

SOLOMON ISLANDS POSTAL CORPORATION
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

Solomon Islands Postal Corporation

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**Solomon Islands Postal Corporation
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
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 2017 and the Independent Audit Report thereon.

Directors

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

<u>Name</u>	<u>Date of Appointment</u>	<u>Position</u>	<u>Date of Revocation</u>
2015			
Mr. Robert Bokelema	10/10/2012	Chairman	Current
Mr. Gideon Zoleveke	9/27/2013	Member	Current
Patrick Taloboe	10/10/2012	Member	Current
Benjamin O Aitoroi	9/27/2013	Member	Current
George S Kiriau	9/27/2013	Member	Current
Christian Siale	10/10/2012	Member	Current
2016			
Mr. Robert Bokelema	10/10/2012	Chairman	Current
Mr. Gideon Zoleveke	9/27/2013	Member	Current
Patrick Taloboe	10/10/2012	Member	Current
Benjamin O Aitoroi	9/27/2013	Member	Current
George S Kiriau	9/27/2013	Member	Current
Christian Siale	10/10/2012	Member	Current
2017			
Mr. Robert Bokelema	10/10/2012	Chairman	Current
Mr. Gideon Zoleveke	9/27/2013	Member	Current
Patrick Taloboe	10/10/2012	Member	Current
Benjamin O Aitoroi	9/27/2013	Member	Current
George S Kiriau	9/27/2013	Member	Current
Christian Siale	10/10/2012	Member	Current

Principal activities

The principal activity of the Corporation during the course of the financial year ended 31 December 2017 was the provision of Postal services.

Operating and financial review

The Corporation recorded a net profit for the year amounting to \$3,668,554 (2016: Net profit of \$961,997)

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 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 consolidated financial statements of the group 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 Solomon Islands Postal Corporation Act 1996 (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:


- Appointment of Directors (Part 2)
- Disqualification and Removal of Directors (Part 3)
- Directors Duties (Part 4)
- Community Service Obligations (Part 6)

Since the re-instated of Solomon Islands as a member of Universal Postal Union (UPU) in 2016, since its termination on August 2012, a number of projects with an aggregated value of CHF80,000 was given to the corporation by UPU during the year.

During the year, the corporation entered into an agreement with CJAH Missions International Ltd for ETOE partnership. This new agreement has positively changed the cashflow and operation of the corporation. Further more, the corporation has made an agreement with BiBi-money as Vendor to provide financial service in 2018 making the corporation as the authorised agent for Ezi Pei financial service.

Apart from the above events, 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.


Name:
Director


Name:
Director

Dated at Honiara this 22 day of August 2018.



Independent Auditors' Report of Solomon Islands Portal Corporation

Report on the Audit of the Financial Statements

Disclaimer of Opinion

I was engaged to audit the financial Statements of Solomon Islands Postal Corporation ("the Corporation"), which comprise the statement of financial position as at 31 December, 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

I do not express an opinion on the accompanying financial statement of the Corporation. Because of the significance of the matters described in the *Basis for Disclaimer of opinion* section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

The Corporation's accounting software (MYOB) indicated that five (5) transactions were deleted as at December 31, 2017. The supporting documentation to support such deletions were not provided to me therefore, I was unable to quantify the deleted transactions by alternative means to satisfy myself of the value of the deleted transactions. As a result, I was unable to determine whether any adjustments might have been found necessary in respect of the Corporation's financial statements and the elements making up the statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows.

Emphasis of Matter

I draw your attention to page 8 of the financial statement, which indicates that the Corporation's current liabilities exceeded its current assets by (\$69,078,345) as at 31 December 2017. As stated in note 1(c), these events or conditions, indicate that a material uncertainty exist that may cast doubt on the Corporation's ability to continue as a going concern. My opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Audit of the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and is to issue an auditor's report that includes

my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to audit in order to design audit procedures that are relevant to audit 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 Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusion is based on the audit evidence obtained up to date of my auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.


I communicate with those charged with governance, regarding other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that I identify during my audit.

I also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

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

The Corporation has not complied with the requirements of the *Public Finance Audit Act [CAP 120]* and the *State Owned Enterprise Act 2007* which requires the audited financial statements to be submitted to the Minister responsible before 31 March of the following year to which the financial statements relate. The signed statements were not presented to me until 22 August 2018.


Peter Lokay
Auditor-General
Date: 22/08/2018

Office of the Auditor General
Solomon Island

Independent Auditor Report

**Solomon Islands Postal Corporation
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 22:
 - (i) give a true and fair view of the Corporation's financial position as at 31 December 2017 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.



Name:
Director



Name:
Director

Dated at Honiara this 22 day of August 2018.

Solomon Islands Postal Corporation
Statement of Comprehensive Income for the year ended 31 December 2017

	Notes	2017 \$	2016 \$
Revenue from Continuing Operations			
Property Rentals			
SlG Grant (CSO funding)		2,608,675	2,494,050
Other Income		-	1,930,000
Foreign currency sales	13	1,415,114	923,081
Post shop sales		2,305,631	2,364,633
Post Box Rentals		1,232,488	1,205,004
Terminal Dues		540,539	799,552
Bulk Postage		9,106,018	1,025,804
Stamp sales		439,444	413,595
		180,999	166,871
Total revenue from continuing operations		<u>17,828,908</u>	<u>11,322,590</u>
Expenses from Continuing Operations			
Advertising, Printing and Stationery			
Board expenses		280,578	169,709
Cost of goods purchased for resale		132,140	112,451
Depreciation	14	2,735,015	3,081,042
Operating expenses	7	750,037	685,058
Maintenance and repairs		1,135,475	968,761
Office expenses		251,887	309,789
Terminal dues expenses		115,416	320,802
Rent expense		844,937	-
Seminars, conferences and training		896,301	846,820
Travel and transport		103,344	327,233
Utilities		129,667	38,418
Employment Expense		1,762,640	1,515,258
Mail freights		2,920,906	3,833,642
Withholding tax expenses		135,321	117,429
		-	-
Total expenses from continuing operation		<u>12,193,664</u>	<u>12,326,412</u>
Profit / (loss) from continuing operation		<u>5,635,244</u>	<u>(1,003,822)</u>
Finance revenues		93,311	2,022,181
Financial costs		(2,060,001)	(56,362)
Net Finance Cost		<u>(1,966,690)</u>	<u>1,965,819</u>
Profit (loss) before income tax		<u>3,668,554</u>	<u>961,997</u>
Income tax expense	1(M)	-	-
Net Profit (loss) for the year		<u>3,668,554</u>	<u>961,997</u>
Other comprehensive income			
Revaluation increment of land & building		-	-
Total Other Comprehensive income		<u>-</u>	<u>-</u>
Total Comprehensive income for the year		<u>3,668,554</u>	<u>961,997</u>

The Statement of comprehensive income is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 10 to 22.

Solomon Islands Postal Corporation
Statement of Changes in Equity for the year ended 31 December 2017

	Note	Asset Revaluation Reserve \$	Retained Earnings/ (Accumulated Losses) \$	Total \$
Balance as at 1 January 2016				
Net Profit/loss for the year		6,756,167	(55,643,337)	(48,887,170)
Total Other Comprehensive Income			961,997	961,997
Total Comprehensive Income for the year			-	-
Balance as at 31 December 2016 as previously reported		6,756,167	(54,681,340)	(47,925,173)
Correction of prior year error	2		81,333	81,333
Balance as at 31 December 2016 as restated		6,756,167	(54,600,007)	(47,843,840)
Balance as at 1 January 2017				
Net Profit/loss for the year		6,756,167	(54,600,007)	(47,843,840)
Total Other Comprehensive Income			3,668,554	3,668,554
Total Comprehensive Income for the year		-	3,668,554	3,668,554
Balance as at 31 December 2017		6,756,167	(50,931,453)	(44,175,286)

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 22.

Solomon Islands Postal Corporation
Statement of Financial Position as at 31 December 2017

	Note	2017 \$	2016 \$ Restated
CURRENT ASSETS			
Cash on hand and at bank			
Trade and other receivables	3	4,938,931	1,134,225
Inventories	4	3,432,033	837,040
	5	<u>2,748,604</u>	<u>2,641,278</u>
TOTAL CURRENT ASSETS		<u>11,119,568</u>	<u>4,612,543</u>
NON-CURRENT ASSETS			
Investment Properties	6	7,968,059	7,968,059
Property, plant and equipment	7	<u>17,342,694</u>	<u>16,752,419</u>
TOTAL NON-CURRENT ASSETS		<u>25,310,753</u>	<u>24,720,478</u>
TOTAL ASSETS		<u>36,430,321</u>	<u>29,333,021</u>
CURRENT LIABILITIES			
Deferred Income	8	110,918	46,500
Trade and other payables	8	80,099,062	76,891,783
Long Service Benefit	8	<u>78,204</u>	<u>87,037</u>
TOTAL CURRENT LIABILITIES		<u>80,288,184</u>	<u>77,025,320</u>
NON - CURRENT LIABILITIES			
Deferred Income	8	227,247	46,500
Long Service Benefit	8	<u>90,176</u>	<u>105,041</u>
TOTAL NON-CURRENT LIABILITIES		<u>317,423</u>	<u>151,541</u>
TOTAL LIABILITIES		<u>80,605,607</u>	<u>77,176,861</u>
NET ASSETS		<u>(44,175,286)</u>	<u>(47,843,840)</u>
SHAREHOLDERS' EQUITY			
Asset revaluation reserves		6,756,167	6,756,167
Retained earnings / (Accumulated losses)		<u>(50,931,453)</u>	<u>(54,600,007)</u>
TOTAL SHAREHOLDERS' EQUITY		<u>(44,175,286)</u>	<u>(47,843,840)</u>

The Statement of financial position is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 10 to 22.

Solomon Islands Postal Corporation
Statement of Cash flow for the year ended 31 December 2017

	Note	2017 \$	2016 \$
Cash Flows From Operating Activities			
Cash receipts from customers		17,865,840	9,382,158
Cash receipts from SIG CSO Grant		-	1,930,000
Cash payments to suppliers and employees		(12,725,821)	(10,708,512)
Cash generated from / (used in) operations		<u>5,140,019</u>	<u>603,646</u>
Net cash provided by / (used in) operating activities	12(b)	<u>5,140,019</u>	<u>603,646</u>
Cash Flows From Investing Activities			
Acquisition of property, plant and equipment		(1,340,313)	(426,982)
Proceeds from sale of PPE		5,000	
Net cash provided by / (used in) investing activities		<u>(1,335,313)</u>	<u>(426,982)</u>
Net increase / (decrease) in cash and cash equivalents		3,804,706	176,664
Cash and cash equivalents at the beginning of the financial year		<u>1,134,225</u>	<u>957,561</u>
Cash and cash equivalents at the end of the financial year	3	<u><u>4,938,931</u></u>	<u><u>1,134,225</u></u>

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 22.

Solomon Islands Postal Corporation
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 judgement 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 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 (\$), and the balances are rounded off to the nearest 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 at stake taking into account the Corporation huge debt with Japanese post (refer note 8) and no formal indication from the Solomon Islands Government 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 Statement of Comprehensive Income. Foreign currency monetary assets and liabilities are translated at the exchange rate at the balance date. Resulting exchange differences are recognised in the Statement of Comprehensive Income for the year. Non-monetary assets and liabilities denominated in foreign currency are recorded at the exchange rate at the date of the transaction.

Solomon Islands Postal Corporation
Notes to and forming part of the accounts

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 Statement of Comprehensive income. 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 Statement of Comprehensive income as an expense as incurred.

Depreciation is charged to the Statement of comprehensive income on a straight line basis over the estimated useful lives of each part of an item of property, plant and equipment. Fixed assets are first depreciated in the year of acquisition, or, in the case of construction, in the year of substantial completion of the asset. 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 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 the Statement of Comprehensive income.

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.

(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.

Solomon Islands Postal Corporation
Notes to and forming part of the accounts (continued)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Interest bearing loans and borrowings

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

If debt is repurchased or settled before maturity, any difference between the amount repaid and the carrying amount is recognised immediately in the Statement of Comprehensive income.

(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 Statement of comprehensive income when the significant risks and rewards of ownership has been transferred to the buyer.

Revenue from services rendered is recognised in the Statement of comprehensive income in proportion to the stage of completion of the transaction at the balance 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.

The Corporation recognises Property, plant and equipment donated by NGO, Donor partners, government and other stakeholders as deferred income. These are recorded at fair value at the time the assets was received by the Corporation. They are then recognised in the profit and loss as other income systematically over the useful life of the asset.

(l) Trade and other payables

Trade and other payables are stated at cost.

Solomon Islands Postal Corporation
Notes to and forming part of the accounts (continued)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Taxation

The Corporation is exempt from income tax for income derived from postal services in terms of Solomon Islands Postal Act.

(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.

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 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 difference arising at the date of transfer between the carrying amount of the item 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.

(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 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 services 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 employee's 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 Corporation'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
Notes to and forming part of the accounts (continued)

2. PRIOR YEAR ADJUSTMENTS

2017
\$

2016
\$

Over(under)statement of wages & salaries

-	81,322
-	81,322

A review of all International Mail (IMA) dues to and from all Designated Operators (DOs) that Solomon Post traded mails with was started in 2014. This was a first of a series of review to be made and was made possible with the identification of mail due documentations from prior years. The review resulted in corrections to a number of prior year balances for terminal dues (LC/AO), Parcel dues (ILR), and EMS dues (EMS Imbalance). It is expected that the review will bring up to date current records of all mails due to and from other DOs to a stage that Solomon Post should be in a position to manage it's International dues in a consistence and accountable manner.

Designated Operator	Currency	Balance at 31 Dec 2016	Total Invoices	Total Payments	Adjustment	Balance at 31 Dec 2017
Debtors:						
CJAH Mission International Ltd	USD	12,816	249,216.55	(136,116.11)	0	249,216
Freipost	USD	10,988	0.00	(10,988.00)	-	(0)
Australia Post	SDR	15,281	10,013	(15,281)	-	10,013
Brussels Post	SDR	483	-	-	-	483
Chungwha Post (Taiwan)	SDH	7,788	4,962	-	-	12,728
Hong Kong Post	SDH	79	-	-	-	79
Netherlands Post	SDR	2,162	-	-	-	2,162
New Zealand Post	SDR	-	3,389	-	-	3,389
Niederlande Post (Germany)	SDR	4,181	0	0	0	4,181.28
Post Fiji Ltd	SDR	1,157	1,307	(1,157)	0	1,308.55
Royal Mail (UK Post)	SDR	3,347	-	(3,347)	-	0
Singapore Post	SDR	110	-	-	-	110
Swiss Post (Switzerland)	SDR	819	-	-	-	-
United States Postal Service	SDR	1,177	2,545	(3,722)	-	-
		89,168	271,491	(47,111)		283,727
Creditors:						
Orbit Remit Global Money Transfer	USD	393	559	(393)	-	559
Fiji Airways (Air Pacific)	FJD	121	-	-	(121)	0
Australia Post	SDR	4,994	-	-	-	4,994
Deutsche Post	SDR	190,613	-	-	-	190,613
India Post	SDR	0	-	0	0	-
Japan Post	SDR	6,307,744	-	-	7,836	6,405,080
Post Fiji Ltd	SDR	94	-	-	-	94
Post PNG Ltd	SDR	317	-	-	-	317
Postnord - Denmark Post	SDR	0	9,000	-	-	9,000
Qantas Airways	SDR	3,559	56	-	-	3,914
United States Postal Service	SDR	-	14,501.28	-	-	14,501.28
Royal Mail (UK Post)	SDR	-	50,172.00	-	-	50,172.00
Vanuatu Post	SDR	124.83	-	-	-	124.83
		6,598,259.70	74,555.22	(393.00)	7,815.00	6,598,876.92

The adjustments were stated in SDR converted to USD and to SBD at year-end.

Solomon Islands Postal Corporation
Notes to and forming part of the accounts (continued)

	2017	2016
	\$	\$
3. CASH AND CASH EQUIVALENTS		
Petty Cash (Cash imprest)		
Cash at bank	215,744	413,175
	<u>4,723,187</u>	<u>721,050</u>
	<u>4,938,931</u>	<u>1,134,225</u>
<p>The Corporation has no approved overdraft facility. Management advise that any overdraft position at the bank is temporary.</p>		
4. TRADE AND OTHER RECEIVABLES		
Trade debtors	3,553,808	1,502,566
Less: Provision for doubtful debts	(444,741)	(749,331)
Staff advance	-	16,804
Other Debtors and prepayments	322,966	67,001
	<u>3,432,033</u>	<u>837,040</u>
5. INVENTORIES		
Stores and consumable materials	2,748,604	2,641,278
Less: Provision	-	-
	<u>2,748,604</u>	<u>2,641,278</u>
6. INVESTMENT PROPERTY		
Opening Balance		
Fair Value adjustments	7,968,059	7,968,059
Closing Balance	<u>7,968,059</u>	<u>7,968,059</u>

The carrying amount of investment property is the fair value of the property as determined by independent valuers in December 2014. Solomon Post finally undertook a valuation of its Land and Buildings in December 2014 after the last valuation was done in 2007.

Solomon Islands Postal Corporation
Notes to and forming part of the accounts (continued)

7. PROPERTY, PLANT AND EQUIPMENT

Cost	Note	Leasehold land at Revalued amount \$	Buildings at Revalued amount \$	Office and Postal Equipments \$	Furnitures and Fittings \$	Computer Assecories \$	Motor Vehicles \$	Total \$
At 1 January 2016		8,663,128	8,582,613	3,469,161	472,787	949,776	810,443	22,947,908
Additions during the year		-	-	236,091	40,470	150,419	-	426,980
Revaluation increment during the year		-	-	-	-	-	-	-
Disposals during the year		-	-	-	-	-	-	-
At 31 December 2016		8,663,128	8,582,613	3,705,252	513,257	1,100,195	735,443	23,299,888
Balance at 1 January 2017		8,663,128	8,582,613	3,705,252	513,257	1,100,195	735,443	23,299,888
Additions during the year		-	585,000	231,179	7,281	248,623	-	1,340,313
Disposals during the year		-	-	-	-	-	-	-
Balance as at 31 December 2017		8,663,128	9,167,613	3,936,431	520,538	1,348,818	923,673	24,560,201
Accumulated depreciation								
At 1 January 2016		-	858,262	3,242,242	304,207	722,259	810,443	5,937,413
Depreciation		-	429,131	84,618	47,185	124,125	-	685,059
Disposals during the year		-	-	-	-	-	-	-
Revaluation write-off		-	-	-	-	-	-	-
At 31 December 2016		-	1,287,393	3,326,860	351,392	846,384	735,443	6,547,472
Balance at January 2017		-	1,287,393	3,326,860	351,392	846,384	735,443	6,547,472
Depreciation		-	430,881	129,256	50,256	117,291	22,354	750,038
Disposals during the year		-	-	-	-	-	-	-
Balance at 31 December 2017		-	1,718,274	3,456,116	401,648	963,675	677,797	7,217,510
Carrying Amounts								
At 31 December 2015		8,663,128	7,724,351	226,919	168,580	227,517	-	17,010,494
At 31 December 2016		8,663,128	7,295,220	378,392	161,865	253,811	-	16,752,419
At 31 December 2017		8,663,128	7,449,339	480,315	118,890	385,143	245,876	17,342,694

8. TRADE AND OTHER PAYABLES

	2017 \$	2016 \$ Restated
Current Liabilities		
Trade creditors		
Deposits and other liabilities	77,088,149	74,223,757
Deferred income-Unexpended property, plant and equipment	3,010,913	2,668,026
Long service benefit	110,918	46,500
	78,204	87,037
	<u>80,288,184</u>	<u>77,025,320</u>
Non current Liabilities		
Trade creditors		
Deferred income-Unexpended property, plant and equipment	227,247	46,500
Long service benefit	90,176	105,041
	<u>317,423</u>	<u>151,541</u>

Solomon Islands Postal Corporation
Notes to and forming part of the accounts (continued)

8. TRADE AND OTHER PAYABLES (Continue)

A Japanese Post

Approximately 95% of trade payable as stated above relates to Japanese post. As at 31 December 2017, the debt stands at SDR6,397,744, equivalent to \$72,773,311 SBD. This huge debt is accumulated from a contract with Morris International and Australian Mail Service (AMS) in 2004 whereby these companies used SIPC prepaid stamps and envelopes to deliver bulk mails to their business clients in Japan through the Japan Post network. SIPC charged its client in Australian dollars while Japan Post invoiced SIPC in SDRs resulting in huge difference which is unfavourable for SIPC. SIPC, apparently, does not refute the claim but finds it impossible to pay, so management think that the debts should be settled by government-to-government dialogue. As at 31 december 2017, no formal evidence received from solomon government that it will settled the debts and this has greatly affected the going concern basis for the Corporation.

B SIG - Inland Revenue

SIPC has not been remitting withholding tax and other dues to the Solomon island government on timely basis and has accumulated to \$865,218 (2016: \$770,705) as at 31 December 2017. On the other hand Solomon Islands Government and other ministries have owed the Corporation \$526,703 (refer note 9 (b) below) on bulk mails & office rental as at 31 December 2017. An arrangement to offset between the ministry of finance and the corporation was implemented in 2015 financial year.

9. RELATED PARTY TRANSACTIONS

2017 2016
\$ \$

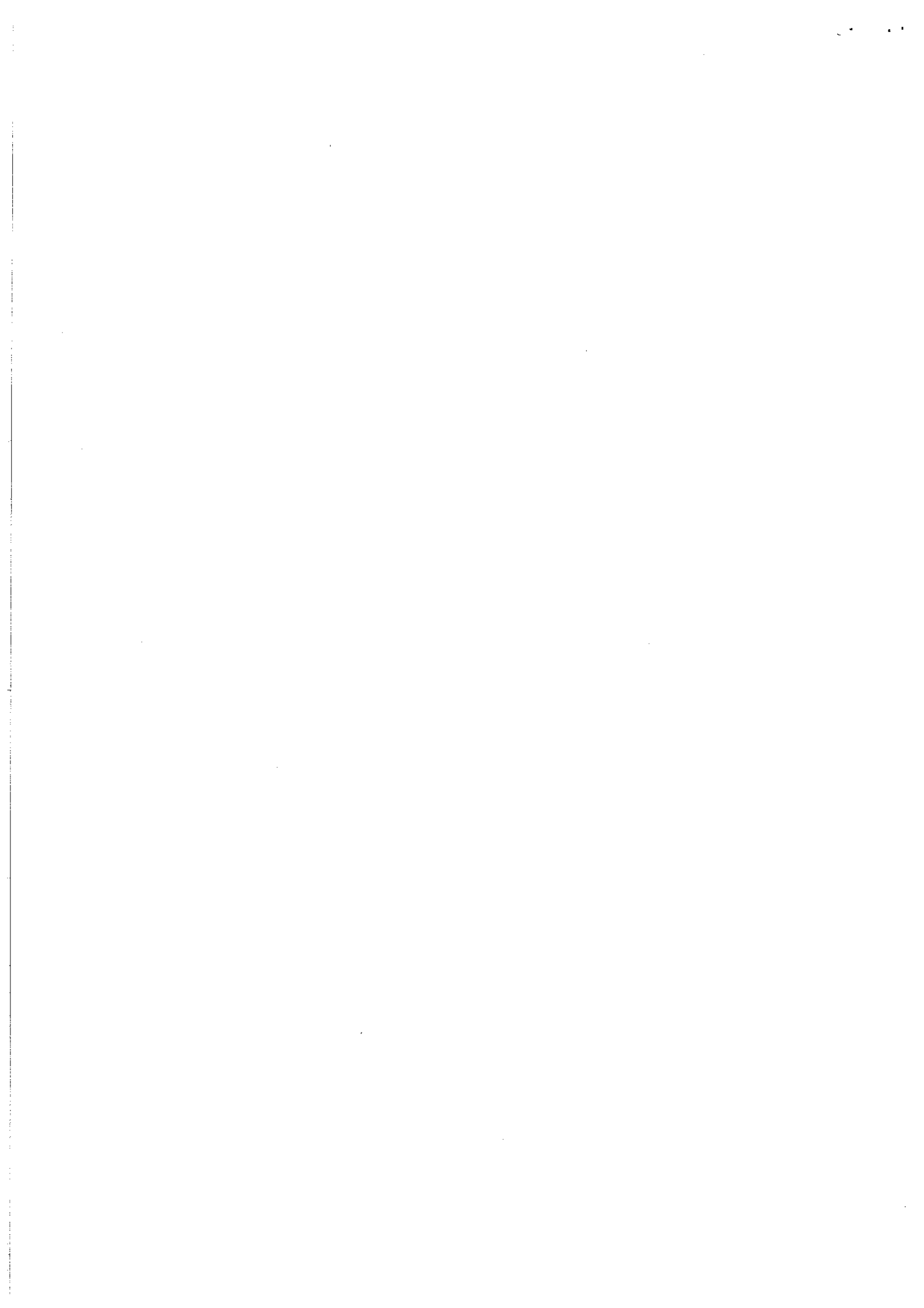
A. Controlled entities

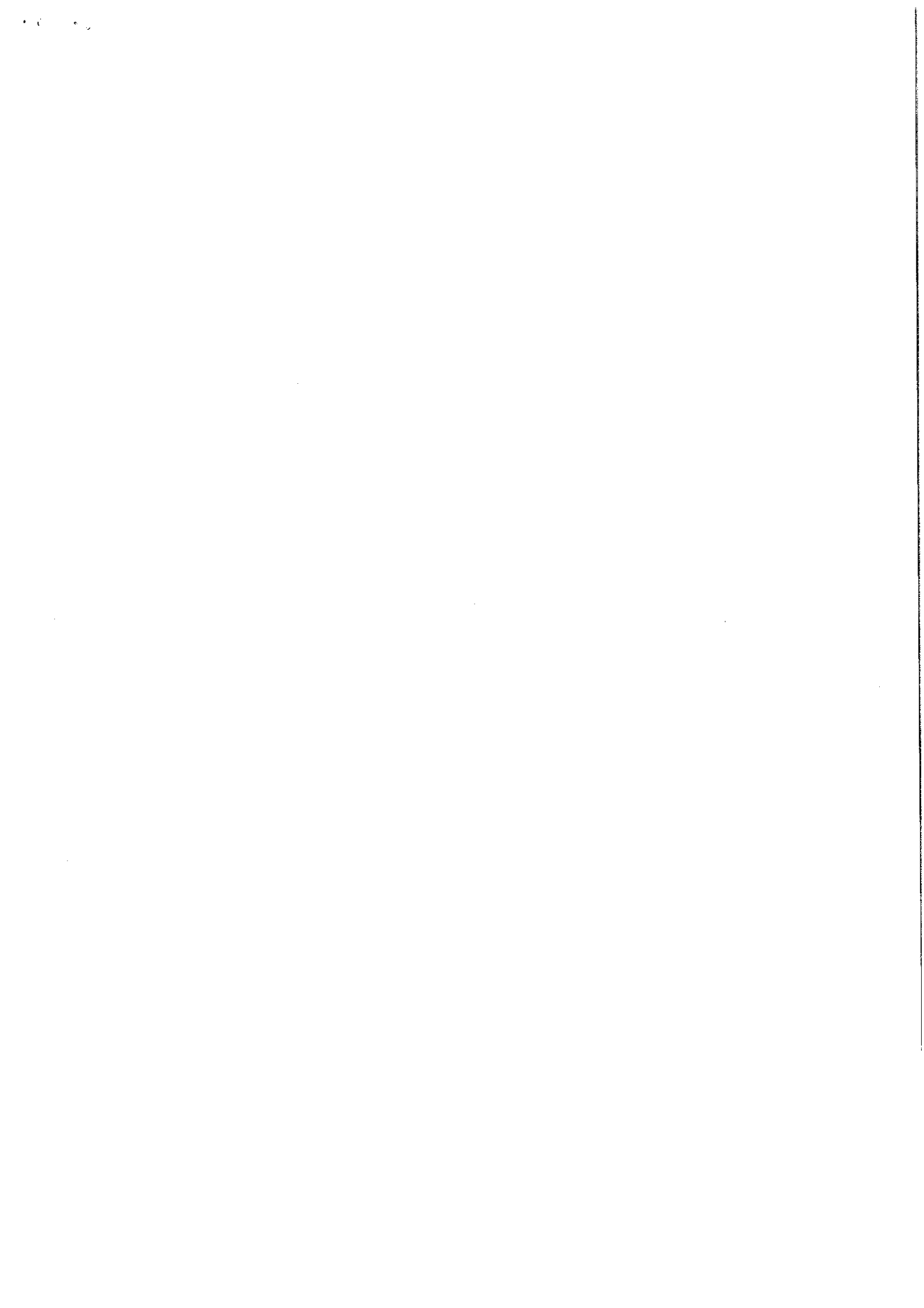
The Corporation does not control any other entities

B. Outstanding Balances

The following Balances were owing to the corporation:

Ministry of agriculture		
Ministry of Commerce (Trade & dispute panel)	427	2,195
Ministry of Finance	1,612	1,104
Ministry of Youth Sport Women & Children's Affairs	53,742	50,887
Ministry of Development Planning & Coordination	69	69
Ministry of Education & Human Resources	60	101
Ministry of Environment Conservation & Meteorology	826	1,119
Ministry of Forestry & Research	21	-
Ministry of Health & Medical Services	(8,584)	(9,503)
Ministry of Home Affairs	14,998	7,752
Ministry of Infrastructure & Development	773	276
Ministry of Justice and Legal Affairs	334	82
Ministry of Lands & Survey	8,973	856
National Parliament house	4,276	2,261
Ministry of Fisheries and Marine Resources	60	-
Ministry of Foreign Affairs	1,274	67
Ministry of National Unity and Reconciliations	272	71
Ministry of Police and National Security	(37,429)	(37,275)
Ministry of Provincial Government	(2,160)	-
Ministry of Rural Development	77	592
Ministry of Public Service	38	30
Prime Ministers office	753	582
	486,291	162,000
	526,703	183,267





Solomon Islands Postal Corporation
Notes to and forming part of the accounts (continued)

9. RELATED PARTY TRANSACTIONS (Continue)

C. Offset of outstanding

In 2015, the Corporation and the Ministry of finance successfully implemented an offset agreement. At the time of the negotiation, SIG owed the Corporation \$974,928.88, while the Corporation owed SIG \$603,040.07 and when the offset was actioned, the amount owed by SIG has already been paid by separate ministries. At the time of compiling this financial statement, amount totalled to \$481,772 still available for offset, against ministries debtors account.

Transaction

The following revenues(expense) were incurred by the Corporation:
 Auditor general
 Directors remuneration and expenses

	132,140	112,451
	132,140	112,451

C. Key Management Compensation

Key management includes, Chief Executive officer, Deputy Chief Executive Officer-Corporate Services, Deputy Chief Executive Officer-Mail Operations.

The compensation paid or payable to key management for their service rendered to the Corporation are as follows:

• Wages & salaries	306,000	306,000
• Other employment benefits	303,000	303,000
• Termination benefit	67,500	67,500
	676,500	676,500

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

10. EMPLOYMENT BENEFITS

The Corporation has provided for long service benefits which entitles employees who have completed ten years service to three months of paid leave. The portion of the provision with a maturity of less than 1 year has been classified as current. The portion of the provision with an expected maturity of greater than 1 year has been classified as non-current, refer to note 8 above for detail LSB liability for the year & comparative period.

On 3 November 2009, the SIPC Board endorsed the Retirement Benefit policy entitling staff to retirement benefits through early retirement or normal retirement. The following being summaries of retirees since the policy became effect in 2009:

- In 2010 there were 8 staff retired with gross retirement benefit totalling \$373,829.81
- In 2011 there were 5 staff retired with gross retirement benefit totalling \$314,303.30
- In 2012 there were 3 staff retired with gross retirement benefit totalling \$121,158.62
- In 2013 there were no staff on retirement
- In 2014 there were 7 staff on retirement with gross retirement benefit totalling \$518,815.79
- In 2015 there were 2 staff on retirement with gross retirement benefit totalling \$80,039.33
- In 2016 there were no staff on retirement
- During the year no staff on retirement

Solomon Islands Postal Corporation

Notes to and forming part of the accounts (continued)

11. FINANCIAL RISK MANAGEMENT

Overview

The Corporation has exposures to the following risks arising from financial instruments:

- Credit risk; Liquidity risk; and Market risk

This note presents information about the Corporation's exposure to each of the above risks, and the Corporation's objectives, policies and processes for measuring and managing risk.

Risk Management Framework

The Board of Directors have overall responsibility for the establishment and oversight of the Corporation's risk management framework. The Corporation's risk management policies are established to identify and analyse the risks faced by the Corporation, 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 and conditions and the Corporation's activities.

Credit risk

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Corporation's receivables from customers.

Trade and other receivables

The Corporation's exposure to credit risk is influenced mainly by individual characteristics of each customer. However, the Corporation has established a credit policy under which each new customer is analysed individually for creditworthiness before the Corporation's standard payment and delivery terms and conditions are offered.

The Corporation establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main component of this allowance are specific loss component that relates to individually significant exposures, and a collective loss component established for similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to the credit risk at the reporting date was as follows:

	2017	2016
	\$	\$
Cash at bank		
Trade receivables	4,938,931	1,134,225
Other receivables	3,109,067	753,235
	<u>322,966</u>	<u>83,805</u>
Impairment losses	<u>8,370,964</u>	<u>1,971,265</u>
The ageing of trade receivables at reporting date that were not impaired was as follows:		
Not past due		
Past due 31-60 days	2,258,823	333,508
Past due 61-90 days	44,743	18,518
Past due more than 90 days	21,746	3,447
	<u>783,755</u>	<u>397,762</u>
	<u>3,109,067</u>	<u>753,235</u>

Solomon Islands Postal Corporation
Notes to and forming part of the accounts (continued)

11. FINANCIAL RISK MANAGEMENT (continued)

Liquidity Risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation'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 Corporation's reputation. The Corporation does not operate any bank overdraft facilities.

The following are the contractual maturities of financial liabilities:

	Carrying amount	<= 6 months	<= 12 months	<= 2 years	> 2 years
31 December 2017					
<u>Financial liabilities:</u>					
Trade, other payables and accruals	80,605,607	-	80,288,184	317,423	-
31 December 2016					
<u>Financial liabilities:</u>					
Trade, other payables and accruals	77,258,194	-	77,106,653	151,541	-

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Corporation'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.

Currency risk

The Corporation is exposed to foreign currency risks on revenue, expenses and borrowings that are denominated in a currency other than the Solomon Islands Dollar. The Corporation for its international mail activities bills in SDR and settles in USD. Other currency of billing and settlements are AUD and FJD.

As at year end, assets, liabilities denominated in foreign currencies include trade receivables and trade payables. Significant foreign exchange exposures are as follows:

	USD/SBD	AUD/SBD	CHF/SBD	FJD/SBD
31 December 2017				
<u>Financial assets:</u>				
Trade and other receivables	1,990,540	-	-	-
<u>Financial liabilities:</u>				
Trade and other payables	6,359	-	-	-
31 December 2016				
<u>Financial assets:</u>				
Trade and other receivables	194,115	-	-	-
<u>Financial liabilities:</u>				
Trade and other payables	3,232	-	-	476

Solomon Islands Postal Corporation
Notes to and forming part of the accounts (continued)

11. FINANCIAL RISK MANAGEMENT (continued)

Market Risk (continued)

Currency risk (continued)

A strengthening of the Dollar as indicated below against SDR, USD, AUD, and FJD at 31 December 2017 would have increased (decreased) profit after tax by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Corporation considered to be reasonably possible at the reporting date. This assumes that all other variables are constant:

	2017	2016
	\$	\$
<u>Financial assets</u>		
Impact on profit after tax if 1% increase in USD fx rate against SBD	19,905	5,254
Impact on profit after tax if 1% decrease in USD fx rate against SBD	(19,905)	(5,254)
Impact on profit after tax if 1% increase in AUD fx rate against SBD	-	-
Impact on profit after tax if 1% decrease in AUD fx rate against SBD	-	-
<u>Financial liabilities</u>		
Impact on profit after tax if 1% increase in USD fx rate against SBD	64	23,058
Impact on profit after tax if 1% decrease in USD fx rate against SBD	(64)	(23,058)
Impact on profit after tax if 1% increase in FJD fx rate against SBD	-	5
Impact on profit after tax if 1% decrease in FJD fx rate against SBD	-	(5)

12. NOTES TO THE STATEMENT OF CASH FLOWS

(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 Flow is reconciled to the related items in the balance sheet as follows:

	2017	2016
	\$	\$
Cash and short term deposits	<u>4,938,931</u>	<u>1,134,225</u>

(b) Reconciliation of operating profit after income tax to net cash provided by operating activities

Operating profit (loss) after income tax	3,668,554	961,997
Add (deduct) non-cash items:		
Depreciation	750,038	685,058
Foreign currency (gain) loss	2,059,288	(2,022,181)
Sale of Motor vehicle	-	-
Provision for doubtful debts	(304,590)	-
Deferred Income - donated computer	245,165	(46,500)
Prior period adjustments	81,332	-
Net cash provided by operating activities before changes in assets and liabilities	<u>6,499,787</u>	<u>(421,626)</u>
Changes in assets and liabilities:		
(Increase) decrease in inventories	(107,326)	(195,713)
(Increase) decrease in trade debtors	(2,295,403)	30,324
Increase (decrease) in trade creditors	1,042,962	1,190,662
Net cash provided by (used in) operating activities	<u>5,140,019</u>	<u>603,646</u>

Solomon Islands Postal Corporation
Notes to and forming part of the accounts (continued)

13. OTHER INCOME

	2017	2016
Philatelic sales	\$	\$
DMT Commissions	28,840.60	46,393
Storage fees	171,219	151,349
Internet Sales	32,373	30,703
Professional services	46,170	51,726
Stamp agent royalties	60,973	84,977
Sundry fees/receipts	389,087	391,645
WU commission	686,452	144,532
	-	21,756
	<u>1,415,115</u>	<u>923,081</u>

14. COST OF GOODS AVAILABLE FOR SALE

Opening Stock:			
	Postshop	1,046,881	624,113
	Mobile Topups	21,525	15,830
	Foreign Currency	22,292	57,574
	Philatelic	1,550,579	1,748,040
Add: Purchase			
	Postshop	594,593	1,056,467
	Mobile Topups	350,000	325,000
	Foreign Currency	1,889,988	1,893,988
	Philatelic	7,760	1,300
Less: Closing stock			
	Postshop	(969,071)	(1,046,881)
	Mobile Topups	(8,970)	(21,525)
	Foreign Currency	(75,149)	(22,292)
	Philatelic	(1,695,405)	(1,350,579)
	COG Available for sale	<u>2,735,015</u>	<u>3,081,042</u>