</u>
Cash Flows From Financing Activities			
CBSI Gurantee account from SIG - RIPEL Property		<u>24,217,586</u>	<u>-</u>
Net cash provided by / (used in) financing activities		<u>24,217,586</u>	<u>-</u>
Net increase / (decrease) in cash and cash equivalents		19,742,238	(175,248)
Cash and cash equivalents at the beginning of the financial year			
		<u>7,943,828</u>	<u>8,119,076</u>
Cash and cash equivalents at the end of the financial year			
	19	<u><u>27,686,066</u></u>	<u><u>7,943,828</u></u>

The statement of cash flows is to be read in conjunction with the notes to and forming part of the financial statement set out on pages 10 to 25.

Investment Corporation of Solomon Islands
Notes to and forming part of the Financial Statements
31 December 2011

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of Compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') and interpretations adopted by the International Accounting Standards Board as adopted by the Institute of Solomon Islands Accountants.

(b) Basis of Preparation

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

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

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

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

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

The financial statements are presented in Solomon Islands currency, the Solomon Islands dollar (\$), and the balances are rounded to the nearest dollar.

Consolidation

These financial statements represent the transactions, financial performance and financial position of the Corporation. Consolidated financial statements have not been prepared.

(c) Going Concern

The financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. As a going concern, the Corporation is dependent upon the continuing support of the Solomon Islands Government, its bankers and creditors.

The Directors have concluded that the going concern basis is appropriate

Investment Corporation of Solomon Islands
Notes to and forming part of the Financial Statements
31 December 2011

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Foreign Currency

The functional currency adopted in the preparation of the financial statements is the Solomon Islands currency, the Solomon Islands dollar (\$). Transactions in foreign currencies are recorded at the exchange rate at the date of the transaction. Foreign exchange differences arising on translation are recognised in the income statement. Foreign currency monetary assets and liabilities are translated at the exchange rate at the reporting date. Resulting exchange differences are recognised in the income statement for the period. Non-monetary assets and liabilities denominated in foreign currency are recorded at the exchange rate at the date of the transaction and are not translated at the reporting date.

(e) Property, plant and equipment

Items of property, plant and equipment are stated at original cost, deemed cost less accumulated depreciation and impairment losses. Construction costs for self-constructed assets includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads.

Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment and stated at cost until construction or development is complete, at which time it is reclassified as investment property. When the construction or development of a self-constructed investment property is completed and will be carried at fair value, any difference between the fair value of the property at that date and its previous carrying amount is recognised in profit and loss.

Depreciation is charged to the Profit and loss Statement on a reducing basis over the estimated useful lives of each part of an item of property, plant and equipment. Fixed assets are first depreciated in the year of acquisition, or, in the case of construction, in the year of substantial completion of the asset. Land is not depreciated. The rates of depreciation current and comparative periods are as follows:

- Buildings 3-6%
- Motor vehicles 20%
- Office equipment, furniture & fittings 5-20%

Investment Corporation of Solomon Islands
Notes to and forming part of the Financial Statements
31 December 2011

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Impairment

The carrying amounts of all assets carried at cost are reviewed at each balance sheet date to determine whether there is any indication of impairment.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(g) Non-current assets held for sale

Non-current assets that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets are remeasured in accordance with the Corporation's accounting policies. Thereafter generally the assets are measured at the lower of their carrying amount and fair value less cost to sell. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

(h) Trade and other receivables

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

(i) Interest bearing loans and borrowings

Interest bearing loans and borrowings are initially recorded at the net proceeds received. Any discount, premium or other difference between the net proceeds and the redemption value is amortised and included in finance costs over the term of the loan.

If debt is repurchased or settled before maturity, any difference between the amount repaid and the carrying amount is recognised immediately in the profit and loss account.

(j) Provisions

Provisions are recognised when the Corporation has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Investment Corporation of Solomon Islands
Notes to and forming part of the Financial Statements
31 December 2011

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Revenue

Revenue from services rendered is recognised in the Profit and Loss Statement in proportion to the stage of completion of the transaction at the balance sheet date.

No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, the costs incurred or to be incurred cannot be measured reliably, there is a risk of return of goods or there is continuing management involvement with the goods.

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease.

(l) Trade and other payables

Trade and other payables are stated cost.

(m) Taxation

The Corporation is exempt from income tax in terms of paragraph 19(1) of the Investment Corporation of Solomon Islands Act.

(n) Investment Property

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are stated at fair value. Fair value has been determined as the lower of the latest available independent valuations.

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

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

Investment Corporation of Solomon Islands
Notes to and forming part of the Financial Statements
31 December 2011

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Investments

Financial instruments

Financial instruments held for trading are classified as current assets and are stated at fair value, with any resultant gain or loss recognised in the Profit and Loss Statement.

Other financial instruments held by the Corporation are classified as being available-for-sale and are stated at fair value, with any resultant gain or loss being recognised directly in equity, except for impairment losses. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in the Profit and Loss Statement.

The fair value of financial instruments classified as held for trading and available-for-sale is their quoted bid price at the balance sheet date. For financial instruments which are not actively traded in an open market, the fair value is determined by reference to the investee's net asset value as stated in its most recent financial statements.

Financial instruments classified as held for trading or available-for-sale investments are recognised / derecognised by the Corporation on the date it commits to purchase / sell the investments. Securities held-to-maturity are recognised / derecognised on the day they are transferred to / by the Corporation.

Associates

Associates are those entities in which the Corporation has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Corporation holds between 20 and 50 percent of the voting power of another entity. Associates are accounted for using the cost method.

Subsidiaries

Subsidiaries are entities controlled by the Corporation. Control exists when the Corporation has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, currently exercisable potential voting rights are taken into account. In the Corporation's financial statements, investments in subsidiaries are carried at cost.

(p) Cash and cash equivalents

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

(q) Employee benefits

The Corporation's obligation in respect of long-term service benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods.

Liabilities for employee benefits for wages, salaries, annual leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to reporting date, are calculated at amounts based on remuneration wage and salary rates that the Corporation expects to pay as at reporting date including related on-costs.

Investment Corporation of Solomon Islands
Notes to and forming part of the Financial Statements
31 December 2011

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Expenses

Operating lease payments

Payments made under operating leases are recognized in the Profit and Loss Statement on a straight-line basis over the term of the lease.

Financial costs

Financial costs comprise interest payable on borrowings calculated using the effective interest method, dividends on redeemable preference shares, interest receivable on funds invested, dividend income, foreign exchange gains and losses.

(s) Financial income

Interest income is recognised in the Profit and Loss Statement as it accrues, using the effective interest method. Dividend income is recognised in the Profit and Loss Statement on the date the entity's right to receive payments is established which in the case of quoted securities is ex-dividend date.

(t) Reclassification

Prior year balances have been reclassified to the correspond to th current year presentation where considered necessary

Investment Corporation of Solomon Islands
Notes to and forming part of the Financial Statements
31 December 2011

2. NET PROFIT

Net profit for the year includes the following items
of income and expense:

	2010	2010
	\$	\$
Income:		
Interest received - Term deposit	59,885	589,799
Expense:		
Depreciation of fixed assets	196,400	223,439
Employer contributions to NPF	22,233	22,233
Staff costs	239,478	239,478

3. EMPLOYEE

The number of employees at the end of the year was 4 (2010: 4).

4. TRADE AND OTHER RECEIVABLES

	2011	2010
	\$	\$
Current Assets		
Rent receivable	227,700	492,124
Owing from Directors	-	169,000
Less: Impairments	-	(169,000)
Insurance Prepayments	-	7,758
Staff Accounts	2,070	5,070
	<u>229,770</u>	<u>504,952</u>

Investment Corporation of Solomon Islands
Notes to and forming part of the Financial Statements
31 December 2011

5. ADVANCE FOR FUTURE SHARE ISSUES		2011	2010
		\$	\$
Kolombangara Forest Products Limited		-	11,916,209
		<u>-</u>	<u>\$ 11,916,209</u>

During 2006 financial year, the European Commission agreed to provide grant-funding to Kolombangara Forest Products Limited ('KFPL') on behalf of the Corporation.

From 2007 to 2010 that payment was treated as advance for future shares. In 2011 the payment was adjusted as part of the investment in KFPL. This was done in order to attract and maintain the confidence of the new investor (The Nien family).

6. OTHER INVESTMENTS		2011	2010
	Ownership	\$	\$
Available for sale investments			
Solomon Telekom Company Limited	10.0%	21,000,000	21,000,000
Pacific Forum Line	<1%	126,430	126,430
Other Investments			
Development Bank of Solomon Islands	90%	7,704,590	7,704,590
Soltai Fishing and Processing Limited	10.2%	51	51
		<u>28,831,071</u>	<u>28,831,071</u>

Available for sale investments represent shares held by the Corporation in other entities. The Corporation's percentage ownership of those entities is 10% or less. The Corporation accounts for its investment in these entities as available for sale assets, which means that at the end of each financial year, the Corporation adjusts the carrying value of those investments to reflect their fair value with a corresponding entry recorded in equity.

The Corporation first applied this accounting policy in the 2006 financial year.

Investment Corporation of Solomon Islands
Notes to and forming part of the Financial Statements
31 December 2011

7. LOANS	2011	2010
	\$	\$
Loans		
Sasape Marina Limited	-	421,767
Solomon Islands Printers Limited	3,463,757	3,463,757
Soltai Fishing & Processing Limited	8,931,833	8,931,833
	<u>12,395,590</u>	<u>12,817,357</u>
Impairments of loans		
Sasape Marina Limited	-	421,767
Solomon Islands Printers Limited	3,463,757	3,463,757
Soltai Fishing & Processing Limited	8,931,833	8,931,833
	<u>12,395,590</u>	<u>12,817,357</u>
Carrying value of loans		
Sasape Marina Limited	-	-
Solomon Islands Printers Limited	-	-
Soltai Fishing & Processing Limited	-	-
	<u>-</u>	<u>-</u>

Sasape Marina Limited was liquidated during the year

On 4 December 2000, the Solomon Islands National Provident Fund Loan of \$2,098,465 owing by Solomon Islands Printers Limited was transferred to Investment Corporation of Solomon Islands, with a corresponding receivable from Solomon Islands Printers Limited being recognised.

On 21 March 2000, the Investment Corporation of Solomon Islands board resolved that the balance of its loan to Solomon Islands Printers Limited, being \$1,365,292 at that time, be converted to shares. However, as at the end of the current year, the conversion has not been formalised by Solomon Islands Printers Limited.

Investment Corporation of Solomon Islands
Notes to and forming part of the Financial Statements
31 December 2011

8. INVESTMENT IN SUBSIDIARIES

	Ownership	2011 \$	2010 \$
Investments			
Sasape Marina Limited	100%	-	4,904,411
Solomon Airlines Limited	100%	70,969,764	70,969,764
Soltai Fishing & Processing Limited	51%	-	-
Solomon Taiyo Limited	100%	2,000,000	2,000,000
Solomon Islands Printers Limited	100%	2,000,000	2,000,000
Solomon Islands Plantation Limited	97%	12,998,042	12,998,042
		<u>87,967,806</u>	<u>92,872,217</u>
Impairments of investments			
Sasape Marina Limited		-	4,904,411
Solomon Airlines Limited		4,044,677	17,269,764
Soltai Fishing & Processing Limited		-	-
Solomon Taiyo Limited		2,000,000	2,000,000
Solomon Islands Printers Limited		2,000,000	2,000,000
Solomon Islands Plantation Limited		10,498,042	10,498,042
		<u>18,542,719</u>	<u>36,672,217</u>
Carrying value of investments			
Sasape Marina Limited		-	-
Solomon Airlines Limited		66,925,087	53,700,000
Soltai Fishing & Processing Limited		-	-
Solomon Taiyo Limited		-	-
Solomon Islands Printers Limited		-	-
Solomon Islands Plantation Limited		2,500,000	2,500,000
		<u>69,425,087</u>	<u>56,200,000</u>

Sasape Marina Limited was liquidated during the year

The impairment of Solomon Airlines amounting to \$13,225,087 was reversed during the year, to match the net assets of Solomon Airlines as at 31 December 2011.

9. INVESTMENTS IN ASSOCIATES

Investments			
Kolombangara Forest Products Limited	40%	<u>22,868,537</u>	<u>8,952,328</u>
		<u>22,868,537</u>	<u>8,952,328</u>

The investment in Kolombangara Forest Products Limited ('KFPL') is accounted for on cost basis. Refer to note 5 for detail.

Investment Corporation of Solomon Islands
Notes to and forming part of the Financial Statements
31 December 2011

10. NET ASSETS OF ASSOCIATES

The Corporation's share of net profit in Kolombangara Forest Products Limited for the year was \$17,111,716 (2010: Share of the restated profit was \$3,122,666).

Summary financial information for Kolombangara Forest Plantations, not adjusted for the percentage ownership of the Corporation was:

	2011 \$	2010 \$ Restated
Total Assets	228,335,282	187,509,828
Total Liabilities	82,026,129	78,549,011
Net Profit/(Loss)	42,779,289	7,806,666

11. INVESTMENT PROPERTY

Opening Balance	8,325,000	8,325,000
Acquisition	-	-
Reclassification from property, plant and equipment	-	-
Revaluation/ Change in fair value	-	-
Closing balance	<u>8,325,000</u>	<u>8,325,000</u>

In 2009 a revaluation of land & building was done by , SC Sanders O'connor and Company , and independent valuer. Prior to the revaluation, all buildings are recorded as property, plant & equipment as one item in the fix asset register. After revaluation, book value of land & building was written off against property, plant & equipment and all buildings use to genererate rental income was classified as investment property.

Leases as lessor

ICSI leases out its investment property under operating leases.

During the year ended 31 December 2011, \$415,490 was recognised as rental income in the income statement (2010 \$834,311) and \$154,664 in respect of repairs and maintenance was recognised as an expense in the income statement relating to investment property (2010: \$359,398).

Investment Corporation of Solomon Islands
Notes to and forming part of the Financial Statements
31 December 2011

12. PROPERTY, PLANT AND EQUIPMENT

<u>Cost/Valuation</u>	<u>Buildings</u> \$	<u>Motor Vehicle</u> \$	<u>Office Equipments Furnitures & Fittings</u> \$	<u>Total</u> \$
At 1 January 2011	2,200,000	522,973	602,766	3,325,739
Additions during the year	-	-	-	-
Disposals/Transfers during the year	-	-	(24,999)	(24,999)
At 31 December 2011	<u>2,200,000</u>	<u>522,973</u>	<u>577,767</u>	<u>3,300,740</u>
<u>Accumulated depreciation</u>				
At 1 January 2011	157,500	141,861	324,234	623,595
Charge for the year	78,750	76,222	41,428	196,400
Disposals/Transfers during the year	-	-	(14,053)	(14,053)
At 31 December 2011	<u>236,250</u>	<u>218,083</u>	<u>351,609</u>	<u>805,942</u>
<u>Book value</u>				
At 1 January 2011	<u>2,042,500</u>	<u>381,112</u>	<u>278,532</u>	<u>2,702,144</u>
At 31 December 2011	<u>1,963,750</u>	<u>304,890</u>	<u>226,158</u>	<u>2,494,798</u>

Buildings were revalued at 6 March 2009 by an independent valuer, SC Sanders O'connor and Company Limited.

13. INTEREST BEARING LOANS AND BORROWINGS

	2011 \$	2010 \$
Current		
Loan from Maruha	-	12,618,477
Loan from Soltai	-	-
	<u>-</u>	<u>12,618,477</u>
Non Current		
Loan from Soltai fishing & processing Ltd	539,757	539,757
	<u>539,757</u>	<u>539,757</u>

The Corporation entered into an Agreement dated 22 August 2001 with Maruha Corporation (an entity incorporated in Japan) whereby Maruha loaned the Corporation ¥229,174,947 (\$11,533,741 as at the date of the agreement) to enable the Corporation to extinguish a debt owing by Solomon Taiyo Limited to the National Bank of Solomon Islands. A corresponding receivable (Note 7) was recorded from Soltai Fishing & Processing Limited (a subsidiary of the Corporation into which the Solomon Taiyo Limited operations were transferred). The receivable from Soltai is recorded as a Non-Current Asset and has been impaired by the Corporation.

The loan from Maruha is unsecured, interest free and was repayable in three equal instalments on 22 September 2001, 22 March 2002 and 22 September 2002.

Prior to 2005, Soltai repaid ¥43,636,398 (\$2,601,908) of the Maruha loan on behalf of the Corporation. As at 31 December 2011, the loan was forgiven and was taken over by the the solomon Islands government.

The amount owing to Soltai Fishing and Processing Limited amounting to \$539,797 (2008: \$539,797) is unsecured, interest free and repayable on demand.

Investment Corporation of Solomon Islands
Notes to and forming part of the Financial Statements
31 December 2011

14. TRADE AND OTHER PAYABLES	2011	2010
	\$	\$
Staff accounts	70,227	65,090
NPF Payable (5% & 7.5%)	22,321	22,233
WHT - Rentals	(350)	(350)
Tax on Directors Fees	3,726	3,726
Tax on Gratuity Payments	13,333	13,333
Trade Creditors	7,766	13,656
Sasape Marina Slipway Fund	73,072	126,971
Tenants Refunable Bond	74,000	44,000
Paye tax	16,427	4,046
Other Current Liabilities	512,700	42,700
	793,220	335,405

15. SOLOMON ISLAND GOVERNMENT

The following transaction takes place during the year between Solomon Islands Government and the Corporation

Gain on sale of Sasape Marina Limited taken by SIG	(9,601,755)	-
SIG Advance to ICSI - KFPL	2,000,000	-
SIG advance to ICSI - RIPEL Property	24,217,586	-
SI Printers redundancy payments on behalf of SIG	(435,503)	-
	16,180,328	-

16. RELATED PARTIES

Solomon Islands Government

Controlled entities

Sasape Marine Limited
Solomon Airlines Limited
Solomon Taiyo Limited
Solomon Islands Printers Limited
Solomon Islands Plantation Limited

Associates

Kolombangara Forest Products Limited

Other investments

Solomon Telekom Company Limited
Development Bank of Solomon Islands
Pacific Forum Line
Soltai fishing & Processing Limited

Refer to notes 7 and 13 for details of loan amounts owing to and by related party entities. There were no trade transactions during the year with these entities, nor any trade balances at year end due to or from related parties.

Directors remuneration

The directors received total remuneration during the year of \$28,590 (2010: \$415,062)

Investment Corporation of Solomon Islands
Notes to and forming part of the Financial Statements
31 December 2011

17. COMMITMENTS AND CONTINGENCIES

Contingent liabilities

The Corporation and the Solomon Islands Government agreed that some debts settled by the Solomon Islands Government from a loan on behalf of Soltai Fishing & Processing Limited (previously on behalf of Solomon Taiyo Limited) is to be recognised as a Corporation liability. The liability amounted to \$71,892,358 at the exchange rate ruling at the time of signing the memo dated 22 August 2001.

The Corporation is contingently liable as guarantor of the amount owing by its subsidiary company, Solomon Airlines Limited, to Shell Company (Pacific Islands) Limited.

Commitments

As described in Note 5, the Corporation has committed to increasing its investment in Kolombangara Forest Products Limited.

18. FINANCIAL INSTRUMENTS

Exposure to credit, interest rate and currency risks arises in the normal course of business.

Credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The Corporation does not require collateral in respect of financial assets.

Investments are allowed only in liquid securities and only with counterparties that have a credit rating equal to or better than the Corporation.

At the balance sheet date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

Investment Corporation of Solomon Islands
Notes to and forming part of the Financial Statements
31 December 2011

18. FINANCIAL INSTRUMENTS – cont'd

Interest rate risk

The effective interest rates applicable to financial assets and liabilities at the balance date, and the term to maturity are set out below:

	Note	Effective Interest rate %	Total	Less than 1 Year	1 to 2 years	2 to 5 years
2011						
Cash & Cash equivalent	19	2	27,686,066	27,686,066	-	-
Trade and other receivables	4	0	229,770	229,770	-	-
Interest bearing deposit	20	6	5,119,585	5,119,585	-	-
Trade and other payables	14	0	(793,220)	(793,220)	-	-
			<u>32,242,201</u>	<u>32,242,201</u>	-	-
2010						
Cash & Cash equivalent	19	2	7,943,828	7,943,828	-	-
Trade and other receivables	4	0	247,033	247,033	-	-
Trade and other payables	14	0	(239,244)	(239,244)	-	-
			<u>7,951,617</u>	<u>7,951,617</u>	-	-

Foreign currency risk

The Corporation is exposed to foreign currency risk on borrowings that are denominated in a currency other than the SBD\$. The currencies giving rise to this risk are primarily Japanese Yen.

Sensitivity analysis

In managing interest rate and currency risks the Corporation aims to reduce the impact of short-term fluctuations on its earnings. Over the longer-term, however, permanent changes in foreign exchange and interest rates would have an impact on State Owned Enterprise's earnings.

Fair values

The carrying amounts of assets and liabilities shown in the statement of financial position approximates their fair

Investment Corporation of Solomon Islands
Notes to and forming part of the Financial Statements
31 December 2011

19. CASH AND CASH EQUIVALENTS	2011	2010
	\$	\$
Petty cash	1,920	1,920
BSP bank account	1,348,277	763,924
CBSI call account	88,184	88,185
CBSI - ICSI Guarantee A/C - RIPEL	24,217,586	-
ANZ Term Deposits	2,030,099	7,089,799
	<u>27,686,066</u>	<u>7,943,828</u>
20. INTEREST-BEARING DEPOSITS		
CREDIT-CORP	<u>5,119,585</u>	<u>-</u>
	<u>5,119,585</u>	<u>-</u>
21. GENERAL RESERVES		
Opening balance	8,806,992	8,806,992
		-
Closing balance	<u>8,806,992</u>	<u>8,806,992</u>
22. ASSET REVALUATION RESERVE	\$	\$
Opening balance	1,080,188	1,080,188
Revaluation increment during the year	-	-
Balance at 31 December	<u>1,080,188</u>	<u>1,080,188</u>
23. PRIOR YEAR ADJUSTMENTS		
Reversal of equity method to at cost method	-	11,073,294
Write off prior year dividend receivable	-	1,455,936
Term Deposit as per Bank confirmation	-	(2,000,000)
Write off Investment Property- no supporting	-	2,482,389
BSP Bank account as per Bank confirmation	-	(180,046)
	<u>-</u>	<u>2,302,343</u>

In 2010, it was discovered that equity methods of investment that was adopted for Kolombangara forest plantation limited does not support IAS 27 paragraph 38 or IAS 39. Equity method was adopted in 2006 and as of 31 Dec 2008 retained earnings has been overstated by \$11,073,294. Further, dividend receivable from telekom worth \$1,455,936 was paid in prior years resulting in overstating of income in the year it was paid.