SOLOMON ISLANDS POSTAL CORPORATION

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

Solomon Islands Postal Corporation

Financial Statements for the year ended 31 December 2011

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Solomon Islands Postal Corporation
Financial Statements for the year ended 31 December 2011
State Owned Enterprise Information

The Solomon Islands Postal Corporation (trading as Solomon Post) is a State Owned Enterprise incorporated under the Solomon Islands Postal Corporation Act 1996, commencing operations on 1st January 1997 and domiciled in the Solomon Islands.

The functions of the Corporation are to:
a) Provide postal services within Solomon Islands and other countries;
b) Carry on any business or activity relating to postal services; and
c) Carry on any business or activity which is incidental to those mentioned in paragraphs (a) and (b).

Registered Office

PO Box 1930
Honiara

Principal Place of Business

GPO Building
Mendana Avenue
Honiara

Directors

The Directors at any time during or since the end of the financial year are listed in the Directors' Report.

Solomon Islands Postal Corporation
Financial Statements for the year ended 31 December 2011
Directors' Report

The Directors present their report together with the financial statements of Solomon Islands Postal Corporation ('the Corporation') for the Year ended 31 December 2011 and the Independent Audit Report thereon.

Directors

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

Name	Date of Appointment	Position	Date of Revocation
2009			
Hon. Walter Folotalu	01-12-08	Chairperson	Current
Mr. Robert Bokelema	04-09-08	Deputy	Current
Mr. Dudley Mazini	20-03-08	Member	03-02-09
Mr. Alex Nindi	20-03-08	Member	Current
Mrs. Doreen Ata	20-03-08	Member	19-11-09
Mr. Edward Ronia	03-02-09	Member	30-09-09
Mr. Gideon Zoleveke	30-09-09	Member	Current
Ms Susan Votu	19-11-09	Member	Current
Mr. Harrison Tahimana	03-02-09	Member	Current
2010			
Hon. Walter Folotalu	01-12-08	Chairperson	21-05-10
Mr. Robert Bokelema	04-09-08	Deputy	Current
Mr. Alex Nindi	11-03-10	Member	Current
Mr. Gideon Zoleveke	30-09-09	Member	Current
Ms Susan Votu	19-11-09	Member	Current
Mr. Harrison Tahimana	03-02-09	Member	Current
2011			
Mr. Robert Bokelema	04-09-08	Chairman (AG)	Current
Mr. Alex Nindi	11-03-10	Member	Current
Mr. Gideon Zoleveke	30-09-09	Member	Current
Ms Susan Votu	19-11-09	Member	Current
Mr. Harrison Tahimana	03-02-09	Member	Current

Principal activities

The principal activity of the Corporation during the course of the financial year ended 31 December 2011 was the provision of Postal services.

Operating and financial review

The Corporation recorded a net profit for the year amounting to $1,860,192 (2010 Restated: net loss of $3,204,138).

Dividends

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

Solomon Islands Postal Corporation
Financial Statements for the year ended 31 December 2011
Directors' Report - cont'd

Significant Changes in the State of Affairs

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

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

- The Minister of Finance and the Responsible Minister (the "accountable Ministers") can direct SIPC to perform a community service obligation (Section 8, 1);
- The accountable Ministers can determine the amount of any dividend payable by SIPC (Section 12, 1b);
- The requirement to issue a Statement of Corporate Objectives that provides disclosure of intended activities, accounting policies, performance targets, dividends and taxes to be paid during the period in question (Section 13, 2);
- The requirement to issue the audited financial statements of SIPC within 3 months after the end of the financial year (Section 14, 1b); and
- This act shall prevail where there is any inconsistency in requirements with the SIPC Act (Section 26, 7 and 8).

A State Owned Enterprises (SOE) Regulation was gazetted on April 2010 named the SOE Regulation 2010. The SOE Regulation was to administer the administration of the SOE Act 2007. The effecting of the Regulation can have significant impact on the following:

- Appointments of Directors (Part 2);
- Disqualification and Removal of Directors (Part 3);
- Directors Duties (Part 4);
- Community Service Obligation (Part 6)

There were no other significant changes in the state of affairs of the Corporation during the year.

On 1st April 2011, Japan Post decided to cease accepting remailing items from Australasian Mail Services (AMS) and Morris International (MI) of Australia through the Corporation. This business activity is a major revenue earner (64%) for the Corporation over the years. The ceasing of this business activity will have significant impact on the Corporation's revenue base.

Apart from the suspension of the remailing activity, there has not arisen in the interval between the end of the financial year and the date of this report any other item, transaction or event of a material or unusual nature likely to affect significantly the operations of the Corporation, the results of its operations, or the state of affairs of the Corporation in future financial years.

Signed in accordance with a resolution of the Directors.

RBokelema	
Name: Robert Bokelema	Name: Gideon Zoleveke
Director Chairman	Director

Dated at Honiara this 29th day of May 2013.

Solomon Islands Office of the Auditor-General

INDEPENDENT AUDITOR'S REPORT

To the Board of the Solomon Islands Postal Corporation

I was engaged to audit the accompanying financial statements of the Solomon Islands Postal Corporation ("SIPC"), which comprise the Balance sheet as at 31 December 2011, and the Profit and Loss statement, Statement of changes in equity and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors and management's responsibility for the financial statements

The Board of Directors and management are responsible for the preparation and fair presentation of these financial statements in accordance with an acceptable financial reporting framework. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

My responsibility is to express an opinion on the financial statements based on conducting the audit in accordance with International Standards on Auditing. Because of the matters discussed in the Basis for disclaimer opinion, however, I was not able to express any opinion on the financial statements.

Basis for Disclaimer of Opinion

The basis for disclaimer of opinion on the 2011 financial statement is attributed to the following:

Opening Balances

A disclaimer of opinion was issued on the 2010 financial statements. I therefore could not determine the accuracy of the opening balances as at 1 January 2011, and the effect of any misstatements therein on the Profit and Loss Statement, Statement of Changes in Equity and Cash Flow Statement for the year ended 31 December 2011.

As a result of these matters, I was unable to determine whether any adjustments might have been necessary in respect to the profit for the year reported in the Profit and Loss Statement and Statement of Changes in Equity and the net cash flows from operating activities reported in the Cash Flow Statement.

Revenue

Audit noted that the foreign currency sales and purchases recorded in the general ledger did not agree to the detailed foreign currency cash trading records for the year. The discrepancy resulted in an understatement of foreign currency sales in the financial statements of $604,187 and an understatement of foreign currency purchases of $519,056. However, I was unable to determine its effect on other account balances.

Trade receivables

I could not verify the completeness, existence and accuracy of trade receivables totaling $6,504,948 due to the absence of sufficient supporting invoices and or confirmation documentation.

As a result I am unable to confirm or verify by alternative means the carrying amount of trade receivables included in the financial statements as at 31 December 2011 and determine whether any adjustments might be necessary to the amounts and disclosures in the financial statements.

Trade payables

I could not verify the completeness, existence and accuracy of trade payables totaling $79,989,031 due to the absence of sufficient supporting invoices and or confirmation documentation.

As a result I am unable to confirm or verify by alternative means the carrying amount of Trade payables included in the financial statements as at 31 December 2011 and determine whether any adjustments might be necessary to the amounts and disclosures in the financial statements.

Investment Property

The last independent valuation of investment property was undertaken in 2007. I was therefore unable to satisfy myself as to the carrying value of investment property at 31 December 2011 and determine whether any adjustments might be necessary to the amounts disclosed in the financial statements.

Inventory

I was unable to satisfy myself as to the valuation of the stock balance disclosed in the financial statements of SBD $1,254,605 due to a material discrepancy with the final stock listing which totaled SBD $6,023,200. There was also no evidence that a review had been performed of slow moving items.

As a result I am unable to confirm or verify by alternative means the carrying amount of inventory included in the financial statements as at 31 December 2011.

Disclaimer of opinion

Because of the significance of the matters described in the Basis for disclaimer of opinion paragraph, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on the financial statements of the Solomon Islands Postal Corporation for the financial year ended 31 December 2011.

Emphasis of matter

Lack of compliance with the State Owned Enterprises Act

Without qualifying my opinion, I draw your attention to the fact that SIPC has not complied with Section 14 (1) (b) and (c) of the *State Owned Enterprises Act* which require audited consolidated financial statements and the auditor's report thereon to be presented to the accountable minister within three months of the end of the financial year.

Going concern

Without qualifying my opinion, I draw attention to Note 1 (c) of the financial statements. The Corporation's current liabilities exceed its current assets. As a going concern, the Corporation is dependent upon the continuing support of the Solomon Islands Government, its bankers and creditors.

Edward Ronia
Auditor-General

Office of the Auditor-General
Solomon Islands

5 June 2013

Solomon Islands Postal Corporation
Financial Statements for the year ended 31 December 2011
Statement by Directors

In accordance with the resolution of the Board of Directors of Solomon Islands Postal Corporation, we state that in the opinion of the Directors:

(a) the financial statements and notes set out on pages 6 to 21:

(i) give a true and fair view of the Corporation's financial position as at 31 December 2011 and of its performance for the financial year ended on that date; and

(ii) comply with International Financial Reporting Standards;

(b) there are reasonable grounds to believe that the corporation will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors.

RBokelema

Name: Robert Bokelema
Director Chairman

Name: Gideon Zoleveke
Director

Dated at Honiara this 29th day of May 2013.

Solomon Islands Postal Corporation
Financial Statements for the year ended 31 December 2011
Profit and Loss Statement

	Notes	Year ended 31 December 2011 $	Year ended 31 December 2010 $ Restated
Revenue	2	11,660,419	18,786,697
Total revenue		11,660,419	18,786,697
Expenses			
Advertising, Printing and Stationery		100,147	612,098
Board expenses		162,730	159,040
Cost of goods purchased for resale		2,288,525	1,620,616
Depreciation		1,493,575	1,190,531
Operating expenses	3	4,274,788	5,589,124
Maintenance and repairs		712,651	208,853
Office expenses		367,258	265,597
Terminal dues expenses		1,279,346	11,269,679
Rent expense		1,187,372	1,142,280
Seminars, conferences and training		264,231	598,750
Travel and transport		267,153	391,323
Utilities		1,487,919	910,931
Mail freights		351,582	319,732
Total Expense		14,237,277	24,278,554
Net profit/loss before interest and tax		(2,576,858)	(5,491,857)
Financial Income	2	4,437,050	2,287,719
Net profit / (loss) for the year		1,860,192	(3,204,138)

The profit and loss statement is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 10 to 21.

Solomon Islands Postal Corporation
Financial Statements for the year ended 31 December 2011
Statement of Changes in Equity

	Notes	Year ended 31 December 2011 $	Year ended 31 December 2010 $ Restated
Balance at 1 January 2010		(55,369,191)	(35,729,942)
Correction of prior year's error	4		(14,261,064)
Balance as at 31 Dec 2010 as previously reported		(55,369,191)	(49,991,006)
Correction of Prior year error	4	2,174,047	-
Balance at 31 December 2010, as restated		(53,195,144)	(49,991,006)
Net profit / (loss) for the year		1,860,192	(3,204,138)
Balance at 31 December 2011		(51,334,952)	(53,195,144)

The statement of changes in equity is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 10 to 21.

Solomon Islands Postal Corporation
Financial Statements for the year ended 31 December 2011
Balance Sheet

	Note	Year ended 31 December 2011 $	Year ended 31 December 2010 $ (Restated)
CURRENT ASSETS			
Cash on hand and at bank	5	2,964,276	4,016,997
Trade and other receivables	6	6,645,817	5,805,838
Investments	7	2,272,706	3,954,693
Inventories	8	1,254,605	1,587,908
TOTAL CURRENT ASSETS		13,137,404	15,365,436
NON-CURRENT ASSETS			
Property & Investments	9	2,775,000	2,775,000
Property, plant and equipment	10	13,623,795	13,379,859
TOTAL NON-CURRENT ASSETS		16,398,795	16,154,859
TOTAL ASSETS		29,536,199	31,520,295
CURRENT LIABILITIES			
Trade and other payables	11	80,588,953	84,619,573
TOTAL CURRENT LIABILITIES		80,588,953	84,619,573
NON - CURRENT LIABILITIES			
Trade and other payables	11	282,198	95,866
TOTAL NON-CURRENT LIABILITIES		282,198	95,866
TOTAL LIABILITIES		80,871,151	84,715,439
NET ASSETS		(51,334,952)	(53,195,144)
SHAREHOLDERS' EQUITY			
Retained earnings / (Accumulated losses)		(51,334,952)	(53,195,144)
TOTAL SHAREHOLDERS' EQUITY		(51,334,952)	(53,195,144)

The balance sheet is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 10 to 21.

Solomon Islands Postal Corporation
Financial Statements for the year ended 31 December 2011
Cash Flow Statement

	Note	Year ended 31 December 2011 $	Year ended 31 December 2010 $
Cash Flows From Operating Activities			
Cash receipts from customers		11,214,332	18,900,368
Cash payments to suppliers and employees		(12,232,988)	(12,779,618)
Cash generated from / (used in) operations		(1,018,656)	6,120,750
Interest received		21,460	-
Net cash provided by / (used in) operating activities	16(b)	(997,196)	6,120,750
Cash Flows From Investing Activities			
Acquisition of property, plant and equipment		(1,737,512)	(4,031,658)
Acquisition of term deposits		-	(2,876,070)
Withdrawal of term deposits		1,681,987	-
Net cash provided by / (used in) investing activities		(55,525)	(6,907,728)
Net increase / (decrease) in cash and cash equivalents		(1,052,721)	(786,978)
Cash and cash equivalents at the beginning of the financial year		4,016,997	4,803,975
Cash and cash equivalents at the end of the financial year	5	2,964,276	4,016,997

The statement of cash flows is to be read in conjunction with the notes to and forming part of the financial statement set out on pages 10 to 21.

Solomon Islands Postal Corporation
Financial Statements for the year ended 31 December 2011
Notes to and forming part of the accounts

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of Compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') and interpretations adopted by the International Accounting Standards Board as adopted by the Institute of Solomon Islands Accountants.

(b) Basis of Preparation

The financial statements have been prepared primarily on the historical cost basis except that investment properties and financial instruments classified as available for sale have been stated at their fair value.

Non-current assets held for sale are stated at the lower of carrying amount and fair value less costs to sell.

The preparation of a financial report in conformity with International Financial Reporting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, Income & Expense. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods.

The accounting policies have been consistently applied by the Corporation and they are consistent with those of the previous year.

The financial statements are presented in Solomon Islands currency, the Solomon Islands dollar ($).

(c) Going Concern

The financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The Corporation's current liabilities exceed its current assets. As a going concern, the Corporation is dependent upon the continuing support of the Solomon Islands Government, its bankers and creditors.

The Directors have concluded that the going concern basis is appropriate as the Solomon Islands Government has indicated that it will provide the Corporation with financial support to enable it to pay its debts as and when they fall due for a period of 12 months from the date the Directors approved these financial statements.

(d) Foreign Currency

The functional currency adopted in the preparation of the financial statements is the Solomon Islands currency, the Solomon Islands dollar ($). Transactions in foreign currencies are recorded at the exchange rate at the date of the transaction. Foreign exchange differences arising on translation are recognised in the profit and loss statement. Foreign currency monetary assets and liabilities are translated at the exchange rate at the balance sheet date. Resulting exchange differences are recognised in the profit and loss account for the year. Non-monetary assets and liabilities denominated in foreign currency are recorded at the exchange rate at the date of the transaction.

Solomon Islands Postal Corporation
Financial Statements for the year ended 31 December 2011
Notes to and forming part of the accounts (continued)

1. **SIGNIFICANT ACCOUNTING POLICIES (continued)**

(e) Property, plant and equipment

Items of property, plant and equipment are stated at original cost, deemed cost or valuation less accumulated depreciation and impairment losses. Construction cost for self-constructed assets includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads.

Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment and stated at cost until construction or development is complete, at which time it is reclassified as investment property. When the construction or development of a self-constructed investment property is completed and will be carried at fair value, any difference between the fair value of the property at that date and its previous carrying amount is recognised in profit and loss.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.
The Corporation recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the Corporation and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.
Leases in terms of which the Corporation assumes substantially all the risks and rewards of ownership are classified as finance leases. The owner-occupied property acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses (see accounting policy f). The property held under finance leases and leased out under operating lease is classified as investment property and stated at the fair value model. Lease payments are accounted for as described in accounting policy (v). Property held under operating leases that would otherwise meet the definition of investment property may be classified as investment property on a property-by-property basis.

Depreciation is charged to the Profit and loss Statement on a straight line basis over the estimated useful lives of each part of an item of property, plant and equipment. Fixed assets are first depreciated in the year of acquisition, or, in the case of construction, in the year of substantial completion of the asset. The estimated useful life in current and comparative periods are as follows:

• buildings	20 years
• plant and equipment	5 years
• Fixtures and fittings	10 years
• motor vehicles	5 years

(f) Impairment

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

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Solomon Islands Postal Corporation
Financial Statements for the year ended 31 December 2011
Notes to and forming part of the accounts (continued)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Inventories

Inventory for resale and consumable materials are valued at the lower of purchase cost, which is based on invoice prices and includes expenditure incurred in acquiring the goods and bring them to their existing condition and location, and net realisable value. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(h) Trade and other receivables

Trade and other receivables are stated at their cost less impairment losses.

(i) Interest bearing loans and borrowings

Interest bearing loans and borrowings are initially recorded at the net proceeds received. Any discount, premium or other difference between the net proceeds and the redemption value is amortised and included in finance costs over the term of the loan.

If debt is repurchased or settled before maturity, any difference between the amount repaid and the carrying amount is recognised immediately in the profit and loss account.

(j) Provisions

Provisions are recognised when the Corporation has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

(k) Revenue

Revenue from the sale of goods is recognised in the Profit and Loss Statement when the significant risks and rewards of ownership have been transferred to the buyer.

Revenue from services rendered is recognised in the Profit and Loss Statement in proportion to the stage of completion of the transaction at the balance sheet date.

No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, the costs incurred or to be incurred cannot be measured reliably, there is a risk of return of goods or there is continuing management involvement with the goods.

(l) Trade and other payables

Trade and other payables are stated cost.

Solomon Islands Postal Corporation
Financial Statements for the year ended 31 December 2011
Notes to and forming part of the accounts (continued)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Taxation

Tax on the profit or loss for the year comprises current tax and the change in deferred tax. Current tax comprises tax payable calculated on the basis of the expected taxable income for the year, using the tax rates enacted by the balance sheet date, and any adjustment of tax payable for previous years.

Deferred tax is provided using the balance sheet liability method on all temporary differences between the carrying amounts for financial reporting purposes and the amounts used for taxation purposes.

The tax value of losses expected to be available for utilisation against future taxable income is set off against the deferred tax liability. Net deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is calculated on the basis of the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. The effect on deferred tax of any changes in tax rates is charged to the profit and loss account, except to the extent that it relates to items previously charged or credited directly to equity.

(n) Investment Property

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are stated at fair value.

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

Any gain or loss arising from a change in fair value is recognised in the income statement. Rental income from investment property is recognised in the income statement on a straight line basis over the term of the lease.

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

If an investment property becomes owner-occupied, it is reclassified as property, fixtures and fittings and its fair value at the date of reclassification becomes its cost for accounting purposes of subsequent recording. When the Corporation begins to redevelop an existing investment property for continued future use as investment property, the property remains an investment property, which is measured based on a fair value model, and is not reclassified as property, plant and equipment during the redevelopment.

Solomon Islands Postal Corporation
Financial Statements for the year ended 31 December 2011
Notes to and forming part of the accounts (continued)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Investment Property (Cont'd)

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

(o) Cash and cash equivalent

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

(p) Employee benefits

The Corporation's obligation in respect of long-term service benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods.

Liabilities for employee benefits for wages, salaries, annual leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to reporting date, are calculated at amounts based on remuneration wage and salary rates that the Corporation expects to pay as at reporting date including related on-costs.

(q) Expense

Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Financial costs

Financial costs comprise interest payable on borrowings calculated using the effective interest method, dividends on redeemable preference shares, interest receivable on funds invested, dividend income, foreign exchange gains and losses.

(r) Financial income

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

Solomon Islands Postal Corporation
Financial Statements for the year ended 31 December 2011
Notes to and forming part of the accounts (continued)

		Year ended 31 December 2011	Year ended 31 December 2010
2.	**TURNOVER**	$	$
	Stamp sales	413,654	617,327
	Bulk Postage	895,844	595,598
	Remailing fees	2,456,427	12,533,974
	Terminal Dues	955,898	1,018,468
	Post Box Rentals	944,082	800,165
	Property Rentals	2,332,790	788,990
	Post shop sales	1,367,541	1,205,510
	Other Income	1,302,367	771,722
	Foreign currency sales	991,816	454,943
	Finance revenues	4,437,050	113,672
		16,097,469	18,900,369

		Year ended 31 December 2011	Year ended 31 December 2010
3.	**OTHER OPERATING EXPENSE**	$	$
	Operating Profit/(loss) for the year us stated after charging The following Items:		
	Impairment losses - receivables	4,041,274	4,598,097
	Staff costs		

4.	**PRIOR YEAR ADJUSTMENTS**		
	Understatement of Japan Post terminal dues payable	-	(14,261,064)
	Overstatement of Japan; Deutse & India Post terminal dues payable	2,174,047	-
		2,174,047	(14,261,064)

During the year under review, it was discovered that the amount owing to international creditors in the 2010 2010 accounts was overstated by $2,174,047, resulting in a $2,174,047 overstatement of net loss for that year.
The error has been corrected by re-stating the 2010 comparative figures.

		Year ended 31 December 2011	Year ended 31 December 2010
5.	**CASH AND CASH EQUIVALENTS**	$	$
	Petty Cash (Cash imprest)	128,561	144,485
	Cash at bank	2,835,715	3,872,512
		2,964,276	4,016,997

The corporation has no approved overdraft facility. Management Advise that any overdraft position at the bank is temporary.

Solomon Islands Postal Corporation
Financial Statements for the year ended 31 December 2011
Notes to and forming part of the accounts (continued)

	Year ended 31 December 2011 $	Year ended 31 December 2010 $
6. TRADE AND OTHER RECEIVABLES		
Trade debtors	7,731,564	7,167,424
Less: Provision for doubtful debts	(1,423,240)	(1,423,240)
Staff advance	37,865	39,249
Staff Travelling Imprest	104,180	-
CBSI - Treasury Bills Receivable	192,926	-
Other Debtors and prepayments	2,522	22,405
	6,645,817	5,805,838
7. INVESTMENTS		
Term Deposit	2,272,706	3,954,693
8. INVENTORIES		
Stores and consumable materials	1,254,605	1,587,908
Less: Provision	-	-
	1,254,605	1,587,908
9. INVESTMENT PROPERTY		
Opening Balance	2,775,000	2,775,000
Fair Value adjustments	-	-
Closing Balance	2,775,000	2,775,000

The carrying amount of investment property is the fair value of the property as determined by independent valuers in December 2007. Revaluation of the investment property is expected to be done every three (3) years. In 2010 it was noted that SIPC never accrue rentals from one of the investment property (Trade Dispute Building) over the years. The value of the Trade Dispute Building was $243,000 as per the 2007 valuation.

Solomon Islands Postal Corporation
Financial Statements for the year ended 31 December 2011
Notes to and forming part of the accounts (continued)

10. PROPERTY, PLANT AND EQUIPMENT

Cost	Land and buildings $	Office and Postal Equipment $	Furniture and Fittings $	Motor Vehicles $	Total $
At 1 January 2011	14,174,734	2,830,815	428,100	879,607	18,313,256
Additions during the year	700,133	857,922	11,057	168,400	1,737,512
Disposals during the year	-	-	-	-	-
At 31 December 2011	14,874,867	3,688,737	439,157	1,048,007	20,050,768
Accumulated depreciation					
At 1 January 2011	2,940,440	1,392,568	101,791	498,599	4,933,398
Charge for the year	580,994	706,586	43,906	162,089	1,493,575
Disposals during the year	-	-	-	-	-
At 31 December 2011	3,521,434	2,099,154	145,697	660,688	6,426,973
Book value					
At 1 January 2011	11,234,294	1,438,247	326,309	381,008	13,379,858
At 31 December 2011	11,353,433	1,589,583	293,460	387,319	13,623,795

11. TRADE AND OTHER PAYABLES

	Year ended 31 December 2011 $	Year ended 31 December 2010 $ Restated
Current Liabilities		
Trade creditors	80,099,573	84,062,555
Accruals	-	181,954
Deposits and other liabilities	489,380	375,064
	80,588,953	84,619,573
Non current Liabilities		
Trade creditors		
Accruals	-	95,866
Deposits and other liabilities	282,198	-
	282,198	95,866

Solomon Islands Postal Corporation
Financial Statements for the year ended 31 December 2011
Notes to and forming part of the accounts (continued)

	Year ended 31 December 2011 $	Year ended 31 December 2010 $
12. RELATED PARTY TRANSACTIONS		

Controlled entities

The corporation does not control any other entities

Outstanding Balances

The following Balances were owing to/(by) the corporation

	2011 $	2010 $
Government house		
Ministry of agriculture	2,739,737	2,312,765
Ministry of Commerce (Trade & dispute panel)	1,224,000	-
Ministry of Finance	(2,519,921)	(2,801,277)
	1,443,816	(488,512)

Transaction

The following revenues(expense) were incurred by the corporation:

	2011 $	2010 $
Auditor general	(612,000)	(612,000)
Directors remuneration and expenses	(162,730)	(159,040)
	(774,730)	(771,040)

All transactions with related parties are concluded on an arm's length basis.

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Financial Statements for the year ended 31 December 2011
Notes to and forming part of the accounts (continued)

13. EMPLOYMENT BENEFITS

On 20 October 2008, the SIPC Board introduced a long service benefit entitling staff to three months leave after 10 years of service. The entitlement was effective from 1 January 2008. At 31 December 2011 the long service benefit liability was $107,674 (2010: $107,674).

14. SUBSEQUENT EVENTS

Japan Post has decided as of 1st of April 2011 to cease accepting remailing items from Australasian Mail Services (AMS) and Morris International (MI) through Solomon post. The remailing business contributes a significant portion to Corporation revenue (64%) and has been subsidizing the Corporation's domestic operation over the years. The ceasing of this business activity will have great impact on the Corporation cash flow unless an alternative revenue source is secured to meet the gap.

Apart from the above, there has not arisen in the interval between the end of the financial year and the date of this report any other item, transaction or event of a material or unusual nature likely to affect significantly the operations of the Corporation, the results of its operations, or the state of affairs of the Corporation in future financial years.

15. FINANCIAL INSTRUMENTS

Exposure to credit, interest rate and currency risks arise in the normal course of the Corporation's business.

Credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The Corporation does not require collateral in respect of financial assets.

Investments are allowed only in liquid securities and only with counterparties that have a credit rating equal to or better than the Corporation. Transactions involving derivative financial instruments are with counterparties with whom the Corporation has a signed netting agreement as well as sound credit ratings. Given their high credit ratings, management does not expect any counterparty to fail to meet its obligations.

At the balance sheet date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset, in the balance sheet.

Interest rate risk

The effective Interest rates applicable to financial assets and liabilities at the balance date, and the term to maturity are set out below:

	Note	Effective interest rate	Total	Less than 1 year
Cash and cash equivalents	5	0%	2,964,276	2,964,276
Investments	7	3.00%	2,272,706	2,272,706
			5,236,982	5,236,982

Foreign currency risk

SIPC is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than the Solomon Islands dollar. The currencies giving rise to this risk are primary special drawing rights, Australian dollar and Swiss Franc

Sensitivity analysis

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

It is estimated that a general decrease of one percentage point in the value of the SBD against other foreign currencies would have decreased SIPC's profit before tax by approximately $54,559 for the year ended 31 December 2011 (2010: $3,278).

Fair values

The carry amounts of assets and liabilities shown in the balance sheet approximates their fair value.

Solomon Islands Postal Corporation
Financial Statements for the year ended 31 December 2011
Notes to and forming part of the accounts (continued)

16. NOTES TO THE STATEMENT OF CASH FLOWS

	Year ended 31 December 2011 $	Year ended 31 December 2010 $ Restated
(a) Reconciliation of cash		
For the purpose of the Statement of Cash Flows, cash includes cash on hand and at bank and short-term deposits at call, net of outstanding bank overdrafts. Cash as at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the balance sheet as follows:		
Cash and short term deposits	2,964,276	4,016,997

(b) Reconciliation of operating profit after income tax to net cash provided by operating activities	2011 $	2010 $
Operating profit / (loss) after income tax	1,860,192	(3,204,138)
Add / (deduct) non-cash items:		
Depreciation	1,493,575	1,190,531
Foreign currency loss/Gain	(4,415,589)	400,556
Prior period adjustments		(14,261,064)
Net cash provided by operating activities before changes in assets and liabilities	(1,061,822)	(15,874,115)
Changes in assets and liabilities:		
(Increase) / decrease in inventories	333,303	367,800
(Increase) / decrease in trade debtors	(721,925)	(927,478)
Increase / (decrease) in trade creditors	453,249	22,554,543
Net cash provided by / (used in) operating activities	(997,196)	6,120,750