

SOLOMON ISLANDS PORTS AUTHORITY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH SEPTEMBER 2011

Index

	Page No.
State Owned Enterprise Information	3
Director's Report	4 - 5
Auditor's Report	6 - 7
Statement of Comprehensive Income	8
Statement of Changes in Equity	9
Statement of Financial Position	10
Statement of Cash Flow	11
Notes to and forming part of the Financial Statements	12 - 28

Solomon Islands Ports Authority

State Owned Enterprise Information

The Solomon Islands Ports Authority (SIPA) is a State Owned Enterprise domiciled in the Solomon Islands

Registered Office

PO Box 307, Honiara

Principal Place of Business

Honiara

Directors

The directors at any time during or since the year are listed in the directors' report.

Solomon Islands Ports Authority

Directors' Report

The Directors present their report together with the financial report of Solomon Islands Ports Authority ("SIPA") for the year ended 30th September 2011 and the auditor's report thereon.

Directors

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

Name	Date of Appointment	Resigned or Revoked	Date of Resignation or Revocation
Mr Ronald Fugui	23 May 2010	Revoked	21 February 2011
Mr Justice Deni	16 January 2009	Revoked	February 2012
Mr Reuben Moli	23 May 2010	Revoked	21 February 2011
Mr Mamu Paza	22 June 2009	Revoked	February 2012
Mr John Ta'aru	23 May 2010	Revoked	21 February 2011
Mr Nolan Leni	4 May 2010	Revoked	21 February 2011
Mr Andrew Maomaiasi	1 February 2009	Revoked	February 2012
Mr Edmond Gagahe	22 June 2009	Revoked	February 2012
Mr Nolan Leni	13 February 2012	Terminated	29 th Sept 2013
Mrs Jane Waetara	13 February 2012	Terminated	29 th Sept 2013
Mr Kenneth Grossmith	13 February 2012	Terminated	29 th Sept 2013
Mr Pascal Oho'au	13 February 2012	Terminated	29 th Sept 2013
Mr Moses Virivolomo	13 February 2012	Terminated	29 th Sept 2013

Name	Date of Reinstatement	Resigned or Revoked	Date of Resignation or Revocation
Mr Nollen Leni	14 February 2014		
Mrs Jane Waetara	14 February 2014		
Mr Kenneth Grossmith	14 February 2014		
Mr Pascal Oho'au	14 February 2014		
Mr Moses Virivolomo	14 February 2014		

Principal activities

The principal activity of SIPA during the course of the financial year ended 30 September 2011 was the operation and maintenance of ports at Honiara and Noro.

Operating and financial review

The operating profit of SIPA amounted to \$17,516,810 (2010: \$945,755).

Noted that the operating profit of SIPA for 2011 amounted to \$17,516,810 (2010: \$945,755), were recently updated due to ADB loan changes as agreed by SIPA and OAG (Office of the Auditor General) and MOFT (Ministry of Finance and Treasury).

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.

Solomon Islands Ports Authority

Directors' Report (continued)

Significant changes in the state of affairs

There have been no significant changes in the state of affairs of SIPA during the year.

Legal matters

There was a legal case in the High Court of Solomon Islands challenging the powers of the Minister to terminate the Board of Directors. SIPA's legal representative is yet to discontinue the case as all the terminated board members were reinstated again.

The financial repercussions of these ongoing legal matters could not be quantified.

Environmental regulation

SIPA's operations are not regulated by any significant environmental regulation under a law of the Solomon Islands.

Events subsequent to reporting date

- a) The exchange of notes between the government of Japan and that of Solomon Islands was signed in January 2014 which paved the way for the second Honiara International wharf to be funded by JICA to go ahead.
- b) There is a significant change in the SIG loan when the revised agreement between SIPA and SIG was drawn and signed on 25th April 2014 that impacted on the net profit in the financial years 2010 to 2015.

Signed in accordance with a resolution of the Directors.

BILLY TITIOLOV

[Name]

Chairman

Billy Titiolov

[Signature]

Dated at Honiara this 3RD day of JUNE 2016



INDEPENDENT AUDITOR'S REPORT

To the Board of the Solomon Islands Ports Authority

Report on the Financial statements

I have contracted Morris and Sojnocki an audit firm which was established in Honiara to assist me to audit the accompanying financial statements of the Solomon Islands Ports Authority ("the Authority"), which comprise the statement of financial position as at 30 September 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes 1 to 22 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 determine 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 the 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 Solomon Islands Ports Authority as at 30 September 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 15 in the financial statement regarding the Solomon Islands Government (ADB) loan to Solomon Islands Ports Authority (SIPA) which SIPA was in default of the loan that was supposed to be paid off in 2010. As a result of this default, all remaining outstanding balances including interest outstanding as at the balance date have been disclosed as current liability.

Further more, long service benefits are recognised as a liability in the financial statements but are not measured in accordance with International Accounting Standards (IFRS) 19 "Employee benefits" which requires such benefits to be discounted in order to determine the present value of the expected future payments at the reporting date. However, the difference between the reported and the IFRS treatment was immaterial and therefore I am of the opinion that this measurement difference does not adversely affect the accuracy of the financial statements.

Report on Other legal and Regulatory Requirements

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

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 responsible Minister before 31 December of the same year to which the financial statements relate. The Management signed financial statements were not presented to me until 3rd June 2016



Peter Lokay
Auditor-General

Office of the Auditor-General
Solomon Islands

13 June 2016

Solomon Islands Ports Authority

Statement of Comprehensive Income for the year ended 30th September 2011

	Note	2011 \$	2010 \$
Revenue from Continuing Operations			
Ship's dues and rates	5	68,092,086	42,418,375
Cost of sales	2	<u>(7,327,195)</u>	<u>(6,910,377)</u>
Gross profit		60,764,891	35,507,998
Other income	6	7,926,756	6,234,149
Total revenue from continuing operation		<u>68,691,647</u>	<u>41,742,147</u>
Expenses from Continuing Operations			
Distribution costs	3	(2,389,667)	(2,119,751)
Administrative expenses	4	(13,754,025)	(14,298,881)
Employee Costs	13	(27,863,749)	(20,107,302)
Depreciation expense	12	<u>(5,738,353)</u>	<u>(4,794,255)</u>
Total expenses from continuing operations		<u>(49,745,794)</u>	<u>(41,320,189)</u>
Profit from Continuing operations		18,945,853	421,958
Financial income	7	42,556	21,731
Financial costs	7	(1,653,496)	(1,465,109)
Net profit / (loss) for the year		17,334,913	(1,021,420)
Other Comprehensive Income for the Year			
Change in fair value of Investment properties	11	181,897	75,665
Total Other Comprehensive Income		<u>181,897</u>	<u>75,665</u>
Total Comprehensive Income for the Year		<u>17,516,810</u>	<u>(945,755)</u>

The Statement of Comprehensive Income is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 12 to 28.

Solomon Islands Ports Authority

Statement of changes in Equity for the year ended 30 September 2011

	SIG Equity Contribution \$	Retained Earnings \$	Total \$
Balance as at 1 st October 2009	402,824	45,992,859	46,395,683
Net profit / (loss) for the year	-	(1,021,420)	(1,021,420)
Total Other Comprehensive Income	-	75,665	75,665
Total Comprehensive Income for the Year	-	(945,755)	(945,755)
Balance as at 30 September 2010 as previously reported	402,824	45,047,104	45,449,928
Prior Year Adjustment re SIG loan		5,384,445	5,384,445
Balance as at 30th September 2010 as restated	402,824	50,431,549	50,834,373
Balance as at 1st October 2010	402,824	50,431,549	50,834,373
Net profit / (loss) for the year	-	17,334,913	17,334,913
Total Other Comprehensive Income	-	181,897	181,897
Total Comprehensive Income for the Year	-	17,516,810	17,516,810
Balance as at 30th September 2011	402,824	67,948,359	68,351,183

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 28.

Solomon Islands Ports Authority

Statement of Financial Position as at 30 September 2011

	Note	2011 \$	2010 \$ Restated
ASSETS			
Current Assets			
Cash and cash equivalents	22 (a)	3,723,064	2,016,048
Trade and other receivables	8	20,659,588	11,829,096
Inventories	9	732,219	476,620
Investments	10	931,486	896,689
Total current assets		<u>26,046,357</u>	<u>15,218,453</u>
Non Current Assets			
Investment property	11	7,136,105	6,954,209
Property, plant and equipment	12	53,914,621	48,529,607
Total non-current assets		<u>61,050,726</u>	<u>55,483,816</u>
Total assets		<u>87,097,083</u>	<u>70,702,269</u>
LIABILITIES			
Current Liabilities			
Trade and other payables	14	3,972,419	3,528,699
Interest bearing loans and borrowings	15	9,460,818	11,053,355
Employee benefits	16	398,722	286,919
Total current liabilities		<u>13,831,962</u>	<u>14,868,973</u>
Non Current Liabilities			
Employee benefits	16	4,913,941	4,998,923
Total non-current liabilities		<u>4,913,941</u>	<u>4,998,923</u>
Total liabilities		<u>18,745,900</u>	<u>19,867,896</u>
Net assets		<u>68,351,183</u>	<u>50,834,373</u>
SHAREHOLDERS' EQUITY			
SIG Equity Contribution	17	402,824	402,824
Retained earnings	18	67,948,359	50,431,549
Total shareholders' equity		<u>68,351,183</u>	<u>50,834,373</u>

The balance sheet is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 12 to 28.

Solomon Islands Ports Authority

Statement of Cash Flow for the year ended 30 September 2011

	Note	2011 \$	2010 \$
OPERATING ACTIVITIES			
Cash receipts from customers		68,661,637	46,026,071
Cash paid to suppliers and employees		<u>(52,353,887)</u>	<u>(38,115,291)</u>
Cash generated from operations		16,307,750	7,910,780
Interest paid		<u>(1,419,054)</u>	<u>(1,421,043)</u>
Cash flows from operating activities	21 (b)	14,888,696	6,489,737
INVESTING ACTIVITIES			
Interest received		42,556	21,732
Proceeds from sale of plant and equipment		-	51,681
Acquisition of property, plant and equipment	12	<u>(11,293,094)</u>	<u>(5,558,489)</u>
Cash flows used in investing activities		<u>(11,250,538)</u>	<u>(5,485,076)</u>
FINANCING ACTIVITIES			
Repayment of borrowings		<u>(1,896,345)</u>	<u>(1,565,685)</u>
Cash flows used in financing activities		<u>(1,896,345)</u>	<u>(1,565,685)</u>
Net increase / (decrease) in cash and cash equivalents		1,741,813	(561,024)
Cash and cash equivalents at beginning of the year		<u>2,912,737</u>	<u>3,473,761</u>
Cash and cash equivalents at end of the year	21 (a)	<u><u>4,654,550</u></u>	<u><u>2,912,737</u></u>

The cash flow statement is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 12 to 28.

Solomon Islands Ports Authority

Notes to the Financial Statements

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been authorised for issue by the Board of Directors on _____

(a) Statement of compliance

The financial statements of Solomon Islands Ports Authority ('SIPA') have been prepared in accordance with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board.

(b) Basis of preparation

The financial statements have been prepared primarily on the historical cost basis, except that investment property and employee liabilities are stated at their fair value.

Non-current assets 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 (IFRS) 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 SIPA and they are consistent with those of the previous year.

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

(c) Going concern

The accounts 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.

SIPA has total assets of \$87,097,083 (2010: \$70,702,269) and total liabilities of \$18,745,900 (2010: \$19,867,896). Accordingly, the Directors consider the going concern basis of preparation to be appropriate.

Solomon Islands Ports Authority

Notes to the Financial Statements (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 statement of comprehensive income. Foreign currency monetary assets and liabilities are translated at the exchange rate at balance date. Resulting exchange differences are recognised in the statement of comprehensive income for the year. 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 or deemed cost or at valuation less accumulated depreciation and impairment losses (see accounting policy f). Construction cost 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 the statement of comprehensive income.

Where items of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

SIPA recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to SIPA and the cost of the item can be measured reliably. All other costs are recognised in the statement of comprehensive income as an expense is incurred.

Depreciation is charged to the statement of comprehensive income on a straight-line 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 estimated useful lives in the current and comparative periods are as follows:

■ Land and improvements	25 to 50	years
■ Buildings	20 - 30	years
■ Wharves and jetties	30 to 35	years
■ Vehicles	7 to 10	years
■ Plant and equipment	5 to 15	years

Solomon Islands Ports Authority

Notes to the Financial Statements (continued)

1. Significant accounting policies (continued)

(f) Impairment

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

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 comprehensive income, 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.

(g) Inventories

Inventory are valued at the lower of purchase cost, which is based on invoice prices and includes expenditure incurred in acquiring the goods and bring them to their existing condition and location, 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.

(h) Trade and other receivables

Trade and other receivables are stated at their cost less impairment losses. The average credit period is 30 days. There is no interest charged from the date of the invoice. The authority has recognised an allowance for doubtful debts of 100% against all receivables over 90 days because historical experience has been that receivables that are past due beyond 90 days are not recoverable in most cases. Allowances for doubtful debts are recognised against trade receivables between 90 days and over based on estimated irrecoverable amounts determined by reference to past default experience of the customer and an analysis of the customer's current financial position.

Application for a credit facility with Solomon Islands Ports Authority by a new customer is approved by Director Finance based on providing at least two trade referees and assessed average purchase of the reference for the last six months, length of time trading with the reference and whether the new customer is complied with the trading reference for the last six or more months. A welcoming letter is forwarded to the new applicant following satisfactorily meet the requirement and re-stating the agreed trading terms. There is no defined credit limit stated, it depends solely on the size and nature of the business and reviewed yearly.

(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 Statement of comprehensive income.

Solomon Islands Ports Authority

Notes to the financial Statement (continued)

(j) Revenue (rates and dues, interest, rental)

Revenue from the sale of goods is recognised in the statement of comprehensive income when the significant risks and rewards of ownership have been transferred to the buyer. Revenue from services rendered is recognised in the statement of comprehensive income in proportion to the stage of completion of the transaction at the balance sheet date. The stage of completion is assessed by reference to surveys of work performed. 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.

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

(k) Trade and other payables

Trade and other payables are stated at cost. The average credit period on purchases is 30 days. No interest is charged on the trade payables for more than 30 days from the date of the invoice. Payments terms are secured with suppliers.

(l) Taxation

Pursuant to Schedule 3 of the Income Tax Act, the income of the Solomon Islands Ports Authority is exempt from tax; in so far, as such 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.

(m) Investment properties

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 statement of comprehensive income. Rental income from investment properties are recognised in the statement of comprehensive income on a straight line basis over the term of the lease.

Solomon Islands Ports Authority

Notes to the Financial Statements (continued)

1. Significant accounting policies (continued)

(n) Investment properties (continued)

When an item of property, plant and equipment is transferred to investment property following a change in its use, any differences arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised directly in equity if it is a gain. Upon disposal of the item the gain is transferred to retained earnings. Any loss arising in this manner is recognised immediately in the statement of comprehensive income.

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 SIPA 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.

A property interest under an operating lease is classified and accounted for as an investment property on a property-by-property basis when SIPA holds it to earn rentals or for capital appreciation or both. Any such property interest under an operating lease classified as an investment property is carried at fair value. Lease payments are accounted for as described in accounting policy (r).

(o) Investments

Investments comprise deposits of two term deposit accounts and capital investment account. The period of term deposit is 12 months. Interest earned for one term deposit account is credited to SIPA's main operating account when matured whilst interest earned for another term deposit account is rolled on in the next 12 months when matured. The percentage rate is 0.75% with an initial deposit of \$200,000 and \$686,889 respectively. Capital investment account is a savings account accommodating reserve funds.

(p) Cash and cash equivalents

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

(q) Employee benefits

SIPA's net 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 or greater than 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 SIPA expects to pay as at reporting date including related on-costs.

Solomon Islands Ports Authority

Notes to the Financial Statements (continued)

1. Significant accounting policies (continued)

(r) Expenses

Operating lease payments

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

Financial costs

Financial costs comprise interest payable on borrowings calculated using the effective interest method, foreign exchange losses and impairments of financial assets.

(s) 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.

2	COST OF SALES	2011	2010
		\$	\$
	Electricity and Water	587,357	410,450
	Employee amenities	697,772	535,286
	Fuel	1,854,918	1,553,666
	Insurance	777,073	470,662
	Repair & Maintenance plant/vehicles/equipments	3,218,296	3,834,635
	Other cost of sales	191,779	105,679
	Total Cost of Sales	7,327,195	6,910,377

3 DISTRIBUTION COSTS

Electricity and Water	474,500	508,551
Fuel	715,815	410,629
Repair and Maintenance buildings/plant/vehicle/equipment	811,315	985,033
Other distribution cost	388,037	215,537
Total Distribution Costs	2,389,667	2,119,751

Solomon Islands Ports Authority

Notes to the Financial Statement (continued)

4 ADMINISTRATION COST

	2011	2010
	\$	\$
Electricity and Water	1,864,780	1,508,831
Audit fees	191,200	262,750
Bad and doubtful debts	316,567	4,009,876
Computer consumables and consultancy services	419,020	588,935
Land rates and rents	2,677,857	10,240
Postage, Telephone an fax	467,287	415,287
Printing and stationeries	668,959	591,684
Repair and maintenance buildings	632,465	918,702
Annual leave passage	557,759	471,475
NPF contribution	1,742,131	1,296,405
Legal expenses	249,475	300,200
Travel and allowances	554,188	198,664
Staff education training	428,330	248,443
Uniforms/Protective safety gears	424,600	197,320
Public liability/workers claim	335,850	263,414
Other administration costs	2,223,557	3,016,655
Total Administration Costs	13,754,025	14,298,882

5 SHIPS DUES AND RATES

Pilotage	6,554,680	3,911,954
Berthage	8,119,881	5,262,812
Tonnage dues	7,149,590	5,006,840
Wharfage	6,682,880	4,384,959
Mooring and anchorage	3,376,606	2,271,484
Handling	5,864,832	4,238,844
Stevedoring	13,554,566	8,401,293
Storage	11,425,154	6,248,516
Hire plant/vehicles/equipments	4,010,129	1,752,180
Port Dues	1,353,768	939,491
Total Ships dues and rates	68,092,086	42,418,375

Solomon Islands Ports Authority

Notes to the Financial Statement (continued)

6 OTHER INCOME	2011	2010
	\$	\$
Rental received on land and buildings	3,547,377	3,255,690
Weekend O/T recovery and rations	1,502,747	1,076,103
Water and Power sales	383,810	418,407
Environmental fee received	74,284	44,928
Miscellaneous income	2,418,538	1,439,201
	<u>7,926,756</u>	<u>6,234,149</u>
Total other income	<u>7,926,756</u>	<u>6,234,149</u>

7 NET FINANCE COST

Finance income		
Interest income	42,556	21,731
	<u>42,556</u>	<u>21,731</u>
Finance expense		
Interest expense	(1,419,053)	(1,421,047)
Other	(234,443)	(44,062)
	<u>(1,653,496)</u>	<u>(1,465,109)</u>
Net finance costs	<u>(1,610,940)</u>	<u>(1,443,378)</u>

There is a change in the interest and other expense as a result of the change in ADB loan. Interest expense increased by \$303,808 (2010: nil).

8 TRADE AND OTHER RECEIVABLES	2011	2010
	\$	\$
Trade debtors	19,183,877	14,396,949
Less : Provision for doubtful debts	(7,272,814)	(6,956,247)
Other debtors	6,294,557	3,103,907
Prepayments	2,453,968	1,284,488
	<u>20,659,588</u>	<u>11,829,096</u>

Solomon Islands Ports Authority

Notes to the Financial Statement (continued)

9 INVENTORIES

	2011	2010
	\$	\$
Gasoline	1,270	2,511
Diesoline	23,490	1,666
Oil	68,037	63,871
Grease	43,841	32,846
Drums (MT)	3,500	-
Tyres & Tubes	592,081	375,726
	<u>732,219</u>	<u>476,620</u>

10 INVESTMENTS

	2011	2010
Term Deposit	<u>931,486</u>	<u>896,689</u>
	<u>931,486</u>	<u>896,689</u>

11 INVESTMENT PROPERTIES

Opening balance	6,954,209	6,878,544
Fair value adjustments	<u>181,896</u>	<u>75,665</u>
Closing balance	<u>7,136,105</u>	<u>6,954,209</u>

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

Leases as lessor

The State Owned Enterprise leases out its investment properties under operating leases. The leases are renegotiated on an annual basis.

During the year ended 30 September 2011, \$3,547,377 was recognized as rental income in the statement of comprehensive income (2010: \$3,255,690) and \$16,043 in respect of repairs and maintenance was recognized as an expense in the statement of comprehensive income relating to investment property (2010: \$172,718).

Solomon Islands Ports Authority

Notes to the Financial Statements (continued)

12 PROPERTY, PLANT AND EQUIPMENT

	Property under construction \$	Land \$	Building \$	Wharves Jetties \$	Vehicles \$	Plant and Equipment	Total \$
Cost							
At 1 st October 2010	7,536,426	10,058,999	19,931,265	39,441,269	23,582,993	9,759,233	110,310,185
Additions	88,868	-	365,040	164,320	8,887,782	1,787,084	11,293,094
Transfers	(4,976,000)	-	-	4,976,000	-	-	-
Disposals	-	-	-	-	(885,802)	(1,587,060)	(2,472,862)
At 30 September 2011	2,649,294	10,058,999	20,296,305	44,581,589	31,584,973	9,959,257	119,130,417
Accumulated Depreciation							
At 1 October 2010	-	3,600,697	14,120,053	27,059,919	11,624,419	5,375,490	61,780,578
Depreciation	-	277,726	561,104	1,456,656	2,206,940	1,235,927	5,738,353
Transfers	-	-	-	-	-	-	-
Disposals	-	-	-	-	(882,795)	(1,420,340)	(2,303,135)
At 30 September 2011	-	3,878,423	14,681,158	28,516,575	12,948,564	5,191,078	65,215,796
Book Value							
At 30 September 2010	7,536,426	6,458,302	5,527,284	12,381,349	11,958,573	4,383,743	48,529,607
At 30 September 2011	2,649,294	6,180,576	5,615,147	16,065,015	18,636,408	4,768,181	53,914,621

Solomon Islands Ports Authority

Notes to the Financial Statements (continued)

12 PROPERTY, PLANT AND EQUIPMENT (Continued)

	Property under construction \$	Land \$	Building \$	Wharves Jetties \$	Vehicles \$	Plant and Equipment	Total \$
Cost							
At 1 st October 2009	3,814,812	10,036,799	19,914,216	39,441,269	24,148,077	9,421,467	106,776,640
Additions	3,721,614	22,200	17,049	-	513,462	1,284,164	5,558,489
Transfers	-	-	-	-	-	-	-
Disposals	-	-	-	-	(1,078,546)	(946,398)	(2,024,944)
At 30 September 2010	7,536,426	10,058,999	19,931,265	39,441,269	23,582,993	9,759,233	110,310,185
Accumulated Depreciation							
At 1 October 2009	-	3,329,546	13,551,696	25,745,210	10,882,560	5,182,050	58,691,062
Depreciation	-	271,151	568,357	1,314,709	1,703,968	936,070	4,794,255
Disposals	-	-	-	-	(962,109)	(742,630)	(1,704,739)
At 30 September 2010	-	3,600,697	14,120,053	27,059,919	11,624,419	5,375,490	61,780,578
Book Value							
At 30 September 2009	3,814,812	6,707,253	6,362,519	13,696,060	13,265,518	4,239,417	48,085,580
At 30 September 2010	7,536,426	6,458,302	5,811,212	12,381,351	11,958,575	4,383,743	48,529,607

Solomon Islands Ports Authority

Notes to the Financial Statements (continued)

	2011	2010
	\$	\$
13 EMPLOYEE COSTS		
Wages & Salaries	9,172,368	8,195,049
Other Allowances	8,867,606	3,664,307
Over Time	8,235,454	6,336,636
Long Service Benefit	1,588,321	1,911,311
	<u>27,863,749</u>	<u>20,107,302</u>

The numbers of permanent employees in 2011 were 196 (2010:197).

14 TRADE AND OTHER PAYABLES

Trade creditors	921,211	1,734,362
Other creditors and accrued expenses	3,051,208	1,794,337
	<u>3,972,419</u>	<u>3,528,699</u>

15 INTEREST BEARING LOANS AND BORROWINGS

Current

Loan from Solomon Islands Government	9,460,818	11,053,355
	<u>9,460,818</u>	<u>11,053,355</u>

SIPA has breached the original loan agreement that was supposed to be paid off in 2010, consequently all remaining outstanding balances have been reported as current liability. The loan was fully repaid by SIPA on 7th October 2015.

Financing facilities

The State Owned Enterprise has access to the following lines of credit:

	2011	2010
	\$	\$
Bank overdraft	1,000,000	1,000,000
	<u>1,000,000</u>	<u>1,000,000</u>

Solomon Islands Ports Authority

Notes to the Financial Statements (continued)

15 INTEREST BEARING LOANS AND BORROWINGS (continued)

Bank Facilities and Security

Bank overdraft

Interest on bank overdrafts is charged at prevailing market rates.

The total bank overdraft of SIPA is secured by a floating charge over SIPA's assets. The bank overdrafts are payable on demand and are subject to annual review.

Other loans

Loans from the Solomon Island Government are charged at contracted market rates of interest.

Finance leases

SIPA does not have any finance lease liabilities.

16 EMPLOYEE BENEFITS	2011	2010
	\$	\$
Current liability	398,722	286,919
Non-current liability	4,913,941	4,998,923
	<u>5,312,663</u>	<u>5,285,842</u>
Opening balance	5,285,842	4,813,578
Provisions made during the year	1,322,003	1,220,510
Provisions utilized during the year	(1,295,182)	(748,246)
Closing balance	<u>5,312,663</u>	<u>5,285,842</u>

Post-employment benefits

SIPA contributes to a defined contribution superannuation plan. SIPA matches contributions to the fund made by employees up to 7.5% of the employee's base salary. Employee contributions are based on various percentages of their gross salaries. During 2011, SIPA has expensed \$1,742,131 in contributions payable (2010: \$1,296,405).

17. SIG EQUITY CONTRIBUTION

Initial contribution by the Solomon Islands Government at the inception of the authority.

18. RETAINED EARNINGS

Aggregate of past and current year's earning not paid out as dividends, but retained by the Authority to be reinvested in its core business and other areas where the Authority can create growth opportunities.

Solomon Islands Ports Authority

Notes to the Financial Statements (continued)

19. RELATED PARTIES	2011	2010
	\$	\$
A. Controlled entities		
SIPA does not control any other entities.		
Commodity Export Marketing Authority	8,712	-
Guadalcanal Province	197,963	139,771
Marine Division, SIG	59,420	59,420
Ministry of Finance	290,261	175,253
Makira Ulawa Province	32,314	232,757
SI National Sustainable Agriculture	112,858	188,155
Solomon Islands Water Authority	198	-
	<u>701,726</u>	<u>795,356</u>

B. Key Management Compensation

Key management include board of directors and members of the management committee (CEO, director finance, director engineering, director corporate and service, and director operation). The compensation paid or payable to key management for employee service comprise only of short term benefits as shown below:

	2011	2010
	\$	\$
Salaries and other short term benefits	<u>1,879,826</u>	<u>1,205,253</u>

20. FINANCIAL INSTRUMENTS

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

At the reporting 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.

Solomon Islands Ports Authority

Notes to the Financial Statements (continued)

The effective interest rates applicable to financial assets and liabilities at the reporting 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 and cash equivalents	21	0.6	3,723,064	3,723,064	-	-
Investments	10	1.5	931,486	931,486	-	-
Loans and borrowings	15	7.4	(9,460,818)	(1,896,344)	(5,500,000)	(2,064,474)
			<u>(4,806,268)</u>	<u>2,758,206</u>	<u>(5,500,000)</u>	<u>(2,064,474)</u>
2010						
Cash and cash equivalents	21	0.6	2,016,048	2,016,048	-	-
Investments	10	1.5	896,689	896,689	-	-
Loans and borrowings	15	7.4	(11,053,355)	(1,565,686)	(4,500,000)	(4,987,669)
			<u>(8,140,618)</u>	<u>1,347,051</u>	<u>(4,500,000)</u>	<u>(4,987,669)</u>

Foreign currency risk

SIPA is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than the Solomon Island dollar. The currencies giving rise to this risk are primarily Special Drawing Rights and Great British Pounds.

Sensitivity analysis

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

At 30 September 2011, it is estimated that a general increase/decrease of one percentage point in interest rates would decrease/increase SIPA's profit by approximately \$192,806 (2010: \$14,188).

It is estimated that a general increase/decrease of one percentage point in the value of the Solomon Island dollar against other foreign currencies would have increase/decrease SIPA's profit before tax by approximately \$70,108 for the year ended 30 September 2011 (2010: \$174,103).

Fair values

The carrying amount of assets and liabilities shown in the Statement of Financial Position approximates their fair values.

Solomon Islands Ports Authority

Notes to the Financial Statements (continued)

21 NOTES TO THE STATEMENT OF CASH FLOWS	2011	2010
	\$	\$
(a) Reconciliation of cash		
For the purpose of the Statement of Cash Flows, cash includes cash on hand and at bank and short-term deposits at call, net of outstanding bank overdrafts. Cash as at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the balance sheet as follows:		
Cash and short term deposits	3,722,714	2,015,898
Cash on hand	350	150
Cash and Cash Equivalent	<u>3,723,064</u>	<u>2,016,048</u>
Term deposit	931,486	896,689
	<u>4,654,550</u>	<u>2,912,737</u>
 (b) Reconciliation of operating profit after income tax to net cash provided by operating activities		
Operating profit after income tax	17,516,810	(945,755)
Add / (deduct) items classified as investing / financing activities:		
(Profit) / loss on sale of non-current assets	169,727	268,526
Interest (income) / expense	(42,556)	(21,732)
Add / (deduct) non-cash items:		
Revaluation of Investment Property	(181,897)	(75,665)
SIG loan adjustment	303,808	-
Bad debts provision	316,567	3,934,234
Exchange losses / (gain)	-	(847,977)
Depreciation	<u>5,738,353</u>	<u>4,794,255</u>
Net cash provided by operating activities before changes in assets and liabilities	23,820,812	7,105,885
Changes in assets and liabilities		
(Increase) / decrease in inventories	(255,599)	328,831
(Increase) / decrease in trade debtors	(4,786,928)	(1,185,729)
(Increase) / decrease in prepayments	(4,360,130)	(1,707,003)
Increase / (decrease) in trade creditors	(813,151)	1,518,986
Increase / (decrease) in trade accruals	1,256,871	(43,498)
Increase / (decrease) in employee benefits	<u>26,821</u>	<u>472,264</u>
Net cash provided by operating activities	<u>14,888,696</u>	<u>6,489,737</u>

Solomon Islands Ports Authority

Notes to the Financial Statements (continued)

22 EVENTS AFTER REPORTING PERIOD

a) Non – Adjusting event

The signing of the JICA funded second international wharf at Honiara Port between the Japanese government and the Solomon Islands government in January 2014 allowed the project to go ahead.

The total cost of the project which will be funded by Japan is estimated at \$200 million Solomon dollars.

b) Adjusting Events

The SIG loan has been renegotiated on the 25th of April 2014. This consequently changed the balances of the SIG loan from financial year 2010 up to when it was fully repaid on 7th of October 2015. Since SIPA has breached the original loan agreement that was supposed to be paid off in 2010, all remaining outstanding balances have been reported as current liability.

The impact of the change in the SIG loan is as follows:

	2011	2010
	\$	\$
Increase in retained earnings	-	(5,384,445)
(Increase) / Decrease in interest bearing loans and borrowings (SIG Loan)	(303,808)	5,384,445
Increase / (Decrease) in interest expense	303,808	-