

SOLOMON ISLANDS PORTS AUTHORITY  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2012

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# **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 30 September 2012 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 <sup>th</sup> Sept 2013
Mrs Jane Waetara	13 February 2012	Terminated	29 <sup>th</sup> Sept 2013
Mr Kenneth Grossmith	13 February 2012	Terminated	29 <sup>th</sup> Sept 2013
Mr Pascal Oho'au	13 February 2012	Terminated	29 <sup>th</sup> Sept 2013
Mr Moses Virivolomo	13 February 2012	Terminated	29 <sup>th</sup> 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 2012 was the operation and maintenance of ports at Honiara and Noro.

### Operating and financial review

SIPA recorded a net profit for the year amounting to \$36,563,306 (2011: \$17,334,913).

### 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 25<sup>th</sup> 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 J. ITIWLUV

[Name]

Chairman

[Signature]

[Signature]

Dated at Honiara this 5<sup>th</sup> day of AUGUST 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 2012, 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 23 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 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 2012 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**

### **Report on Other legal and Regulatory Requirements**

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

Without modifying my audit opinion, 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 5<sup>th</sup> August 2016



**Peter Lokay**  
**Auditor-General**

**8 August 2016**

**Office of the Auditor-General**  
**Solomon Islands**

## Solomon Islands Ports Authority

### Statement of Comprehensive Income for the year ended 30 September 2012

	Note	2012 \$	2011 \$
<b>Revenue from Continuing Operations</b>			
Ship's dues and rates	5	88,792,433	68,092,086
Cost of sales	2	<u>(8,906,019)</u>	<u>(7,327,195)</u>
Gross profit		79,886,414	60,764,891
Other income	6	11,829,015	7,926,756
<b>Total revenue from continuing operation</b>		<u>91,715,429</u>	<u>68,691,647</u>
<b>Expenses from Continuing Operations</b>			
Distribution costs	3	(2,924,651)	(2,389,667)
Administrative expenses	4	(15,022,075)	(13,754,025)
Employee Costs	13	(29,013,487)	(27,863,749)
Depreciation expense	12	(7,124,440)	(5,738,353)
<b>Total expenses from continuing operations</b>		<u>(54,084,653)</u>	<u>(49,745,794)</u>
<b>Profit from Continuing operations</b>		37,630,776	18,945,853
Financial income	7	30,361	42,556
Financial costs	7	(1,097,831)	(1,653,496)
<b>Net profit/(Loss) for the Year</b>		<b>36,563,306</b>	<b>17,334,913</b>
<b>Other Comprehensive Income for the Year</b>			
Change in fair value of investment properties	11	21,400,332	181,897
<b>Total Other Comprehensive Income</b>		<u>21,400,332</u>	<u>181,897</u>
<b>Total Comprehensive Income for the Year</b>		<u><u>57,963,638</u></u>	<u><u>17,516,810</u></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 29.



# Solomon Islands Ports Authority

## Statement of changes in Equity for the year ended 30 September 2012

	SIG Equity Contribution \$	Asset Revaluation Reserve	Retained Earnings \$	Total \$
Balance as at 1 <sup>st</sup> 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
<b>Total Comprehensive Income for the Year</b>	-	-	<b>17,516,810</b>	<b>17,516,810</b>
<b>Balance as at 30 September 2011</b>	<b>402,824</b>	<b>-</b>	<b>67,948,359</b>	<b>68,351,183</b>
<b>Balance as at 1<sup>st</sup> October 2011</b>	402,824	-	67,948,359	68,351,183
Net profit / (loss) for the year	-	-	36,563,306	36,563,306
Total Other Comprehensive Income	-	-	21,400,332	21,400,332
<b>Total Comprehensive Income for the Year</b>	-	-	<b>57,963,638</b>	<b>57,963,638</b>
Revaluation Surplus	-	248,823,215	-	248,823,215
<b>Balance as at 30<sup>th</sup> September 2012</b>	<b>402,824</b>	<b>248,823,215</b>	<b>125,911,997</b>	<b>375,138,036</b>

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 29

# Solomon Islands Ports Authority

## Statement of Financial Position as at 30 September 2012

	Note	2012 \$	2011 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	22 (a)	13,828,540	3,723,064
Trade and other receivables	8	30,709,144	20,659,588
Inventories	9	470,625	732,219
Investments	10	951,731	931,486
<b>Total current assets</b>		<u>45,960,040</u>	<u>26,046,357</u>
<b>Non Current Assets</b>			
Investment property	11	28,536,437	7,136,105
Property, plant and equipment	12	318,915,380	53,914,621
<b>Total non-current assets</b>		<u>347,451,817</u>	<u>61,050,726</u>
<b>Total assets</b>		<u>393,411,857</u>	<u>87,097,083</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	14	5,568,543	3,972,419
Interest bearing loans and borrowings	15	7,078,436	9,460,818
Employee benefits	16	1,000,425	398,722
<b>Total current liabilities</b>		<u>13,647,404</u>	<u>13,831,959</u>
<b>Non Current Liabilities</b>			
Employee benefits	16	4,626,417	4,913,941
<b>Total non-current liabilities</b>		<u>4,626,417</u>	<u>4,913,941</u>
<b>Total liabilities</b>		<u>18,273,821</u>	<u>18,745,900</u>
<b>Net assets</b>		<u>375,138,036</u>	<u>68,351,183</u>
<b>SHAREHOLDERS' EQUITY</b>			
SIG equity contribution	17	402,824	402,824
Retained earnings	18	125,911,997	67,948,359
Asset revaluation reserves	19	248,823,215	-
<b>Total shareholders' equity</b>		<u>375,138,036</u>	<u>68,351,183</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 29.

# Solomon Islands Ports Authority

## Statement of Cash Flow for the year ended 30 September 2012

	Note	2012 \$	2011 \$
<b>OPERATING ACTIVITIES</b>			
Cash receipts from customers		87,632,967	68,661,637
Cash paid to suppliers and employees		<u>(53,966,705)</u>	<u>(52,353,887)</u>
Cash generated from operations		33,666,262	16,307,750
Interest paid		<u>(1,040,157)</u>	<u>(1,419,054)</u>
<b>Cash flows from operating activities</b>	22 (b)	32,626,105	14,888,696
<b>INVESTING ACTIVITIES</b>			
Interest received		30,361	42,556
Proceeds from sale of plant and equipment		449,005	-
Acquisition of property, plant and equipment	12	<u>(21,266,709)</u>	<u>(11,293,094)</u>
<b>Cash flows used in investing activities</b>		<u>(20,787,343)</u>	<u>(11,250,538)</u>
<b>FINANCING ACTIVITIES</b>			
Repayment of borrowings		<u>(1,713,041)</u>	<u>(1,896,345)</u>
<b>Cash flows used in financing activities</b>		<u>(1,713,041)</u>	<u>(1,896,345)</u>
<b>Net increase in cash and cash equivalents</b>		10,125,721	1,741,813
Cash and cash equivalents at beginning of the year		<u>4,654,550</u>	<u>2,912,737</u>
<b>Cash and cash equivalents at end of the year</b>	22 (a)	<u><u>14,780,271</u></u>	<u><u>4,654,550</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 29.

# 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 \$393,411,858 (2011: \$87,097,083) and total liabilities of \$18,273,821 (2011: \$18,745,903). 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 (except for property under construction) are recognised at fair value based on periodic valuations by external independent valuers, less subsequent depreciation and impairment losses (see accounting policy e). Increases in the carrying amounts arising on revaluation of property, plant and equipment are recognised in other comprehensive income and accumulated in asset revaluation reserve in shareholders' equity. To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to profit or loss. 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)

**(e) 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.

**(f) 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.

**(g) 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.

# Solomon Islands Ports Authority

## Notes to the Financial Statements (continued)

**(h) 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.

**(i) 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.

**(j) 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.

**(k) 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.

**(l) 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.

# Solomon Islands Ports Authority

## Notes to the Financial Statements (continued)

### 1. Significant accounting policies (continued)

#### (l) Investment properties (continued)

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.

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).

#### (m) 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 \$686,888.88 respectively. Capital investment account is a savings account accommodating reserve funds.

#### (n) 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.

#### (o) 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)

#### (p) 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.

#### (q) 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.

<b>2 COST OF SALES</b>	2012	2011
	\$	\$
Electricity and Water	1,005,205	587,357
Employee amenities	757,125	697,772
Fuel	1,976,838	1,854,918
Insurance	824,975	777,073
Repair & Maintenance plant/vehicles/equipments	4,125,923	3,218,296
Other cost of sales	215,953	191,779
	<hr/>	<hr/>
<b>Total Cost of Sales</b>	<b>8,906,019</b>	<b>7,327,195</b>
	<hr/>	<hr/>
<b>3 DISTRIBUTION COSTS</b>		
Electricity and Water	874,299	474,500
Fuel	587,500	715,815
Repair and Maintenance – buildings/plant/vehicle/equipment	1,238,587	811,315
Other distribution cost	224,265	388,037
	<hr/>	<hr/>
<b>Total Distribution Costs</b>	<b>2,924,651</b>	<b>2,389,667</b>
	<hr/>	<hr/>

# Solomon Islands Ports Authority

## Notes to the Financial Statement (continued)

4 ADMINISTRATION COST	2012	2011
	\$	\$
Electricity and Water	1,753,619	1,864,780
Audit fees	-	191,200
Bad and doubtful debts	(1,990,013)	316,567
Computer consumables and consultancy services	1,661,673	419,020
Land rates and rents	2,943,514	2,677,857
Postage, Telephone and fax	492,256	467,287
Printing and stationeries	644,317	668,959
Repair and maintenance buildings	947,394	632,465
Annual leave passage	676,707	557,759
NPF contribution	1,868,788	1,742,131
Legal expenses	128,550	249,475
Travel and allowances	628,210	554,188
Staff education training	667,793	428,330
Uniforms/Protective safety gears	914,075	424,600
Public liability/workers claim	222,717	335,850
Other administration costs	3,462,475	2,223,557
	<hr/>	<hr/>
<b>Total Administration costs</b>	<b>15,022,075</b>	<b>13,754,025</b>
	<hr/>	<hr/>
5 SHIPS DUES AND RATES		
Pilotage	10,076,908	6,554,680
Berthage	8,692,563	8,119,881
Tonnage dues	7,119,702	7,149,590
Wharfage	6,318,200	6,682,880
Mooring and anchorage	2,540,407	3,376,606
Handling	9,791,648	5,864,832
Stevedoring	19,077,885	13,554,566
Storage	15,423,433	11,425,154
Hire plant/vehicles/equipments	8,757,727	4,010,129
Port Dues	993,960	1,353,768
	<hr/>	<hr/>
<b>Total Ships dues and rates</b>	<b>88,792,433</b>	<b>68,092,086</b>
	<hr/>	<hr/>

# Solomon Islands Ports Authority

## Notes to the Financial Statement (continued)

	2012	2011
	\$	\$
<b>6 OTHER INCOME</b>		
Rental received on land and buildings	4,145,254	3,547,377
Weekend O/T recovery and rations	2,498,307	1,502,747
Water and Power sales	436,050	383,810
Environmental fee received	121,241	74,284
Miscellaneous income	4,217,938	2,418,538
Profit and loss on disposal of assets	410,225	-
<b>Total other income</b>	<u>11,829,015</u>	<u>7,926,756</u>
<b>7 NET FINANCE COST</b>		
<b>Finance income</b>		
Interest income	30,361	42,556
<b>Finance expense</b>		
Interest expense	(1,040,157)	(1,419,053)
Other	(57,674)	(234,443)
	<u>(1,097,831)</u>	<u>(1,653,496)</u>
<b>Net finance costs</b>	<u>(1,067,470)</u>	<u>(1,610,940)</u>
<b>8 TRADE AND OTHER RECEIVABLES</b>		
Trade debtors	26,747,380	19,183,877
Less : Provision for doubtful debts	(2,826,396)	(7,272,814)
Other debtors	6,772,905	6,294,557
Prepayments	15,255	2,453,968
	<u>30,709,144</u>	<u>20,659,588</u>
<b>9 INVENTORIES</b>		
Gasoline	10,642	1,270
Diesoline	7,553	23,490
Oil	111,772	68,037
Grease	6,289	43,841
Drums (MT)	18,050	3,500
Tyres & Tubes	316,319	592,081
	<u>470,625</u>	<u>732,219</u>

# Solomon Islands Ports Authority

## Notes to the Financial Statements (continued)

	2012	2011
	\$	\$
<b>10 INVESTMENTS</b>		
Term Deposit	<u>951,731</u>	<u>931,486</u>
<b>11 INVESTMENT PROPERTY</b>		
Opening balance	7,136,105	6,954,209
Fair value adjustments	<u>21,400,332</u>	<u>181,896</u>
Closing balance	<u>28,536,437</u>	<u>7,136,105</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 2012, \$4,145,254 was recognized as rental income in the statement of comprehensive income (2011: \$3,547,377) and \$31,069 in respect of repairs and maintenance was recognized as an expense in the statement of comprehensive income relating to investment property (2011: \$16,043).

# 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 \$
<b>Cost</b>							
At 1 October 2011	2,649,294	10,058,999	20,296,305	44,581,589	31,584,973	9,959,257	119,130,417
Additions	6,858,721	-	784,819	1,707,171	1,109,914	10,806,084	21,266,709
Revaluation	-	121,042,346	28,260,822	61,497,492	(460,761)	(12,400,309)	197,939,590
Adjustments	-	(16,864,885)	-	(3,823)	(29,013,451)	29,006,756	(15,009,762)
Transfers	(4,767,890)	-	-	202,633	-	4,565,257	-
Disposals	-	-	(31,200)	-	(310,265)	(2,204,639)	(2,546,104)
At 30 September 2012	4,740,125	114,236,460	49,310,746	107,985,062	2,910,584	39,732,406	318,915,384
<b>Accumulated Depreciation</b>							
At 1 October 2011	-	3,878,423	14,681,158	28,516,575	12,948,564	5,191,078	65,215,796
Depreciation	-	274,319	607,563	1,510,030	254,607	4,477,921	7,124,440
Revaluation	-	(4,152,742)	(15,257,519)	(30,026,603)	(12,892,906)	(7,503,137)	(69,832,907)
Disposals	-	-	(31,200)	-	(310,265)	(2,165,861)	(2,507,326)
At 30 September 2012	-	-	-	-	-	-	-
<b>Book Value</b>							
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
At 30 September 2012	4,740,125	114,236,460	49,310,747	107,985,063	2,910,584	39,732,405	318,915,380

# 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 \$
<b>Cost</b>							
At 1 October 2011	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
<b>Accumulated Depreciation</b>							
At 1 October 2010	-	3,600,697	14,120,051	27,059,919	11,624,420	5,375,491	61,780,578
Depreciation	-	277,726	561,104	1,456,656	2,206,940	1,235,927	5,738,353
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
<b>Book Value</b>							
At 30 September 2010	7,536,426	6,458,302	5,527,284	12,381,349	11,958,573	4,383,743	48,529,606
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)

<b>13 EMPLOYEE COSTS</b>	2012	2011
	\$	\$
Wages and salaries	10,752,642	9,172,368
Other allowances	6,749,379	8,867,606
Overtime	9,852,769	8,235,454
Long service benefit	1,658,697	1,588,321
	<u>29,013,487</u>	<u>27,863,749</u>

The numbers of permanent employees in 2012 were 198 (2011: 196).

## **14 TRADE AND OTHER PAYABLES**

Trade creditors	2,172,955	921,211
Other creditors and accrued expenses	3,395,588	3,051,208
	<u>5,568,543</u>	<u>3,972,419</u>

## **15 INTEREST BEARING LOANS AND BORROWINGS**

### **Current**

Loan from Solomon Islands Government	7,078,436	9,460,818
	<u>7,078,436</u>	<u>9,460,818</u>

SIPA 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 7<sup>th</sup> October 2015.

### **Financing facilities**

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

	2012	2011
	\$	\$
Bank overdraft	<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	2012	2011
	\$	\$
Current liability	1,000,425	398,722
Non-current liability	4,626,417	4,913,941
	<u>5,626,842</u>	<u>5,312,663</u>
Opening balance	5,312,663	5,285,842
Provisions made during the year	1,637,568	1,322,003
Provisions utilized during the year	<u>(1,323,389)</u>	<u>(1,295,182)</u>
Closing balance	<u>5,626,842</u>	<u>5,312,663</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 2012 SIPA has expensed \$1,868,788 in contributions payable (2011: \$1,742,131).



# Solomon Islands Ports Authority

## Notes to the Financial Statements (continued)

### 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.

### 19 ASSET REVALUATION RESERVES

	Property, plant and equipment	Total
	\$	\$
At 1 October 2010		
Revaluation of property, plant and equipment	-	-
At 1 October 2011	-	-
Revaluation of property, plant and equipment	248,823,215	248,823,215
At 30 September 2012	248,823,215	248,823,215

### 20 RELATED PARTIES

#### A. Controlled entities

SIPA does not control any other entities.

#### 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:

	2012	2011
	\$	\$
Salaries and other short term benefits	1,571,018	1,879,826

# Solomon Islands Ports Authority

## Notes to the Financial Statements (continued)

### 21 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.

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
<b>2012</b>						
Cash and cash equivalents	22 (a)	0.6	13,828,540	13,828,540	-	-
Investments	10	1.5	951,731	951,731	-	-
Loans and borrowings	15	7.4	(7,078,436)	(1,713,041)	(5,365,395)	-
			<u>7,701,835</u>	<u>13,067,230</u>	<u>(5,365,395)</u>	<u>-</u>
<b>2011</b>						
Cash and cash equivalents	22 (a)	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>

#### 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.

# Solomon Islands Ports Authority

## Notes to the Financial Statements (continued)

### 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 2012, it is estimated that a general increase/decrease of one percentage point in interest rates would decrease/decrease SIPA's profit by approximately \$118,304 (2011: \$192,806).

It is estimated that a general increase/decrease of one percentage point in the value of the \$ against other foreign currencies would have increased/decreased SIPA's profit before tax by approximately \$53,521 for the year ended 30 September 2012 (2011: \$70,108).

### 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)

22 NOTES TO THE STATEMENT OF CASH FLOWS	2012	2011
	\$	\$
<b>(a) Reconciliation of cash</b>		
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	13,828,190	3,722,714
Cash on hand	350	350
<b>Cash and Cash Equivalent</b>	<u>13,828,540</u>	<u>3,723,064</u>
Term deposit	951,731	931,486
	<u>14,780,271</u>	<u>4,654,550</u>
 <b>(b) Reconciliation of operating profit after income tax to net cash provided by operating activities</b>		
Operating profit / (loss) after income tax	57,963,638	17,516,810
Add / (deduct) items classified as investing / financing activities:		
(Profit) / loss on sale of non-current assets	(410,225)	169,727
Interest income	(30,361)	(42,556)
Add / (deduct) non-cash items:		
Revaluation of investment property	(21,400,332)	(181,896)
SIG loan adjustment	23 (b) (669,340)	303,808
Bad debts provision	(1,990,013)	316,567
Depreciation	<u>7,124,440</u>	<u>5,738,353</u>
Net cash provided by operating activities before changes in assets and liabilities	40,587,807	23,820,813
Changes in assets and liabilities		
(Increase) / decrease in inventories	261,594	(255,598)
(Increase) / decrease in trade debtors	(10,498,256)	(4,786,928)
(Increase) / decrease in prepayments	2,438,713	(4,360,132)
Increase / (decrease) in trade creditors	1,257,688	(813,150)
Increase / (decrease) in trade accruals	344,380	1,256,870
Increase / (decrease) in employee benefits	<u>314,179</u>	<u>26,821</u>
Net cash provided by operating activities	<u>34,706,105</u>	<u>14,888,696</u>

# Solomon Islands Ports Authority

## Notes to the Financial Statements (continued)

### 23 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 25<sup>th</sup> of April 2014. This consequently changed the balances of the SIG loan from financial year 2010 up to when it was fully repaid on 7<sup>th</sup> 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:

	2012	2011
	\$	\$
(Increase) / Decrease in interest bearing loans and borrowings (SIG Loan)	669,340	(303,808)
Increase / (Decrease) in interest expense	(171,605)	303,808
Increase in miscellaneous income	(497,735)	-