

**SOLOMON ISLANDS PORTS AUTHORITY
ANNUAL STATEMENT OF ACCOUNTS
FOR THE YEAR ENDED 30 SEPTEMBER 2016**

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Solomon Islands Ports Authority

Directors' report

For the year ended 30 September 2016

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 2016 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 appointed
Mr. Billy Titiulu (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 2016 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 2016 was \$122,652,638 (2015: net profit \$26,326,575).

Reserves

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

Dividends

During the financial year ended 30 September 2016, the directors declared a dividend of \$10,000,000 in respect of the year ended 30 September 2015. The dividend was paid to Solomon Islands Government on 14 October 2015.

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 2016**

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

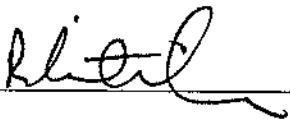
At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or financial statements which render amounts stated in the financial statements misleading.

Major events

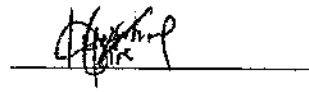
During the financial year, the Authority entered into the importation and retailing of rice and noodles and intended to commence with domestic aviation operations. These activities were ruled out by the Court to be activities outside the Authority approved line of business and were ordered to cease engaging in these business. The financial impact of these activities to the Authority is estimated to be \$9,971,391.

Dated at Honiara this 8th of May..... 2017.

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



Chairman of the Board



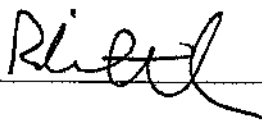
Director

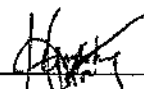
**Solomon Islands Ports Authority
Statement by Directors
For the year ended 30 September 2016**

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 2016;
- (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 2016;
- (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 2016;
- (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 2016;
- (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 8th of May 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 Authority pursuant to 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 30 September 2016, the statement of comprehensive and other income, statement of changes in equity and statement of cash flow for the year then ended, and Notes 1 to 24 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 2016 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

While containing an unqualified opinion on the financial report, I note that the Authority has not complied with the requirements of the *State Owned Enterprises Act, 2012 (Section 14(1))* which requires that the audited financial statements to be submitted to the accountable Minister within 3 months of the financial year end. The signed financial statements were not presented to me until 9 May 2017.

Peter Lokay
Auditor- General
11 May 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 2016

	Note	2016 \$	2015 \$
Revenue	5	226,898,744	118,125,437
Other income	6	13,629,563	15,958,668
Change in fair value of investment properties	14	-	1,305,603
Release of deferred revenue	19	292,521	-
Operational expenses	7	(38,068,831)	(39,229,182)
Administrative and other operating expenses	8	<u>(79,955,778)</u>	<u>(69,707,733)</u>
Profit from operations		<u>122,796,219</u>	<u>26,452,793</u>
Finance income		17,591	10,454
Finance cost		<u>(161,172)</u>	<u>(136,672)</u>
Net finance cost		<u>(143,581)</u>	<u>(126,218)</u>
Net profit before tax		122,652,638	26,326,575
Income tax	3 (h)	<u>-</u>	<u>-</u>
Net profit for the year		<u>122,652,638</u>	<u>26,326,575</u>
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income for the year		<u>122,652,638</u>	<u>26,326,575</u>

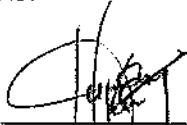
The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Solomon Islands Ports Authority
Statement of financial position
As at 30 September 2016

	Note	2016 \$	2015 \$
ASSETS			
Current assets			
Cash and cash equivalents	10	138,902,849	46,758,171
Trade and other receivables	11	37,777,951	27,630,160
Inventories	12	2,338,135	1,737,880
Investments	13	984,115	978,278
Total current assets		<u>180,003,050</u>	<u>77,104,489</u>
Non current assets			
Investment property	14	80,154,372	31,668,476
Property, plant and equipment	15	436,422,815	307,202,446
Total non-current assets		<u>516,577,187</u>	<u>338,870,922</u>
Total assets		<u>696,580,237</u>	<u>415,975,411</u>
LIABILITIES			
Current liabilities			
Trade and other payables	16	7,599,993	13,164,811
Loans and borrowings	18	-	554,572
Employee benefits	17	1,050,940	1,193,029
Deferred revenue		3,510,258	-
Total current liabilities		<u>12,161,191</u>	<u>14,912,412</u>
Non current liabilities			
Employee benefits	17	3,583,003	4,589,696
Deferred revenue	19	171,710,102	-
Total non-current liabilities		<u>175,293,105</u>	<u>4,589,696</u>
Total liabilities		<u>187,454,296</u>	<u>19,502,108</u>
Net assets		<u>509,125,941</u>	<u>396,473,303</u>
EQUITY			
SIG equity contribution		402,824	402,824
Asset revaluation reserves		248,823,215	248,823,215
Retained earnings		259,899,902	147,247,264
Total equity		<u>509,125,941</u>	<u>396,473,303</u>

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


 Chairman of the Board


 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 2016

	Solomon Island Government contribution \$	Asset revaluation reserve \$	Retained earnings \$	Total \$
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
Balance as at 1 October 2015	402,824	248,823,215	147,247,264	396,473,303
Total comprehensive income for the year				
Net profit for the year	-	-	122,652,638	122,652,638
Other comprehensive income	-	-	-	-
Distribution to owners of the Authority	-	-	(10,000,000)	(10,000,000)
Balance as at 30 September 2016	402,824	248,823,215	259,899,902	509,125,941

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 2016

	Note	2016 \$	2015 \$
Cash flow from operating activities			
Receipts from customers		232,341,835	133,193,484
Payments to suppliers and employees		(109,256,935)	(91,232,798)
Interest paid		(161,172)	(430,231)
Interest received		11,753	10,454
Net cash flows from operating activities		<u>122,935,481</u>	<u>41,540,909</u>
Cash flow used in investing activities			
Acquisition of property, plant and equipment		<u>(18,653,136)</u>	<u>(15,494,234)</u>
Net cash flows (used in) investing activities		<u>(18,653,136)</u>	<u>(15,494,234)</u>
Cash flow from financing activities			
Dividend paid		(10,000,000)	-
Borrowings repayment		<u>(2,137,667)</u>	<u>(1,608,970)</u>
Cash flows from financing activities		<u>(12,137,667)</u>	<u>(1,608,970)</u>
Net increase in cash and cash equivalents		<u>92,144,678</u>	<u>24,437,705</u>
Cash and cash equivalents at the beginning of the year		<u>46,758,171</u>	<u>22,320,466</u>
Cash and cash equivalents at the end of the financial year	10	<u>138,902,849</u>	<u>46,758,171</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 2016

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 on 8th May 2017
2017.

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 Ports Act [CAP.161].

(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 January 2018 and earlier adoption is permitted; however the Authority has not early adopted the following standards in preparing 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 2016

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 (i) – Investment property
- Note 3 (e) – Trade and other receivables
- Note 3 (n) – 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 2016

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 allowances of doubtful debts and impairment losses.

(f) Revenue recognition

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) Deferred revenue

Property, plant and equipment acquired with the aid of specific grants are capitalised and depreciated in accordance with the above policy 3(b), with the related grant being credited to the Deferred revenue as a liability and released to profit or loss over the expected useful economic life of the related property, plant and equipment.

Grant and deferred income are recognised as deferred income at fair value if there is reasonable assurance that they will be received and the Authority will comply with the conditions associated with the grant. They are recognised on a systematic basis over the useful life of the asset.

Solomon Islands Ports Authority
Notes to and forming part of the financial statements
For the year ended 30 September 2016

3. Statement of significant accounting policies (continued)

(h) 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.

(i) 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.

(j) Trade and other payables

Liabilities for trade payable and other amounts are credited at cost which is the fair value of 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.

(k) Investments

Investments are non derivative 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.

(l) 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.

(m) 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.

(n) 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.

Solomon Islands Ports Authority
Notes to and forming part of the financial statements
For the year ended 30 September 2016

3. Statement of significant accounting policies (continued)

(n) Employee benefit (continued)

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.

(o) 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

(p) 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.

(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.

(r) Comparative figures

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

(s) Asset revaluation reserve

This reserve records movements between the written down value and fair value of property, plant and equipment.

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.

Solomon Islands Ports Authority
Notes to and forming part of the financial statements
For the year ended 30 September 2016

4. Financial Risk Management (continued)

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.

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.

		2016	2015
	Note	\$	\$
Cash and cash equivalents	10	138,902,849	46,758,171
Trade and other receivables	11	<u>37,777,951</u>	<u>27,630,160</u>
		<u>176,680,800</u>	<u>74,388,331</u>

As at 30 September 2016, the aging of trade receivables that were not impaired was as follows:

	2016	2015
	\$	\$
Neither past due nor impaired	7,738,303	20,501,782
Past due 1-30 days	9,609,643	1,516,337
Past due 31-60 days	569,726	465,957
Past due 61-90 days	1,563,968	169,792
Past due 91-120 days	<u>8,620,865</u>	<u>6,889,254</u>
	<u>28,102,505</u>	<u>29,543,122</u>

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

	2016	2015
	\$	\$
Balance at 1 October 2015	5,928,723	5,793,612
Allowance for doubtful debt recognised	-	270,222
Amounts written off	-	(135,111)
Balance as 30 September 2016	<u>5,928,723</u>	<u>5,928,723</u>

Solomon Islands Ports Authority
Notes to and forming part of the financial statements
For the year ended 30 September 2016

4. Financial Risk Management (continued)

(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.

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 2016 was as follows:

	2016	2015
	\$	\$
Total liabilities	187,454,296	19,502,108
Less: cash and cash equivalents	<u>(138,902,849)</u>	<u>(46,758,171)</u>
Adjusted net debt	48,551,447	(27,256,063)
Total equity	<u>509,125,941</u>	<u>396,473,303</u>
Adjusted net debt to equity ratio	<u>0.10</u>	<u>(0.07)</u>

Solomon Islands Ports Authority
Notes to and forming part of the financial statements
For the year ended 30 September 2016

	2016	2015
	\$	\$
5. Revenue		
Anchorage	415,645	295,859
Berthage - overseas ship	15,310,788	11,330,151
Container cleaning	5,618,339	4,615,140
Handling	13,107,686	12,910,436
Port machinery hire	12,110,816	10,291,028
Pilotage and mooring line fees	22,153,363	13,468,815
Port dues	1,165,743	1,176,108
Stevedoring	61,118,273	25,604,219
Storage	30,871,058	18,188,749
Tonnage dues	46,534,793	13,395,840
Wharfage	12,126,488	6,849,092
Port utilisation	6,365,752	-
	<u>226,898,744</u>	<u>118,125,437</u>
6. Other income		
Environment fee – overseas ships	116,882	117,544
Investment property rental income	4,676,348	4,762,454
Overtime recovery and rations	430,850	4,338,948
Power and water sales	1,290,148	1,901,625
Rations ship operational	-	314,700
Wharf entry fees	5,820,081	3,495,649
Other income	1,295,254	1,027,748
	<u>13,629,563</u>	<u>15,958,668</u>
7. Operational expenses		
Depreciation	11,341,090	11,430,957
Electricity and water	1,644,067	1,445,937
Employees amenities	750,054	500,627
Fuel	2,786,532	2,586,804
Insurance	160,774	1,991,161
Personnel expenses	16,407,996	16,484,795
Repair and maintenance	3,670,402	4,629,508
Uniforms	210,237	87,985
Other operational expenses	1,097,679	71,408
	<u>38,068,831</u>	<u>39,229,182</u>

Solomon Islands Ports Authority
Notes to and forming part of the financial statements
For the year ended 30 September 2016

	Note	2016 \$	2015 \$
8. Administrative and other operating expenses			
Audit fees		567,573	533,291
Bad and doubtful debts		642,897	135,111
Computer consumables and consultancy services		3,461,240	14,414,491
Depreciation		4,860,467	4,572,203
Electricity and water		3,942,447	3,767,220
Land rents and rates		1,993,381	2,308,061
Legal expenses		2,309,942	406,683
Personnel expenses		30,471,992	29,771,162
Postage, telephone and fax		1,986,430	983,197
Printing and stationeries		967,702	693,356
Repairs and maintenance		3,073,056	3,682,333
Travel allowances		4,748,771	2,314,859
Write off-rice inventory		9,971,391	-
Entertainment		3,619,513	1,681,768
Donation		2,511,888	148,900
Other operating expenses		4,827,088	4,295,098
		<u>79,955,778</u>	<u>69,707,733</u>
9. Personnel expenses			
Salaries and wages		26,477,269	26,047,790
National Provident Fund		3,686,082	2,336,697
Other staff benefits and costs		16,716,637	17,871,470
		<u>46,879,988</u>	<u>46,255,957</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		138,901,849	46,757,171
Cash on hand		1,000	1,000
		<u>138,902,849</u>	<u>46,758,171</u>
11. Trade and other receivables			
Trade receivables		28,102,505	29,543,122
Less allowance for doubtful debts	4 (i)	<u>(5,928,723)</u>	<u>(5,928,723)</u>
		22,173,782	23,614,399
Prepayments		6,798,579	8,336
Other receivables		7,222,495	4,007,425
Over-payment ADB loan		1,583,095	-
		<u>37,777,951</u>	<u>27,630,160</u>
12. Inventories		<u>2,338,135</u>	<u>1,737,880</u>

Solomon Islands Ports Authority
Notes to and forming part of the financial statements
For the year ended 30 September 2016

	2016	2015
	\$	\$
13. Investments		
Short term deposit	<u>984,115</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	31,668,476	30,362,873
Transfer from property plant and equipment	48,485,896	-
Changes in fair value	-	1,305,603
Balance at the ending of the financial year – at fair value	<u>80,154,372</u>	<u>31,668,476</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 \$4,676,348 (2015: \$4,762,454) has been recognised in other income. (Note 6).

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 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 uncertainty in the amount and timing of 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 higher(lower); • The occupancy rate were higher (lower); • Rent-free periods were shorter (longer); or • The risk-adjusted discount rates were lower (higher).

Solomon Islands Ports Authority

Notes to and forming part of the financial statements

For the year ended 30 September 2016

15. Property, plant and equipment

	Land and buildings \$	Wharves and jetties \$	Plant and equipment \$	Vehicles \$	Work in Progress \$	Total \$
<i>Cost</i>						
Balance at 1 October 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
Acquisitions	1,725,431	175,512,881	14,127,154	2,789,800	-	194,155,266
Disposals	-	-	(881,261)	(1,497,000)	-	(2,378,261)
Transfers	(48,485,896)	2,138,747	-	-	(2,138,747)	(48,485,896)
Balance at 30 September 2016	119,983,933	288,050,098	77,219,451	6,669,359	10,917,032	502,839,873
<i>Accumulated depreciation</i>						
Balance at 1 October 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
Depreciation charge for the year	2,892,342	5,289,689	7,248,145	771,381	-	16,201,557
Disposals	-	-	(785,972)	(1,344,845)	-	(2,130,817)
Balance at 30 September 2016	11,331,327	20,890,761	32,195,417	1,999,553	-	66,417,058
<i>Carrying amount</i>						
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
At 30 September 2016	108,652,606	267,159,337	45,024,034	4,669,806	10,917,032	436,422,815

Solomon Islands Ports Authority
Notes to and forming part of the financial statements
For the year ended 30 September 2016

	2016	2015
	\$	\$
16. Trade and other payables		
Trade payables	1,736,115	1,668,799
Other payables and accrued expenses	5,863,878	11,496,012
	<u>7,599,993</u>	<u>13,164,811</u>
17. Employee entitlements		
Current	1,050,940	1,193,029
Non current	3,583,003	4,589,696
	<u>4,633,943</u>	<u>5,782,725</u>
Movement is made up of the following:		
Opening balance	5,782,725	7,216,700
Provisions made during the year	2,161,777	1,062,510
Provisions utilised during the year	(3,310,559)	(2,496,485)
Closing balance	<u>4,633,943</u>	<u>5,782,725</u>
18. Loans and borrowings		
Current	<u>-</u>	<u>554,572</u>
19. Release of deferred revenue		
Opening balance	175,512,881	-
Less: Amortisation charge for the year	292,521	-
Ending balance	<u>175,220,360</u>	<u>-</u>
Current	3,510,258	-
Non-current	171,710,102	-
	<u>175,220,360</u>	<u>-</u>

The deferred revenue in respect of the construction of the new international wharf which was provided as a grant by the Government of Japan has been recognised in the profit and loss as income on a systematic basis over the useful life of the assets.

There were no unfulfilled conditions and other contingencies.

20. Equity

Equity comprises of Solomon Island Government 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.

Solomon Islands Ports Authority
Notes to and forming part of the financial statements
For the year ended 30 September 2016

21. Related parties

(a) Identity of related parties

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

Name
Mr. Nollen Leni (Chairman resigned 31 January 2016)
Mr. Moses Virivolomo (Vice Chairman resigned 31 January 2016)
Mr. Pascol Ohoau (resigned 31 January 2016)
Mr. Kenneth Grossmith (resigned 31 January 2016)
Mr. Billy Titulu (Chairman appointed 1 February 2016)
Mr. Henry Murray (Deputy Chairman appointed 1 February 2016)
Mr. Humphery Tura (appointed 1 February 2016)
Mr. Michael Ahikau (appointed 1 February 2016)
Mr. Johnny Sy (appointed 1 February 2016)

Directors fees amounting to \$455,179 were paid during the period (2015: \$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.

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
Mr. Colin Yow Tuck	Chief Executive Officer (resigned 29 April 2016)
Mr. Mike Wate	Interim CEO (appointed 11 May 2016)
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
Mr. Benny Legua	Director Corporate Services

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

	2016	2015
	\$	\$
Short term benefits	7,518,903	10,706,558
	<hr/>	<hr/>

(c) Amounts payable to related parties

Loan payable to Solomon Islands Government	-	554,572
	<hr/>	<hr/>

(e) Amounts receivable from related parties

Overpayment of SIG loan by Solomon Islands Ports Authority to SIG	1,583,095	-
	<hr/>	<hr/>

Solomon Islands Ports Authority
Notes to and forming part of the financial statements
For the year ended 30 September 2016

22. Capital commitments

Capital commitments as at 30 September 2016 was \$2,926,600 (2015: \$Nil).

23. Contingent liabilities

The Authority is not aware of any contingent liabilities as at 30 September 2016 (2015: \$Nil).

24. 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, in the opinion of the directors, to affect significantly the operations of the Authority in subsequent financial years.