

INVESTMENT CORPORATION OF SOLOMON ISLANDS
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

Investment Corporation of Solomon Islands

Financial Statements for the year ended 31 December 2015

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Investment Corporation of Solomon Islands 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 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 2015 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
G Suri
B. Titiulu
H. Kuma

Principal activities

The principal activity of the Corporation during the course of the financial year ended 31 December 2015 was the management of investments in Solomon Islands portfolio companies.

Operating and financial review

The Corporation incurred a net profit for the year amounting to \$2,636,937 (2014: net profit \$2,565,096)

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 Directors' Report - cont'd

Significant Changes in the State of Affairs

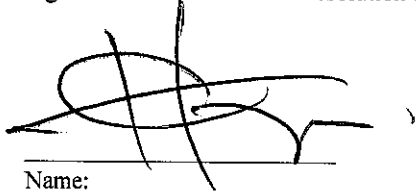
In July 2007 the Solomon Island Government passed the State Owned Enterprises Act 2007 and listed Investment Corporation of Solomon Islands as a State Owned Enterprise under the jurisdiction of the Act.

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

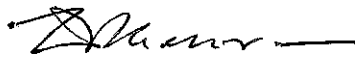
- The Minister of Finance and the Responsible Minister (the "accountable Ministers") can direct the Corporation to perform a community service obligation (Section 8, 1);
- The accountable Ministers can determine the amount of any dividend payable by the Corporation (Section 12, 1b);
- The requirement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

Signed in accordance with a resolution of the Directors.



Name:
Director



Name:
Director

Dated at Honiara this 24th day of September 20 20.

Solomon Islands Office of the Auditor-General



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INVESTMENT CORPORATION OF SOLOMON ISLANDS

Report on the Audit of the Financial Statements

Disclaimer of Opinion

I was engaged to audit the financial statements of Investment Corporation of Solomon Island ("the Corporation") which comprise the Statement of Financial position as at 31 December 2015, and the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

I do not express an opinion on the accompanying financial statements of the Corporation. Because of the significance of the matters described in the *Basis for Disclaimer of Opinion* section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

I am unable to rely on the financial statement as true and fair and express confidence in the preparation of the financial statements. Through discussions with the management, observations and audit evidences obtained, I have concluded that the basis for the preparation of the financial statements are limited from the following:

Un-supported general journals

There were unsupported general journal entries recorded in the general ledger of \$117 million for the financial year 31 December 2015. As a result, I was unable to verify the accuracy, completeness and occurrence of these general journal entries to obtain reasonable assurance over the validity of the journals reported balance as at 31 December 2015 and determine what adjustments might be necessary to the amounts and disclosures in the financial statements.

Revenue and Trade Receivables

Our testing in 2012 found there were missing tenancy agreements for the rental of investment properties, detail calculations of the dividend received and invoices for the financial year. These issues have been unresolved resulting in ongoing missing evidence to support revenue in 2015. As a result I was unable to verify the completeness and accuracy of the revenue collected for the year ended 31 December 2015 and the accuracy of the receivable balances. I was unable to determine whether any adjustment might be necessary to the amount and disclosures in the financial statements.

Expenditure

There were poor internal control over the disbursement of the Corporation fund. Our testing in 2012 found missing payment vouchers to support Board of Directors allowances and repair and maintenance expenses. These issues have been unresolved with ongoing filing issues resulting in missing evidence in 2015. As a result I was unable to verify the completeness and accuracy of the expenditure for the year ended 31 December 2015. I was unable to determine whether any adjustment might be necessary to the amount and disclosures in the financial statements.

Un-supported Investments in Subsidiaries, Associates and Other Investments

Due to the absence of sufficient supporting documents I was unable to confirm the accounting treatment and verify the completeness, existence and accuracy and valuation of the Investments in subsidiaries, associates and other investments totalling \$150 million. As a result I am unable to confirm or verify by alternative means the carrying amount of these balances included in the financial statements as at 31 December 2015 and determine whether any adjustments might be necessary to the amounts and disclosures in the financial statements.

Property Plant and Equipment and Investment Property

Due to the absence of fair value assessments conducted on the investment property and property plant and equipment at the reporting date I was unable to verify the valuation of the non-current asset balances totalling \$8.5 million and \$2.5 million respectively and accuracy of any associated depreciation expenses.

Due to the absence of the asset verification conducted at reporting dates I was unable to satisfy myself as to the existence, completeness and accuracy of the investment property and property plant and equipment at the reporting date.

As a results I am unable to confirm or verify by alternative means the carrying amount of investment property and property plant and equipment included in the financial statements as at 31 December 2015 and determine whether any adjustments might be necessary to the amounts and disclosures in the financial statements.

Solomon Islands Government Liability

Due to the absence of sufficient supporting documents to support the opening balance of the liability and the payment of shares for Soltuna I was unable to confirm the ongoing accounting treatment and accuracy of the balance as a Solomon Island Government Liability. As a result I am unable to confirm or verify by alternative means the carrying amount of \$16 million for the Solomon Islands Government Liability included in the financial statements as at 31 December 2015 and determine whether any adjustments might be necessary to the amounts and disclosures.

Petty Cash Balance

Due to absence of cash count verification at the reporting date I was unable to satisfy myself as to the existence, completeness and accuracy of the petty cash balance disclosed in the financial statement.

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 International Financial Reporting Standards and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the financial statements, the management are responsible for assessing the Corporation'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 intend to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

My responsibility is to conduct an audit of the Corporation's financial statements in accordance with International Standards of Supreme Audit Institutions (ISSAIs) and to issue an auditor's report. However, because of the matters described in the *Basis for Disclaimer of Opinion* section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

I am independent of the Corporation in accordance with International Organisation of Supreme Audit Institutions (INTOSAI) Code of Ethics, 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.

Report on Other Legal and Regulatory Requirements

Lack of compliance with the Investment Corporation of Solomon Islands Act (Cap 143)

The Investment Corporation of Solomon Island's Board of Directors has not complied with Section 18 of ICSI Act which requires the accounts of the Corporation to be audited annually. The Management signed financial statements were not presented to me until 24th September 2020 which is after the ICSI Act requirement.



Peter Lokay

Auditor-General

29th September 2020

Office of the Auditor-General

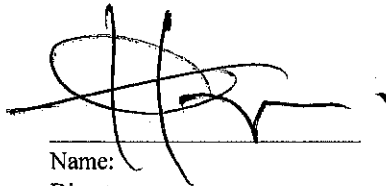
Honiara, Solomon Islands

Investment Corporation of Solomon Islands 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 2015 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:
Director



Name:
Director

Dated at Honiara this 24th day of September 2020.

Investment Corporation of Solomon Islands
Statement of profit or loss and other comprehensive income
For the year ended 31 December 2015

	Note	2015 \$	2014 \$
Revenue			
Dividends received		884,313	1,055,145
Rental income		1,024,500	1,084,800
Interest income		221,583	354,022
Other Income		14,811	20,194
		<u>2,145,207</u>	<u>2,514,161</u>
Total Income			
Expenses			
Directors Expenses		95,380	93,990
Depreciation Expense	11	256,954	207,011
Employee costs		261,133	297,612
Office and administrative expenses		393,399	417,630
Other Operating expenses		11,649	37,173
Rental property expenses		331,707	323,319
		<u>1,350,223</u>	<u>1,376,734</u>
Total expenses			
Net profit / (loss) for the year		<u>794,983</u>	<u>1,137,427</u>
Other comprehensive income for the year			
Gain on disposal of investment		-	1,437,796
Losses - disposal of investment		(2,122)	(10,127)
		<u>(2,122)</u>	<u>1,427,669</u>
Total other comprehensive income			
Total comprehensive income for the year		<u>792,862</u>	<u>2,565,096</u>

Investment Corporation of Solomon Islands
Statement of Changes in Equity for the year ended 31 December 2015

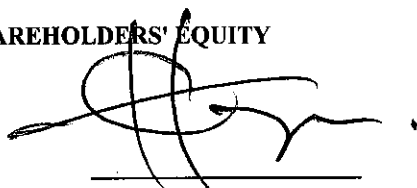
<u>Note</u>	<u>Shareholder Contributions/ Equity</u> \$	<u>Asset Revaluation Reserve</u> \$	<u>Retained Earnings/ (Accumulated) Losses</u> \$	<u>Total</u> \$
Balance at 1 January 2014	102,698,795	9,887,180	37,495,227	150,081,202
Net profit / (loss) for the year, as previously reported	-	-	2,565,096	2,565,096
Correction of prior years	-	-	78,782	78,782
Balance at 31 December 2014	<u>102,698,795</u>	<u>9,887,180</u>	<u>40,139,105</u>	<u>152,725,080</u>
Balance at 1 January 2015	102,698,795	9,887,180	40,139,105	152,725,080
Correction of prior years	-	-	-	-
Net profit / (loss) for the year	-	-	792,862	792,862
Balance at 31 December 2015	<u><u>102,698,795</u></u>	<u><u>9,887,180</u></u>	<u><u>40,931,967</u></u>	<u><u>153,517,942</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 12 to 27.

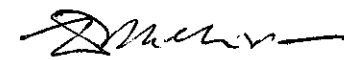
Investment Corporation of Solomon Islands
Statement of financial position as at 31 December 2015

	Note	2015 \$	2014 \$
CURRENT ASSETS			
Cash on hand and at bank	18	5,001,923	5,452,047
Trade and other receivables	4	<u>164,616</u>	<u>183,939</u>
TOTAL CURRENT ASSETS		<u>5,166,539</u>	<u>5,635,986</u>
NON-CURRENT ASSETS			
Interest bearing deposit	19	3,696,317	6,077,136
Other Investments	5	53,934,746	53,934,746
Investment in subsidiaries	7	69,425,087	69,425,087
Investment in associates	8	26,685,331	22,868,537
Investment property	10	8,325,000	8,325,000
Property, plant and equipment	11	<u>2,527,532</u>	<u>2,667,847</u>
TOTAL NON-CURRENT ASSETS		<u>164,594,012</u>	<u>163,298,353</u>
TOTAL ASSETS		<u>169,760,552</u>	<u>168,934,339</u>
CURRENT LIABILITIES			
Trade and other payables	12	266,570	233,220
Solomon Islands Government	13	<u>15,976,039</u>	<u>15,976,039</u>
TOTAL CURRENT LIABILITIES		<u>16,242,609</u>	<u>16,209,259</u>
NON-CURRENT LIABILITIES			
Interest bearing loans or borrowings		<u>-</u>	<u>-</u>
TOTAL NON-CURRENT LIABILITIES		<u>-</u>	<u>-</u>
TOTAL LIABILITIES		<u>16,242,609</u>	<u>16,209,259</u>
NET ASSETS		<u>153,517,942</u>	<u>152,725,080</u>
SHAREHOLDERS' EQUITY			
Shareholder contributions / equity		102,698,795	102,698,795
General Reserves	20	8,806,992	8,806,992
Asset revaluation reserve	21	1,080,188	1,080,188
Retained earnings / (Accumulated losses)		<u>40,931,967</u>	<u>40,139,105</u>
TOTAL SHAREHOLDERS' EQUITY		<u>153,517,942</u>	<u>152,725,080</u>

DIRECTOR



DIRECTOR



Investment Corporation of Solomon Islands
Statement of cash flow for the year ended 31 December 2015

	Note	2015 \$	2014 \$
Cash Flows From Operating Activities			
Cash receipts from customers		3,846,663	1,104,994
Cash payments to suppliers and employees		<u>(1,053,187)</u>	<u>(685,799)</u>
Cash flows from (used in) operating activities		<u>2,793,476</u>	<u>419,195</u>
Cash Flows From Investing Activities			
Payments for PPE		(118,761)	(797,595)
Dividends		911,136	1,058,444
Interest Received		(219,180)	(354,021)
Payments for KFPL shares		(3,816,794)	565,450
Proceed from sale of shares		-	872,346
Net cash provided by / (used in) Investing Activities		<u>(3,243,599)</u>	<u>1,344,623</u>
Cash Flows From Financing Activities			
		-	-
Net cash provided by / (used in) financing activities		<u>-</u>	<u>-</u>
Net cash provided by / (used in) financing activities		<u>-</u>	<u>-</u>
Net increase / (decrease) in cash and cash equivalents		(450,124)	1,763,818
Cash and cash equivalents at the beginning of the financial year		<u>5,452,047</u>	<u>3,688,229</u>
Cash and cash equivalents at the end of the financial year	18	<u>5,001,923</u>	<u>5,452,047</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 12 to 27.

Investment Corporation of Solomon Islands
Financial Statements for the year ended 31 December 2015
Notes to and forming part of the accounts

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 was rounded off 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
Financial Statements for the year ended 31 December 2015
Notes to and forming part of the accounts (continued)

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 profit and loss statement. Foreign currency monetary assets and liabilities are translated at the exchange rate at the balance date. Resulting exchange differences are recognised in the profit and loss account for the period. Non-monetary assets and liabilities denominated in foreign currency are recorded at the exchange rate at the date of the transaction.

(e) Property, plant and equipment

Items of property, plant and equipment are stated at original cost except for land and building, deemed cost less accumulated depreciation and impairment losses. Land and buildings are stated at revalued amount less accumulated depreciation. It was revalued as at 2009 by SC Sanders O'connor and Company Limited, a qualified licensed independent valuer.

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
Financial Statements for the year ended 31 December 2015
Notes to and forming part of the accounts (continued)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Impairment

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

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in 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
Financial Statements for the year ended 31 December 2015
Notes to and forming part of the accounts (continued)

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 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, indexed during intervening years by the official CPI index of the Solomon Islands, and the present value of future cash flows from the investment properties, as described below.

The valuations are prepared by considering the aggregate of the net annual rents receivable from the properties and where relevant, associated costs. A yield which reflects the specific risks inherent in the net cash flows is then applied to the net annual rentals to arrive at the property valuation. Valuations reflect, where appropriate; the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting of vacant accommodation and the market's general perception of their credit-worthiness; the allocation of maintenance and insurance responsibilities between lessor and lessee; and the remaining economic life of the property. It has been assumed that whenever rent reviews or lease renewals are pending with anticipated reversionary increases, all notices and where appropriate counter notices have been served validly and within the appropriate time.

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, fixtures and fittings 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
Financial Statements for the year ended 31 December 2015
Notes to and forming part of the accounts (continued)

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.

Where the Corporation has the positive intent and ability to hold investments to maturity, they are stated at amortised cost less impairment losses.

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
Financial Statements for the year ended 31 December 2015
Notes to and forming part of the accounts (continued)

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 correspond to the current year presentation where considered necessary

Investment Corporation of Solomon Islands
Financial Statements for the year ended 31 December 2015
Notes to and forming part of the accounts (continued)

2. INCOME:	2015	2014
	\$	\$
Interest received - Term Deposit	221,752	353,853
Dividend - Solomon Telekom	884,313	1,055,145
	<u>1,106,064</u>	<u>1,408,998</u>
EXPENSE:		
Depreciation	256,954	207,011
Staff Costs	261,133	297,612
	<u>518,088</u>	<u>504,623</u>
3. Employee		
The number of employees at the end of the year was 4 (2014: 4).		
4. TRADE AND OTHER RECEIVABLES	2015	2014
	\$	\$
Current Assets		
Dividend Receivables	89,316	116,139
Rental Income	72,000	57,600
Staff Accounts	3,300	10,200
	<u>164,616</u>	<u>183,939</u>

Investment Corporation of Solomon Islands
Financial Statements for the year ended 31 December 2015
Notes to and forming part of the accounts (continued)

5. OTHER INVESTMENTS	Ownership	2015 \$	2014 \$
Available for sale investments			
Solomon Telekom Company Limited	10.0%	21,000,000	21,000,000
Pacific Forum Line	<1%	-	-
Other Investments			
Development Bank of Solomon Islands	90%	7,704,590	7,704,590
Soltuna Limited	4.6%	25,230,156	25,230,156
		<u>53,934,746</u>	<u>53,934,746</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 investment in the Development Bank of Solomon Islands represents the Corporation's 90% holding in the Development Bank. The investment is accounted for at cost.

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Financial Statements for the year ended 31 December 2015
Notes to and forming part of the accounts (continued)

6. LOANS	2015	2014
	\$	\$
Loans		
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>12,395,590</u>
Impairments of loans		
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>12,395,590</u>
Carrying value of loans		
Solomon Islands Printers Limited	-	-
Soltai Fishing & Processing Limited	-	-
	<u>-</u>	<u>-</u>

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.

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Financial Statements for the year ended 31 December 2015
Notes to and forming part of the accounts (continued)

7. INVESTMENT IN SUBSIDIARIES

	Ownership	2015 \$	2014 \$
Investments			
Solomon Airlines Limited	100%	70,969,764	70,969,764
Solomon Islands Plantation Limited	97%	12,998,042	12,998,042
		<u>83,967,806</u>	<u>83,967,806</u>
Impairments of investments			
Solomon Airlines Limited		4,044,677	4,044,677
Solomon Islands Plantation Limited		10,498,042	10,498,042
		<u>14,542,719</u>	<u>14,542,719</u>
Carrying value of investments			
Solomon Airlines Limited		66,925,087	66,925,087
Solomon Islands Plantation Limited		2,500,000	2,500,000
		<u>69,425,087</u>	<u>69,425,087</u>

8. INVESTMENTS IN ASSOCIATES

	2015	2014
Kolombangara Forest Plantation Limited		
Percentage Ownership Interest	33%	25%
Opening	22,868,537	22,868,537
Shareholders contribution	-	-
Payment of additional shares	3,816,794	-
Closing Balance	<u>26,685,331</u>	<u>22,868,537</u>

67% (2014: 75%) of the issued capital is held by Elite Idea Limited and 33% (2014: 25%) is held by the Corporation as at 31st December 2015.

During the year, the Corporation injected funds totaling to SBD3,816,793.89 to the Kolombangara Forest Plantations Limited. This has increase shares to 33%.

Should the Corporation inject remaining funds for their allocated additional shares, the shareholding ratio would revert to the previous ratio of 60% EIL and 40% ICSI.

The investment in Kolombangara Forest Products Limited ('KFPL') is accounted for on cost basis basis.

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Financial Statements for the year ended 31 December 2015
Notes to and forming part of the accounts (continued)

9. NET ASSETS OF ASSOCIATES

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

	2015	2014
Percentage Ownership Interest	33%	25%
Non current asset	274,125,203	253,673,889
Current assets (Including cash and cash equivalents -2013: \$8,063,780, 2012: \$1,140,995)	15,805,281	29,566,140
Non - current liabilities	(60,450,000)	(57,225,000)
Current liabilities	(13,598,418)	(15,318,713)
Net Asset (100%)	215,882,066	210,696,316
Revenue	24,259,234	57,568,588
Depreciation and amortisation	(5,691,997)	(4,691,245)
Interest and other financial expense	1,716,750	1,925,681
Income tax expense	-	-
Profit and total comprehensive income (100%)	1,368,956	45,101,493
Dividend Received by the Corporation	nil	nil

Equity method of accounting was not adopted because the corporation has not prepared a consolidated financial statements.

10. INVESTMENT PROPERTY

Opening Balance	8,325,000	8,325,000
Fair value adjustments	-	-
Closing balance	<u>8,325,000</u>	<u>8,325,000</u>

The carrying amount of investment property is the fair value of the property as determined by the directors.

Leases as lessor

ICSI leases out its investment property under operating leases.

During the year ended 31 December 2014, \$1,156,800 was recognised as rental income in the income statement (2013: \$991,809) and \$323,319 in respect of repairs and maintenance was recognised as an expense in the income statement relating to investment property (2013: \$437,848).

Investment Corporation of Solomon Islands
Financial Statements for the year ended 31 December 2015
Notes to and forming part of the accounts (continued)

11. PROPERTY, PLANT AND EQUIPMENT

<u>Cost</u>	<u>Land & Buildings amount</u> \$	<u>Motor Vehicles</u> \$	<u>Office Equipmt Furniture & Fittings</u> \$	<u>Total</u> \$
At 1 January 2014	2,200,000	145,177	670,346	3,015,523
Additions during the year	-	411,118	386,478	797,596
Disposals during the year	-	-	(56,063)	(56,063)
At 31 December 2014	2,200,000	556,295	1,000,761	3,757,056
Balance at 1 January 2015	2,200,000	556,295	1,000,761	3,757,056
Additions during the year	-	-	118,761	118,761
Disposals during the year	-	-	(27,512)	(27,512)
Balance as at 31 December 2015	2,200,000	556,295	1,092,009	3,848,304
<u>Accumulated depreciation</u>				
At 1 January 2014	393,750	102,214	432,171	928,135
Depreciation	78,750	63,408	64,858	207,016
Disposals during the year	-	-	(45,936)	(45,936)
At 31 December 2014	472,500	165,622	451,093	1,089,215
Balance at 1 January 2015	472,500	165,622	451,093	1,089,215
Depreciation	78,750	78,134	100,071	256,956
Disposals	-	-	(25,394)	(25,394)
Balance at 31 December 2015	551,250	243,756	525,770	1,320,777
<u>Carrying Amounts</u>				
At 1 January 2014	<u>1,806,250</u>	<u>42,963</u>	<u>238,175</u>	<u>2,087,389</u>
At 31 December 2014	<u>1,727,500</u>	<u>390,673</u>	<u>549,668</u>	<u>2,667,841</u>
At 31 December 2015	<u>1,648,750</u>	<u>312,539</u>	<u>566,239</u>	<u>2,527,532</u>

Investment Corporation of Solomon Islands
Financial Statements for the year ended 31 December 2015
Notes to and forming part of the accounts (continued)

12. TRADE AND OTHER PAYABLES	2015	2014
	\$	\$
Paye tax	11,070	9,695
NPF Payable	22,322	22,321
WHT - Rentals	350	350
Tax on Directors fees	4,806	4,491
Tax on Gratuity payments	13,333	13,333
Trade Creditors	17,818	9,358
Sasape Marina Slipway Fund	73,072	73,072
Tenants Refunable Bond	84,300	66,300
Deffered Revenue	39,500	34,300
	<u>266,570</u>	<u>233,220</u>
13. SOLOMON ISLANDS GOVERNMENT		
Opening	(8,101,755)	(8,101,755)
SIG payment of shares - Soltuna	24,077,794	24,077,794
	<u>15,976,039</u>	<u>15,976,039</u>

No transaction took place between the Government and the Corporation during the year under review

14. RELATED PARTIES

Solomon Islands Government

Controlled entities

Solomon Airlines Limited

Associates

Kolombangara Forest Products Limited.

Other investments

Solomon Telekom Company Limited

Soltuna Limited

Development Bank of Solomon Islands

Directors remuneration

The directors received total remuneration during the year of \$95,380 (2014: \$93,990)

Investment Corporation of Solomon Islands
Financial Statements for the year ended 31 December 2015
Notes to and forming part of the accounts (continued)

15. COMMITMENTS AND CONTINGENCIES

Contingent liabilities

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

The Corporation has committed to increasing its investment in Kolombangara Forest Products Limited.

16. FINANCIAL INSTRUMENTS

The corporation activities expose it to a variety of financial risks: credit risk, interest rate risk and foreign currency risk. The board of directors has overall responsibility in managing these risks.

Credit risk

Credit risk is the risk of financial loss to the corporation if a customer or counter party to the financial instrument fail to meet its contractual obligation and arise mainly from the corporation's receivable from tenants customers.

In minimising credit risk, management has prepared a tenant agreement for all tenants to signed and a refundable bond deposit was required to be paid up-front as a security against non payment of rent and property damage.

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 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 balance sheet.

Investment Corporation of Solomon Islands
Financial Statements for the year ended 31 December 2015
Notes to and forming part of the accounts (continued)

17. 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
2015						
Cash & Cash equivalent	18	3	5,001,923	5,001,923	-	-
Trade and other receivables	4	0	164,616	164,616	-	-
Loans to related parties	7	0.1	-	-	-	-
Trade and other payables		0	(266,570)	(266,570)	-	-
Loans and borrowings	13	0	-	-	-	-
			<u>4,899,969</u>	<u>4,899,969</u>	-	-
2014						
Cash & Cash equivalent	18	3	5,452,047	5,452,047	-	-
Trade and other receivables	4	0	183,939	183,939	-	-
Loans to related parties	7	0.1	-	-	-	-
Trade and other payables		0	(233,220)	(233,220)	-	-
Loans and borrowings	13	0	-	-	-	-
			<u>5,402,766</u>	<u>5,402,766</u>	-	-

Foreign currency risk

The corporation is occasionally exposed to foreign currency risk on purchases denominated in currencies other than the Solomon Islands dollar. However, these purchases are infrequent and usually paid for in advance of receipt of the goods, limiting the Corporation's exposure to foreign exchange risk. As at year end, there are no assets, liabilities dominated in foreign currency in the corporation financial statements.

Fair values

The carrying amounts of assets and liabilities shown in the balance sheet approximates their fair values

Investment Corporation of Solomon Islands
Financial Statements for the year ended 31 December 2015
Notes to and forming part of the accounts (continued)

18. CASH AND CASH EQUIVALENTS		2015	2014
		\$	\$
Petty cash		1,920	1,920
BSP bank account		2,606,702	3,059,228
BSP bank account 2		34,254	34,089
CBSI call account		88,680	88,680
ANZ Term Deposits		2,270,367	2,268,130
		<u>5,001,923</u>	<u>5,452,047</u>

19. INTERST-BEARING DEPOSITS

	Currency	Effective Interest rate	Maturity Date	2015	2014
				\$	\$
Term deposit C-Corp	SBD	6.00%	13.10.2014		
Opening balance				6,077,136	5,700,175
Withdrawal				(2,600,000)	25,461
Interest income				219,181	351,500
Balance at end				<u>3,696,317</u>	<u>6,077,136</u>

During the year, the Coporation withdrew SBD2.6million to purchase shares from KFPL. Interest earned for the year was SBD219,181.00(2014: SBD351,500.00).

20. GENERAL RESERVES

Opening balance		<u>8,806,992</u>	<u>8,806,992</u>
Closing balance		<u>8,806,992</u>	<u>8,806,992</u>

21. ASSETS REVALUATION RESERVE

Opening balance		<u>1,080,188</u>	<u>1,080,188</u>
		<u>1,080,188</u>	<u>1,080,188</u>

22. PRIOR YEAR ADJUSTMENTS

Write off other current liabilities (Property rentals)			25,461
Understate cash & cash equivalent			4,750
Write off of staff accounts & imprests			48,576
Write off of other current liabilities & payables		-	-
		<u>-</u>	<u>78,787</u>