

**SOLOMON ISLANDS PORTS AUTHORITY
ANNUAL STATEMENT OF ACCOUNTS
FOR THE YEAR ENDED 30 SEPTEMBER 2015**

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Solomon Islands Ports Authority
Directors' report
For the year ended 30 September 2015

The Board of directors present their report together with the financial statements of the Solomon Islands Ports Authority ("the Authority") for the year ended 30 September 2015 and the auditors' report thereon.

Directors

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

Name	Date of end of term	Date appointed
Mr. Nollen Leni (Chairman)	31 January 2016	
Mr. Moses Virivolomo (Vice Chairman)	31 January 2016	
Mr. Pascol Ohoau	31 January 2016	
Mr. Kenneth Grossmith	31 January 2016	
Mr. Billy Titulu (Chairman)		1 February 2016
Mr. Henry Murray (Vice Chairman)		1 February 2016
Mr. Michael Aihikau		1 February 2016
Mr. Humphrey Tura		1 February 2016
Mr. Johnny Sy		1 February 2016

State of affairs

In the opinion of the Directors:

- there were no significant changes in the state of affairs of the Authority during the financial year under review not otherwise disclosed in this report or the financial statements;
- the accompanying statement of financial position gives a true and fair view of the state of affairs of the Authority as at 30 September 2015 and the accompanying statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows give a true and fair view of the results, of the Authority for the year then ended.

Principal activities

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

Results

The net profit of the Authority for the year ended 30 September 2015 was \$26,326,575 (2014: net loss \$6,549,426).

Reserves

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

Dividends

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

Assets

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

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

**Solomon Islands Ports Authority
Directors' report (continued)
For the year ended 30 September 2015**

Bad and Doubtful debts

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

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

Directors' benefit

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

Unusual transactions

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

Events subsequent to balance date

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

Other circumstances

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

Major events

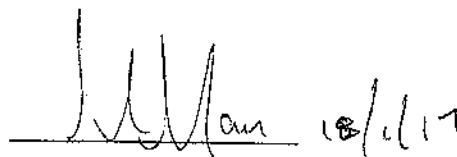
During the financial year, there were two major revisions to the tariffs that were approved by the government and gazetted. The introduction of change to the tariffs had a favourable impact on the financial performance of the Authority.

Dated at Honiara this 18th of January 2017

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



Chairman of the Board



Director

**Solomon Islands Ports Authority
Statement by Directors
For the year ended 30 September 2015**

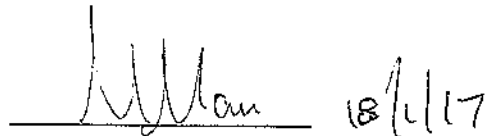
In the opinion of the Directors:

- (a) the accompanying statement of profit or loss and other comprehensive income is drawn up so as to give a true and fair view of the results of the Authority for the year ended 30 September 2015;
- (b) the accompanying statement of financial position is drawn up so as to give a true and fair view of the state of affairs of the Authority as at 30 September 2015;
- (c) the accompanying statement of changes in equity is drawn up so as to give a true and fair view of the changes in equity of the Authority for the year ended 30 September 2015;
- (d) the accompanying statement of cash flows is drawn up so as to give a true and fair view of the cash flows of the Authority for the year ended 30 September 2015;
- (e) at the date of this statement there are reasonable grounds to believe the Authority will be able to pay its debts as and when they fall due;
- (f) all related party transactions have been adequately recorded in the books of the Authority, and
- (g) the financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRS").

For and on behalf of the Board of Directors by authority of a resolution of the Directors this 18th of January..... 2017



Chairman of the Board



Director



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

Report on the Financial Statements

I have in joint consultation with the Board of the Solomon Islands Ports Authority pursuant to Section 23(3) of the Ports Act Cap 161 contracted KPMG Fiji which is part of the KPMG International network to assist me to audit the accompanying financial statements of the Solomon Islands Port Authority, which comprise the statement of financial position as at 31 December 2015, the statement of comprehensive and other income, statement of changes in equity and cash flow statement for the year then ended, and Notes 1 to 23 comprising of a summary of significant accounting policies and information.

Boards' and Management's Responsibility for the Financial Statements

The Board and Management are responsible for the preparation of financial statements that give a true and fair view in accordance with the requirements of the Ports Act Cap 161 and International Financial Reporting Standards and for such internal control as the board and management 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 my 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 judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Solomon Islands Ports Authority as at 30 September 2015 and its financial performance, changes in equity and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

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 20 January 2017.

Peter Lokay
Auditor- General
23 January 2017

Office of the Auditor –General
Solomon Islands

Solomon Islands Ports Authority
Statement of profit or loss and other comprehensive income
For the year ended 30 September 2015

	Note	2015 \$	2014 \$
Revenue	5	118,125,437	94,510,630
Other income	6	15,958,668	11,314,733
Change in fair value of investment properties	14	1,305,603	1,428,896
Operational expenses	7	(39,229,182)	(47,019,863)
Administrative and other operating expenses	8	<u>(69,707,733)</u>	<u>(66,477,916)</u>
Profit/ (loss) from operations		<u>26,452,793</u>	<u>(6,243,520)</u>
Finance income		10,454	18,591
Finance cost		<u>(136,672)</u>	<u>(324,497)</u>
Net finance cost		<u>(126,218)</u>	<u>(305,906)</u>
Net profit/ (loss) before tax		26,326,575	(6,549,426)
Income tax	3 (g)	<u>-</u>	<u>-</u>
Net profit/ (loss) for the year		<u>26,326,575</u>	<u>(6,549,426)</u>
Other comprehensive income		-	-
Total comprehensive income/ (loss) for the year		<u>26,326,575</u>	<u>(6,549,426)</u>

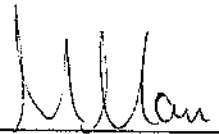
The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Solomon Islands Ports Authority
Statement of financial position
As at 30 September 2015

	Note	2015 \$	2014 \$
ASSETS			
Current assets			
Cash and cash equivalents	10	46,758,171	22,320,466
Trade and other receivables	11	27,630,160	26,874,651
Inventories	12	1,737,880	623,554
Investments	13	978,278	978,278
Total current assets		<u>77,104,489</u>	<u>50,796,949</u>
Non current assets			
Investment property	14	31,668,476	30,362,872
Property, plant and equipment	15	307,202,446	308,188,362
Total non-current assets		<u>338,870,922</u>	<u>338,551,234</u>
Total assets		<u>415,975,411</u>	<u>389,348,183</u>
LIABILITIES			
Current liabilities			
Trade and other payables	16	13,164,811	9,398,014
Loans and borrowings	18	554,572	2,586,743
Employee benefits	17	1,193,029	3,202,846
Total current liabilities		<u>14,912,412</u>	<u>15,187,603</u>
Non current liabilities			
Employee benefits	17	4,589,696	4,013,854
Total non-current liabilities		<u>4,589,696</u>	<u>4,013,854</u>
Total liabilities		<u>19,502,108</u>	<u>19,201,457</u>
Net assets		<u>396,473,303</u>	<u>370,146,728</u>
EQUITY			
SIG equity contribution		402,824	402,824
Retained earnings		147,247,264	120,920,689
Asset revaluation reserves		248,823,215	248,823,215
Total equity		<u>396,473,303</u>	<u>370,146,728</u>

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


 Chairman of the Board

 18/11/17
 Director

The above statement of financial position should be read in conjunction with the accompanying notes.

Solomon Islands Ports Authority
Statement of changes in equity
For the year ended 30 September 2015

	Solomon Island Government contribution \$	Asset revaluation reserve \$	Retained earnings \$	Total \$
Balance as at 1 October 2013	402,824	248,823,215	127,470,115	376,696,154
Total comprehensive income for the year				
Net loss for the year	-	-	(6,549,426)	(6,549,426)
Other comprehensive income	-	-	-	-
Balance as at 30 September 2014	402,824	248,823,215	120,920,689	370,146,728
Balance as at 1 October 2014	402,824	248,823,215	120,920,689	370,146,728
Total comprehensive income for the year				
Net profit for the year	-	-	26,326,575	26,326,575
Other comprehensive income	-	-	-	-
Balance as at 30 September 2015	402,824	248,823,215	147,247,264	396,473,303

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Solomon Islands Ports Authority
Statement of cash flows
For the year ended 30 September 2015

	Note	2015 \$	2014 \$
Cash flow from operating activities			
Receipts from customers		133,193,484	110,719,988
Payments to suppliers and employees		(91,232,798)	(98,183,230)
Interest paid		(430,231)	(225,070)
Net cash flows from operating activities		<u>41,530,455</u>	<u>12,311,688</u>
Cash flow used in financing activities			
Acquisition of property, plant and equipment	15	(15,494,234)	(11,400,754)
Borrowings repaid		(1,608,970)	(1,722,542)
Net cash flows (used in) financing activities		<u>(17,103,204)</u>	<u>(13,123,296)</u>
Cash flow from investing activities			
Interest received		10,454	18,591
Cash flows from investing activities		<u>10,454</u>	<u>18,591</u>
Net increase/ (decrease) in cash and cash equivalents		<u>24,437,705</u>	<u>(793,017)</u>
Cash and cash equivalents at the beginning of the year		22,320,466	23,113,483
Cash and cash equivalents at the end of the financial year	10	<u>46,758,171</u>	<u>22,320,466</u>

The above statement of cash flows should be read in conjunction with the accompanying notes.

Solomon Islands Ports Authority
Notes to and forming part of the financial statements
For the year ended 30 September 2015

1. General information

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

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

The financial statements were authorised for issue by the Board of Directors on18th January... 201~~7~~

2. Basis of preparation

(a) Statement of compliance

The financial statements of the Authority have been prepared in accordance with International Financial Reporting Standards (‘IFRS’) and the provisions of the Solomon Islands Ports Authority Act 1956.

(b) Basis of measurement

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.

(c) New standards and interpretations not yet adopted

A number of new standards, amendments and standards and interpretations are effective for annual periods beginning after 1 July 2015, and have not been applied in preparing these financial statements. None of these are expected to have a significant impact on the financial statements.

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

IFRS 15 ‘Revenue from contracts with customers’, replaces existing revenue recognition guidance, including IAS 18 ‘Revenue’, IAS 11 ‘Construction Contracts’ and IFRIC 13 ‘Customer Loyalty Programmes’ and establishes a comprehensive framework for determining whether, how much and when revenue is recognised. The standard is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

(d) Use of estimates and judgment

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

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

Solomon Islands Ports Authority
Notes to and forming part of the financial statements
For the year ended 30 September 2015

2. Basis of preparation

(d) Use of estimates and judgment (continued)

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

- Note 3 (h) – Investment property
- Note 3 (e) – Trade and other receivables
- Note 3 (m) – Employee benefits

3. Statement of significant accounting policies

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

(a) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

Transactions in foreign currencies are translated into the respective functional currencies at the exchange rates at the date of the transaction. Foreign exchange differences arising on translation are recognised in the statement of profit or loss and other 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 profit or loss and other 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.

(b) Property plant and equipment

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

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

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

Subsequent expenditure

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

Depreciation

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

Solomon Islands Ports Authority
Notes to and forming part of the financial statements
For the year ended 30 September 2015

3. Statement of significant accounting policies (continued)

(b) Property plant and equipment (continued)

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

Land and buildings	10 to 50 years
Wharves and jetties	5 to 30 years
Vehicles	5 to 15 years
Plant and equipment	5 to 15 years

(c) Impairment

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

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the statement of profit or loss and other 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.

(d) Inventory

Inventory are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(e) Trade and other receivables

Trade and other receivables are stated at their cost less impairment losses. The average credit period is 35 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 indicates 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.

(f) Revenue recognition

i. Rendering of port services

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

(g) Tax expense

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

Solomon Islands Ports Authority
Notes to and forming part of the financial statements
For the year ended 30 September 2015

3. Statement of significant accounting policies (continued)

(h) Investment properties

Investment property is initially recorded at cost and subsequently at fair value with any change therein recognised as profit and loss.

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

Investment property rental income

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

(i) Trade and other payables

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

(j) Investments

Investments are non derivate assets with fixed maturity that the Authority has a positive intent and ability to maturity. Investments are carried at amortised costs using the effective interest method.

(k) 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.

(l) Loans and borrowings

Loans and borrowings are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised costs using the effective interest method.

(m) Employee benefit

Short-term employee benefits

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

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

Long-term employee benefits

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

Liabilities recognised in respect of long-term employee benefits which are not expected to be settled within 12 months are measured at the present value of the estimated future cash outflows to be made resulting from employee's service provided to balance date.

Solomon Islands Ports Authority
Notes to and forming part of the financial statements
For the year ended 30 September 2015

3. Statement of significant accounting policies (continued)

(n) Operating leases

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

(o) Net financial costs

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

(p) 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.

(q) Comparative figures

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

(r) Asset Revaluation Reserve

This reserve records movement between written-down value and fair value of property plant and equipment of the Authority.

4. Financial risk management

Overview

The Authority has exposure to the following risks:

- (i) credit risk;
- (ii) liquidity risk; and
- (iii) market risk.

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

Risk management framework

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

(i) Credit risk

Credit risk is the risk of financial loss to the Authority if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Authority's cash at bank and receivables. The carrying amount of financial assets represents the maximum credit exposure. The Authority's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Authority's customer base, including the default risk of the industry as these factors may have an influence on credit risk.

Solomon Islands Ports Authority
Notes to and forming part of the financial statements
For the year ended 30 September 2015

4. Financial Risk Management (continued)

(i) Credit risk (continued)

Trade and other receivables

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

	2015	2014
	\$	\$
Cash and cash equivalents	46,758,171	22,320,466
Trade and other receivables	27,630,160	26,874,651
	<u>74,388,331</u>	<u>49,195,117</u>

As at 30 September 2015, the aging of trade receivables that were not impaired was as follows:

	2015	2014
	\$	\$
Neither past due nor impaired	20,501,782	7,537,221
Past due 1-30 days	1,516,337	3,095,276
Past due 31-60 days	465,957	1,408,692
Past due 61-90 days	169,792	1,261,994
Past due 91-120 days	6,889,254	9,016,283
	<u>29,543,122</u>	<u>22,319,466</u>

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

	2015	2014
	\$	\$
Balance at 1 October 2014	5,793,612	4,708,608
Allowance for doubtful debt recognised	270,222	2,311,559
Amounts written off	(135,111)	(1,226,555)
Balance as 30 September 2015	<u>5,928,723</u>	<u>5,793,612</u>

(ii) Liquidity risk

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

(iii) Market risk

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

Solomon Islands Ports Authority
Notes to and forming part of the financial statements
For the year ended 30 September 2015

4. Financial Risk Management (continued)

(iii) Market risk (continued)

Currency risk

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

(iv) Capital management

The Authority's capital includes Solomon Islands Government contribution, asset revaluation reserves and retained earnings.

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

The Authority's adjusted net debt to equity ratio as at 30 September 2015 was as follows:

	2015	2014
	\$	\$
Total liabilities	19,502,108	19,201,456
Less: cash and cash equivalents	<u>(46,758,171)</u>	<u>(22,320,466)</u>
Adjusted net debt	(27,256,063)	(3,119,010)
Total equity	<u>396,473,303</u>	<u>370,146,728</u>
Adjusted net debt to equity ratio	<u>(0.07)</u>	<u>(0.01)</u>

Solomon Islands Ports Authority
Notes to and forming part of the financial statements
For the year ended 30 September 2015

	2015	2014
	\$	\$
5. Revenue		
Anchorage	295,859	298,037
Berthage - overseas ship	11,330,151	9,806,441
Container cleaning	4,615,140	3,881,914
Handling	12,910,436	10,953,107
Port machinery hire	10,291,028	10,113,559
Mooring Line Fees	1,768,595	1,770,517
Pilotage	11,700,220	8,565,114
Port dues	1,176,108	815,784
Stevedoring	25,604,219	20,587,559
Storage	18,188,749	13,440,344
Tonnage dues	13,395,840	7,345,827
Wharfage	6,849,092	6,932,427
	<u>118,125,437</u>	<u>94,510,630</u>
6. Other income		
Environment fee -- overseas ships	117,544	86,955
Investment property rental income	4,762,454	5,073,127
Overtime recovery and rations	4,338,948	1,990,689
Power and water sales	1,901,625	1,063,264
Rations ship operational	314,700	249,000
Wharf entry fees	3,495,649	2,340,290
Other income	1,027,748	511,408
	<u>15,958,668</u>	<u>11,314,733</u>
7. Operational expenses		
Depreciation	11,430,957	13,413,090
Electricity and water	1,445,937	1,459,520
Employees amenities	500,627	875,578
Fuel	2,586,804	3,130,699
Insurance	1,991,161	2,487,317
Personnel expenses	16,484,795	19,812,789
Repair and maintenance	4,629,508	5,472,242
Uniforms	87,985	114,941
Other costs of sales	71,408	253,687
	<u>39,229,182</u>	<u>47,019,863</u>

Solomon Islands Ports Authority
Notes to and forming part of the financial statements
For the year ended 30 September 2015

	Note	2015 \$	2014 \$
8. Administrative and other operating expenses			
Auditors remuneration:			
- Audit fees- current year		226,800	257,480
- Audit fees- prior year		306,491	231,612
Bad and doubtful debts		135,111	1,201,556
Computer consumables and consultancy services		14,414,491	14,523,245
Depreciation		4,572,203	4,279,566
Electricity and water		3,767,220	3,761,520
Land rents and rates		2,308,061	6,356,570
Legal expenses		406,683	503,949
Personnel expenses		29,771,162	22,947,636
Postage, telephone and fax		983,197	613,742
Printing and stationeries		693,356	807,321
Repairs and maintenance		3,682,333	3,843,227
Travel allowances		2,314,859	1,309,294
Other operating expenses		6,125,766	5,841,198
		<u>69,707,733</u>	<u>66,477,916</u>
9. Personnel expenses			
Salaries and wages		26,047,790	27,506,064
National Provident Fund		2,336,697	2,352,709
Other staff benefits and costs		17,871,470	12,901,652
		<u>46,255,957</u>	<u>42,760,425</u>
10. Cash and cash equivalents			
For the purposes of the statement of cash flows, cash and cash equivalents comprise the following:			
Cash at bank		46,757,171	22,319,466
Cash on hand		1,000	1,000
		<u>46,758,171</u>	<u>22,320,466</u>
11. Trade and other receivables			
Trade receivables		29,543,122	22,309,024
Less allowance for doubtful debts	4 (i)	<u>(5,928,723)</u>	<u>(5,793,612)</u>
		23,614,399	16,515,412
Prepayments		8,336	6,501,287
Other receivables		4,007,425	3,857,952
		<u>27,630,160</u>	<u>26,874,651</u>
12. Inventories			
Fuel		535,533	26,071
Drums		4,639	9,500
Lubricants		290,441	192,977
Tyres and tubes		907,267	395,006
		<u>1,737,880</u>	<u>623,554</u>

Solomon Islands Ports Authority
Notes to and forming part of the financial statements
For the year ended 30 September 2015

	2015 \$	2014 \$
13. Investments		
Short term deposit	<u>978,278</u>	<u>978,278</u>

Investments comprises of two term deposit accounts. The period of the term deposit is 12 months. The interest rate is 0.75% with an initial deposit of \$200,000 and \$778,368 respectively.

14. Investment properties		
Balance at the beginning of the financial year – at fair value	30,362,873	28,933,976
Changes in fair value	<u>1,305,603</u>	<u>1,428,896</u>
Balance at the end of the financial year – at fair value	<u>31,668,476</u>	<u>30,362,872</u>

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

Rental income from investment properties of \$4,762,454 (2014: \$5,073,127) has been recognised in other income.

Fair value hierarchy

The fair value of investment property was determined by inputs other than quoted prices that are observable for the asset. Discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows. The fair value of the Authority's investment property are categorised into Level 2 of the fair value hierarchy.

Valuation techniques and significant unobservable inputs

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

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Discounted cash flows: The valuation model considers the present value of net cash flows generated from the property, taking into account the expected rental growth rate, occupancy rate, lease incentive costs such as rent-free periods and other costs paid by tenants. The expected net cash flows are discounted using risk-adjusted discount rates. Among other factors, the discount rate estimation considers the quality of a building and its location (prime vs secondary), tenant credit quality and lease terms.	<ul style="list-style-type: none"> • Expected market rental growth. • Occupancy rate. • Rent-free periods. • Risk-adjusted discount rates. 	<p>The estimated fair value would increase (decrease) if:</p> <ul style="list-style-type: none"> • expected market rental growth were rate were higher (lower); • the occupancy rate were higher (lower); • rent-free periods were shorter (longer); or • the risk-adjusted discount rate were lower (higher).

Solomon Islands Ports Authority

Notes to and forming part of the financial statements
For the year ended 30 September 2015

15. Property, plant and equipment

Cost	Land and buildings \$	Wharves and jetties \$	Plant and equipment \$	Vehicles \$	Work in Progress \$	Total \$
Balance at 1 October 2013	163,786,388	108,866,424	20,628,179	31,013,828	11,122,849	335,417,668
Acquisitions	1,565,407	400,065	7,780,451	873,457	781,375	11,400,755
Disposals	-	-	(266,945)	(1,330,195)	-	(1,597,140)
Transfers	300,929	-	-	-	(300,929)	-
Balance at 30 September 2014	165,652,724	109,266,489	28,141,685	30,557,090	11,603,295	345,221,283
Acquisitions	1,091,674	1,131,981	10,842,827	589,500	1,838,252	15,494,234
Disposals	-	-	(780,985)	-	(385,768)	(1,166,753)
Transfers	-	-	25,770,031	(25,770,031)	-	-
Balance at 30 September 2015	166,744,398	110,398,470	63,973,558	5,376,559	13,055,779	359,548,764
<i>Accumulated depreciation</i>						
Balance at 1 October 2013	2,781,111	5,221,293	5,637,125	6,877,078	-	20,516,607
Depreciation charge for the year	2,791,689	5,227,680	3,158,565	6,514,723	-	17,692,657
Disposals	-	-	(219,207)	(957,136)	-	(1,176,343)
Balance at 30 September 2014	5,572,800	10,448,973	8,576,483	12,434,665	-	37,032,921
Depreciation charge for the year	2,866,185	5,152,099	7,220,736	764,139	-	16,003,159
Disposals	-	-	(689,762)	-	-	(689,762)
Transfers	-	-	10,625,787	(10,625,787)	-	-
Balance at 30 September 2015	8,438,985	15,601,072	25,733,244	2,573,017	-	52,346,318
<i>Carrying amount</i>						
At 30 September 2013	161,005,277	103,645,131	14,991,054	24,136,750	11,122,849	314,901,061
At 30 September 2014	160,079,924	98,817,516	19,565,202	18,122,425	11,603,295	308,188,362
At 30 September 2015	158,305,413	94,797,398	38,240,314	2,803,542	13,055,779	307,202,446

Solomon Islands Ports Authority
Notes to and forming part of the financial statements
For the year ended 30 September 2015

	2015	2014
	\$	\$
16. Trade and other payables		
Trade payables	1,668,799	4,052,641
Other payables and accrued expenses	<u>11,496,012</u>	<u>5,345,373</u>
	<u>13,164,811</u>	<u>9,398,014</u>
17. Employee entitlements		
Current	1,193,029	3,202,846
Non current	<u>4,589,696</u>	<u>4,013,854</u>
	<u>5,782,725</u>	<u>7,216,700</u>
Movement is made up of the following:		
Opening balance	7,216,700	6,662,644
Provisions made during the year	1,062,510	2,208,666
Provisions utilised during the year	<u>(2,496,485)</u>	<u>(1,654,610)</u>
Closing balance	<u>5,782,725</u>	<u>7,216,700</u>
18. Loans and borrowings		
Current	<u>554,572</u>	<u>2,586,743</u>

Loans and borrowings comprises of a subsidiary loan, with a interest rate of 7.36% per annum, lent by the Solomon Islands Government to the Authority in 1987, which was later restructured on 4th March 2014.

19. Equity

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

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

20. Related parties

(a) Identity of related parties

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

Name

Mr. Nollen Leni (Chairman)
 Mr. Moses Virivolomo (Vice Chairman)
 Mr. Pascol Ohoau
 Mr. Kenneth Grossmith

Directors fees amounting to \$73,200 were paid during the period (2014: \$73,200).

(b) Key management personnel

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

Solomon Islands Ports Authority
Notes to and forming part of the financial statements
For the year ended 30 September 2015

20. Related parties (continued)

(b) Key management personnel (continued)

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

Name	Designation
Ms. Jane Waetara	Interim Chief Executive Officer (resigned 21 January 2015)
Mr. Colin Yow Tuck	Chief Executive Officer (appointed 25 January 2015)
Mr. George Rausi	Director Finance
Mr. Glyn Joshua	Director Commercial
Mr. Judah Kulabule	Director Harbour Master
Mr. Ronald Ivupitu	Director Engineering
Mr. John Hugo Bugoro	Director Operations (appointed 1 February 2015)
Mr. Benny Legua	Director Corporate Services (appointed 1 March 2015)

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

	2015	2014
	\$	\$
Short term benefits	10,706,558	1,965,529

(c) Amounts payable to related parties

Loan payable to Solomon Islands Government	554,572	2,586,743
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21. Capital commitments

The Authority is not aware of any capital commitments as at 30 September 2015 (2014: \$Nil).

22. Contingent liabilities

The Authority is not aware of any major contingent liabilities as at 30 September 2015 (2014: \$Nil), except for a case brought about by the former staff relating to unfair dismissal. The Directors are confident in successfully defending the case.

23. Events subsequent to balance date

Subsequent to year end, the Authority entered into the importation and retailing of rice, noodles and intended to commence domestic aviation operations. These activities were ruled by the Court to be activities outside the Authority's approved line of business and were ordered to cease engaging in these business. The financial impact of this decision to the Authority is estimated to be \$9,993,813.

Except for the above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature, in the opinion of the directors, to affect significantly the operations of the Authority in subsequent financial years.