

SOLOMON ISLANDS POSTAL CORPORATION
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

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 2015 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
<u>2013</u>			
Mr. Robert Bokelema	10/10/2012	Chairman	Current
Mr. Alex Nindi	11/03/2010	Member	15/09/2013
Mr. Gideon Zoleveke	27/09/2013	Member	Current
Ms Susan Volu	19/11/2009	Member	16/09/2013
Christian Siale	10/10/2012	Member	Current
Patrick Taloboe	10/10/2012	Member	Current
Benjamin O Aitoroi	27/09/2013	Member	Current
George S Kiriau	27/09/2013	Member	Current
<u>2014</u>			
Mr. Robert Bokelema	10/10/2012	Chairman	Current
Mr. Gideon Zoleveke	27/09/2013	Member	Current
Patrick Taloboe	10/10/2012	Member	Current
Benjamin O Aitoroi	27/09/2013	Member	Current
George S Kiriau	27/09/2013	Member	Current
Christian Siale	10/10/2012	Member	Current
<u>2015</u>			
Mr. Robert Bokelema	10/10/2012	Chairman	Current
Mr. Gideon Zoleveke	27/09/2013	Member	Current
Patrick Taloboe	10/10/2012	Member	Current
Benjamin O Aitoroi	27/09/2013	Member	Current
George S Kiriau	27/09/2013	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 2015 was the provision of Postal services.

Operating and financial review

The Corporation recorded a net loss for the year amounting to \$1,486,953 (2014: net loss of \$227,747)

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)

Solomon Islands is re-instated as a member of Universal Postal Union (UPU) since its termination on August 2012 for failing to settle outstanding mandatory membership contribution arrears. Solomon Island Government through the ministry of communication paid the arrears on March 2016. Total arrears paid by the government amounted to CHF305,852.64 . This is a positive move that will assist the operation of Solomon Posts as it will now entitled to benefit from a number of privileges from the UPU as well as current projects under the DOIHA Postal Strategy for the period 2013-2016. The settlement of the UPU annual mandatory contribution is the responsibility of the Solomon Islands Government (SIG) as the signatory to the Universal Postal Services Charter and as the regulator of postal services in Solomon Islands.

Apart from re-instatement from UPU membership, 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: Robert Bokelama
Director


Name: Gordon Zolereke
Director

Dated at Honiara this day of 2016.



INDEPENDENT AUDITOR'S REPORT

To the board members and shareholders of Solomon Islands Postal Corporation.

Report on the Financial statements

I have audited the accompanying financial statements of the Solomon Islands Postal Corporation ("the Corporation"), which comprise the statement of financial position as at 31 December 2015, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes 1 to 14 comprising a summary of significant accounting policies and other explanatory information.

Directors' and Management Responsibility for the Financial Statements

Directors and Management are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards, and for such internal control as directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit. The Audit has been conducted in accordance with International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of the material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

Because of the matter discussed in the basis for disclaimer paragraph, however, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion in accordance with International Auditing Standards.

Basis for Disclaimer of Opinion

MYOB deleted Transactions

A total of 169 transactions were deleted in 2015 financial year. The deletions impacted upon both the receipts and payments sides of the general ledger. I was therefore unable to quantify and satisfy myself as to the value of these transactions. As a result, I am not able to ascertain if these transactions can significantly affect the balances and disclosures in the financial statements.

Disclaimer of Opinion

Because of the significance of the matter described in the basis of disclaimer 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 2015.

Emphasis of Matter

I draw your attention to page 6 of the financial statement, which indicates that the Corporation incurred a net loss of \$1,486,953 during the year ended 31 December 2015 and, as of that date the Corporation's current liabilities exceeded its total assets by \$48,759,299. As stated in note 1(c), these events or conditions, indicate that a material uncertainty exists 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.

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 and Audit Act [CAP 120]* and the *State Owned Enterprises 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 financial statements were received 474 days after the due date of 31 March 2016.



Peter Lokay
Auditor –General

Office of the Auditor-General
Solomon Islands


Date: 20 July 2017


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 2015 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: Robert Bokelema
Director


Name: GIDEON ZOLEVEKE
Director

Dated at Honiara this day of 2016.

Solomon Islands Postal Corporation
Statement of Comprehensive Income for the year ended 31 December 2015

	Notes	<u>2015</u> S	<u>2014</u> S
Revenue from Continuing Operations			
Property Rentals		2,420,578	1,918,671
SIG Grant (CSO funding)		1,900,000	2,233,029
Other Income	13	1,722,873	1,168,939
Foreign currency sales		1,943,091	1,372,429
Post shop sales		974,945	916,618
Post Box Rentals		901,516	807,603
Terminal Dues		359,452	559,871
Bulk Postage		303,688	597,359
Stamp sales		174,317	297,148
Total revenue from continuing operations		10,700,460	9,871,667
Expenses from Continuing Operations			
Advertising, Printing and Stationery		228,012	312,364
Board expenses		113,464	102,904
Cost of goods purchased for resale	14	2,383,497	1,778,943
Depreciation	7	886,794	995,280
Operating expenses		647,103	905,022
Maintenance and repairs		491,455	348,541
Office expenses		157,241	176,928
Terminal dues expenses		30,338	20,280
Rent expense		861,622	1,115,378
Seminars, conferences and training		298,825	261,826
Travel and transport		128,408	54,346
Utilities		1,286,342	1,278,183
Employment Expense		3,591,793	4,278,856
Mail freights		225,622	209,158
Withholding tax expenses		72,354	147,294
Total expenses from continuing operation		11,402,870	11,985,303
Profit / (loss) from continuing operation		(702,410)	(2,113,636)
Finance revenues		52,459	1,886,339
Financial costs		(837,002)	(450)
Net Finance Cost		(784,543)	1,885,889
Profit (loss) before income tax		(1,486,953)	(227,747)
Income tax expense	1(M)	-	-
Net Profit (loss) for the year		(1,486,953)	(227,747)
Other comprehensive income			
Revaluation increment of land & building		-	5,193,059
Total Other Comprehensive income		-	5,193,059
Total Comprehensive income for the year		(1,486,953)	4,965,312

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 2015

	Note	Asset Revaluation Reserve \$	Retained Earnings/ (Accumulated) Losses) \$	Total \$
Balance as at 1 January 2014		-	12,972,582	12,972,582
Net Profit/loss for the year			(227,747)	(227,747)
Total Other Comprehensive Income		-	5,193,059	5,193,059
Total Comprehensive Income for the year		-	17,937,894	17,937,894
Revaluation Surplus		6,756,167	-	6,756,167
Balance as at 31 December 2014 as previously reported		6,756,167	17,937,894	24,694,061
Correction of prior year error	2		(72,094,278)	(72,094,276)
Balance as at 31 December 2014 as restated		6,756,167	(54,156,384)	(47,400,215)
Balance as at 1 January 2015		6,756,167	(54,156,384)	(47,400,217)
Net Profit/loss for the year			(1,486,953)	(1,486,953)
Total Other Comprehensive Income			-	-
Total Comprehensive Income for the year		-	(1,486,953)	(1,486,953)
Balance as at 31 December 2015		6,756,167	(55,643,337)	(48,887,170)

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 2015

	Note	2015 \$	2014 \$
CURRENT ASSETS			
Cash on hand and at bank	3	957,561	793,268
Trade and other receivables	4	867,364	1,097,313
Inventories	5	<u>2,445,565</u>	<u>2,194,899</u>
TOTAL CURRENT ASSETS		<u>4,270,490</u>	<u>4,085,480</u>
NON-CURRENT ASSETS			
Investment Properties	6	7,968,059	7,968,059
Property, plant and equipment	7	<u>17,010,495</u>	<u>17,679,557</u>
TOTAL NON-CURRENT ASSETS		<u>24,978,554</u>	<u>25,647,616</u>
TOTAL ASSETS		<u>29,249,044</u>	<u>29,733,096</u>
CURRENT LIABILITIES			
Deferred Income	8	46,500	46,500
Trade and other payables	8	<u>77,961,843</u>	<u>4,818,164</u>
TOTAL CURRENT LIABILITIES		<u>78,008,343</u>	<u>4,864,664</u>
NON - CURRENT LIABILITIES			
Deferred Income	8	93,000	139,500
Long Service Benefit	8	<u>34,871</u>	<u>34,871</u>
TOTAL NON-CURRENT LIABILITIES		<u>127,871</u>	<u>174,371</u>
TOTAL LIABILITIES		<u>78,136,214</u>	<u>5,039,035</u>
NET ASSETS		<u>(48,887,170)</u>	<u>24,694,061</u>
SHAREHOLDERS' EQUITY			
Asset revaluation reserves		6,756,167	-
Retained earnings / (Accumulated losses)		<u>(55,643,337)</u>	<u>17,937,894</u>
TOTAL SHAREHOLDERS' EQUITY		<u>(48,887,170)</u>	<u>17,937,894</u>
			out of balance

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 2015

	Note	2015 \$	2014 \$
Cash Flows From Operating Activities			
Cash receipts from customers		9,204,728	11,286,387
Cash receipts from SIG CSO Grant		1,900,000	1,554,120
Cash payments to suppliers and employees		<u>(10,722,702)</u>	<u>(13,432,489)</u>
Cash generated from / (used in) operations		<u>382,026</u>	<u>(591,982)</u>
Net cash provided by / (used in) operating activities	12(b)	<u>382,026</u>	<u>(591,982)</u>
Cash Flows From Investing Activities			
Acquisition of property, plant and equipment		(217,733)	(54,005)
Withdrawal of term deposits		<u>-</u>	<u>-</u>
Net cash provided by / (used in) investing activities		<u>(217,733)</u>	<u>(54,005)</u>
Net increase / (decrease) in cash and cash equivalents		164,293	(645,987)
Cash and cash equivalents at the beginning of the financial year		<u>793,268</u>	<u>1,439,255</u>
Cash and cash equivalents at the end of the financial year	3	<u>957,561</u>	<u>793,268</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)

	2015	2014
	\$	\$
2. PRIOR YEAR ADJUSTMENTS		
Under(Over)statement of Trade Debtors	-	(1,483,464)
Over(under)statement of Trade Creditors	(72,020,597)	72,113,609
Under(Over)statement of Salary Advance	-	100
Unreimbursed Imprest expenses		12,830
Unrecorded liabilities-2014	(68,622)	-
Unrecorded NPF deductions	(15,599)	-
Cleared unrepresented cheques and outstanding deposits	10,540	(166,538)
Overstatement of Fixed Asset (Accum depn)	-	68,054
Understatement of WU Imprest	-	17,153
Reversal of accruals	-	71,312
Reversal of undeposited account	-	(101,694)
Recovery of DMT Imprest shortage	-	1,870
Adjustment to PYA opening balance	-	177,528
Removed universal postal service prior years debts	-	1,529,639
	(72,094,278)	72,240,398

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 as at 31		Total Invoices	Total Payments	Adjustments	Balance as at 31	
		Dec 2014	Dec 2015				Dec 2014	Dec 2015
Debtors:								
Australia Post	SDR			19,260				19,260
Brussel Post	SDR			483				483
Chungwha Post (Taiwan)	SDR	9,825		7,093	(7,871)			9,047
Hong Kong Post	SDR	1,248			(1,139)	(30)		80
Netherland Post	SDR	2,162						2,162
Niederauia Post (Germany)	SDR			4,181				4,181
Singapore Post	SDR	110						110
Swiss Post (Switzerland)	SDR	819						819
United States Postal Service	SDR	5,616		1,893				7,509
		19,780		32,910	(9,010)	(30)		43,651
Creditors:								
Orbit Remit Global Money Trans	USD			884		(510)		374
Fiji Airways (Air Pacific)	FJD			10,604	(10,483)			121
Australia Post	SDR			2,671				2,671
Deutse Post	SDR			190,613				190,613
India Post	SDR			1,337				1,337
Post Fiji Ltd	SDR			94				94
Post PNG Ltd	SDR	317						317
Qantas Airways	SDR	7,578						7,578
Vanuatu Post	SDR	125						125
		8,020		206,203	(10,483)	(510)		203,230

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)

	2015	2014
	\$	\$
3. CASH AND CASH EQUIVALENTS		
Petty Cash (Cash imprest)	372,632	389,592
Cash at bank	<u>584,929</u>	<u>403,676</u>
	<u><u>957,561</u></u>	<u><u>793,268</u></u>
The Corporation has no approved overdraft facility. Management advise that any overdraft position at the bank is temporary.		
4. TRADE AND OTHER RECEIVABLES		
Trade debtors	1,538,634	2,409,555
Less: Provision for doubtful debts	(749,331)	(1,342,973)
Staff advance	14,800	25,970
Other Debtors and prepayments	<u>63,261</u>	<u>4,761</u>
	<u><u>867,364</u></u>	<u><u>1,097,313</u></u>
5. INVENTORIES		
Stores and consumable materials	2,445,565	2,194,899
Less: Provision	<u>-</u>	<u>-</u>
	<u><u>2,445,565</u></u>	<u><u>2,194,899</u></u>
6. INVESTMENT PROPERTY		
Opening Balance	7,968,059	2,775,000
Fair Value adjustments	<u>-</u>	<u>5,193,059</u>
Closing Balance	<u><u>7,968,059</u></u>	<u><u>7,968,059</u></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

<u>Cost</u>	<u>Note</u>	Leasehold land	Buildings	Office and Postal	Furnitures and	Computer	Motor	<u>Total</u>
		at Revalued amount	at Revalued amount	Equipments	Fittings	Assecories	Vehicles	
		\$	\$	\$	\$	\$	\$	\$
At 1 January 2014		3,255,000	11,619,867	3,266,424	444,787	676,276	1,048,007	20,310,361
Additions during the year		-	-	18,385	14,120	254,000	-	286,505
Revaluation increment during the year		5,408,128	(3,037,254)	-	-	-	-	2,370,874
Disposals during the year		-	-	-	-	-	(237,564)	(237,564)
At 31 December 2014		8,663,128	8,582,613	3,284,809	458,907	930,276	810,443	22,730,176
Balance at 1 January 2015		8,663,128	8,582,613	3,284,809	458,907	930,276	810,443	22,730,176
Additions during the year		-	-	184,352	13,880	19,500	-	217,732
Balance as at 31 December 2015		8,663,128	8,582,613	3,469,161	472,787	949,776	810,443	22,947,908

Accumulated depreciation

At 1 January 2014		-	4,385,293	2,773,648	212,618	372,964	933,672	8,678,195
Depreciation		-	429,131	269,554	45,431	185,505	65,659	995,280
Disposals during the year		-	-	-	-	-	(237,564)	(237,564)
Revaluation write-off		-	(4,385,293)	-	-	-	-	(4,385,293)
At 31 December 2014		-	429,131	3,043,202	258,049	558,469	761,767	5,050,618
Balance at January 2015		-	429,131	3,043,202	258,049	558,469	761,767	5,050,618
Depreciation		-	429,131	199,040	46,158	163,790	48,676	886,795
Balance at 31 December 2015		-	858,262	3,242,242	304,207	722,259	810,443	5,937,413

Carrying Amounts

At 31 December 2013		3,255,000	7,234,574	492,776	232,169	303,312	114,335	11,632,165
At 31 December 2014		8,663,128	8,153,482	241,607	200,858	371,807	48,676	17,679,557
At 31 December 2015		8,663,128	7,724,351	226,919	168,580	227,517	-	17,010,495

8. TRADE AND OTHER PAYABLES

Current Liabilities

Trade creditors		76,018,263	3,726,917
Deposits and other liabilities		1,943,580	1,091,247
Deferred income-Unexpended property, plant and equipment		46,500	46,500
		<u>78,008,343</u>	<u>4,864,664</u>

Non current Liabilities

Trade creditors			
Deferred income-Unexpended property, plant and equipment		93,000	139,500
Long service benefit		34,871	34,871
		<u>127,871</u>	<u>174,371</u>

2015
\$

2014
\$

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 2015, the debt stands at SDR6,397,644, equivalent to \$72,668,408 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 2015, 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 \$639,240 (2014: \$676,487) as at 31 December 2015. On the other hand Solomon Islands Government and other ministries have owed the Corporation \$587,710 (refer note 9 (b) below) on bulk mails & office rental as at 31 December 2015. An arrangement to offset between the ministry of finance and the corporation was implemented during the year. The government ended up paying the Corporation \$371,888.78 -refer note 9 (c) below.

	2015	2014
	\$	\$
9. RELATED PARTY TRANSACTIONS		
A. Controlled entities		
The Corporation does not control any other entities		
B. Outstanding Balances		
The following Balances were owing to the corporation:		
Government house	3,044	4,208
Ministry of agriculture	480,000	4,672
Ministry of Commerce (Trade & dispute panel)	372	12,461
Ministry of Finance	-	448,382
Ministry of Youth Sport Women & Children's Affairs	426	426
Ministry of Development Planning & Coordination	-	275
Ministry of Education & Human Resources	-	5,871
Ministry of Environment Conservation & Meteorology	-	2,479
Ministry of Forestry & Research	(9,574)	3,636
Ministry of Health & Medical Services	-	24,476
Ministry of Home Affairs	-	1,334
Ministry of Infrastructure & Development	-	3,629
Ministry of Justice and Legal Affairs	-	43,493
Ministry of Lands & Survey	-	12,641
National Parliament house	-	376
Office of the Auditor General	-	541
Ministry of Fisheries and Marine Resources	-	1390
Ministry of Foreign Affairs	464	1299
Ministry of National Unity and Reconciliations	-	577
Ministry of Police and National Security	860	6289
Ministry of Provincial Government	-	3347
Ministry of Rural Development	-	83
Ministry of Public Service	-	7001
Prime Ministers office	112,118	-
	<u>587,710</u>	<u>588,886</u>

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

9. RELATED PARTY TRANSACTIONS (Continue)

C. Offset of outstanding

During the year, 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 ministry. At the time of compiling this financial statement, only \$121,030.23 was the correct outstanding balance which was offset against the \$603,040.70. The balance \$482,009 was recorded as clearing and disclosed as payable in the financial statement for future receivable offsets.

General Ledger [Detail] 15/09/2015 To 31/12/2016									
ID#	Src	Date	Memo	Debit	Credit	Net Activity	Ending Balance		
2-1210	Retirement Clearing								
	Beginning Balance						\$0.00		
	Offset	GD 15/09/2015	SIG - Inland Revenue Department		\$603,040.07		\$603,040.07cr		
	Offset	CR 15/09/2015	Payment; Ministry of Finance & Treasury	\$84,644.55			\$518,395.52cr		
	Offset	CR 15/09/2015	Payment; Ministry of Health & Medical Services	\$2,192.83			\$516,202.69cr		
	Offset	CR 15/09/2015	Payment; Ministry of Justice & Legal Affairs	\$1,613.68			\$514,589.01cr		
	Offset	CR 15/09/2015	Payment; Ministry of Lands & Survey	\$767.00			\$513,822.01cr		
	Offset	CR 15/09/2015	Payment; National Parliament Office	\$134.04			\$513,687.97cr		
	Offset	CR 15/09/2015	Payment; Ministry of National Unity & Reconciliation	\$560.00			\$513,127.97cr		
	Offset	CR 15/09/2015	Payment; Prime Minister's office	\$31,118.13			\$482,009.84cr		
			Total:	\$121,030.23	\$603,040.07	2,009.84cr	\$482,009.84cr		

Transaction

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

Auditor general		
Directors remuneration and expenses	113,464	102,904
	<u>113,464</u>	<u>102,904</u>

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
	<u>676,500</u>	<u>676,500</u>

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

10. 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 2014 the long service benefit liability was \$43,205 (2014: \$43,205). The increase in liability relates to an increasing number of remaining employees approaching the 10-year Long Service Benefit eligibility requirement.

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
- During the year there were 2 staff on retirement with gross retirement benefit totalling \$80,039.33

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:

	2015	2014
	\$	\$
Cash at bank	957,561	793,268
Trade receivables	789,303	1,066,582
Other receivables	78,061	30,731
	<u>1,824,925</u>	<u>1,890,581</u>

Impairment losses

The ageing of trade receivables at reporting date that were not impaired was as follows:

Not past due	333,508	745,813
Past due 31-60 days	18,518	56,882
Past due 61-90 days	3,447	36,634
Past due more than 90 days	433,830	227,253
	<u>789,303</u>	<u>1,066,582</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 2015					
<u>Financial liabilities:</u>					
Trade, other payables and accruals	78,136,214	-	78,008,343	127,871	-
31 December 2014					
<u>Financial liabilities:</u>					
Trade, other payables and accruals	4,992,535	3,726,917	1,091,247	174,371	

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 2015				
<u>Financial assets:</u>				
Trade and other receivables	525,432	-	-	-
<u>Financial liabilities:</u>				
Trade and other payables	2,305,817	-		498
31 December 2014				
<u>Financial assets:</u>				
Trade and other receivables	274,604		-	-
<u>Financial liabilities:</u>				
Trade and other payables	2,106,272	-		53,270

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 2015 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:

	2015	2014
	\$	\$
<u>Financial assets</u>		
Impact on profit after tax if 1% increase in USD fx rate against SBD	5,254	2,746.04
Impact on profit after tax if 1% decrease in USD fx rate against SBD	(5,254)	(2,746.04)
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	23,058	21,063
Impact on profit after tax if 1% decrease in USD fx rate against SBD	(23,058)	(21,063)
Impact on profit after tax if 1% increase in FJD fx rate against SBD	5	533
Impact on profit after tax if 1% decrease in FJD fx rate against SBD	(5)	(533)

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:

	2015	2014
	\$	\$
Cash and short term deposits	957,561	793,268
(b) Reconciliation of operating profit after income tax to net cash provided by operating activities		
Operating profit (loss) after income tax	(1,486,953)	4,965,312
Add (deduct) non-cash items:		
Depreciation	886,795	995,280
Foreign currency (gain) loss	784,543	(1,886,339)
Revaluation reserves (increment)/decrement	-	(5,193,059)
Provision for doubtful debts	(593,642)	-
Deferred Income - donated computer	(46,500)	(46,500)
Prior period adjustments	-	(219,801)
Net cash provided by operating activities before changes in assets and liabilities	(455,757)	(1,385,107)
Changes in assets and liabilities:		
(Increase) decrease in inventories	(250,665)	(57,922)
(Increase) decrease in trade debtors	997,080	2,995,989
Increase (decrease) in trade creditors	91,369	(2,144,942)
Net cash provided by (used in) operating activities	382,026	(591,983)

Solomon Islands Postal Corporation

Notes to and forming part of the accounts (continued)

13. OTHER INCOME

	2015	2014
Philatelic sales	91,708	153,196
Parcel ILR	28,283	-
DMT Comissions	152,655	139,625
Storage fees	46,657	54,382
Internet Sales	108,318	172,222
Professional services	14,654	22,236
Stamp agent royalties	530,202	488,224
Sundry fees/receipts	737,136	113,649
WU commission	13,260	25,405
	<u>1,722,873</u>	<u>1,168,939</u>

14. COST OF GOODS AVAILABLE FOR SALE

Opening Stock:			
	Postshop	379,679	611,319
	Mobile Topups	-	-
	Foreign Currency	22,292	44,093
	Philatelic	1,792,929	1,481,565
Add: Purchase			
	Postshop	807,204	561,305
	Mobile Topups	315,000	225,000
	Foreign Currency	1,511,958	1,050,560
	Philatelic	-	-
Less: Closing stock			
	Postshop	(624,113)	(379,679)
	Mobile Topups	(15,839)	-
	Foreign Currency	(57,573)	(22,292)
	Philatelic	(1,748,040)	(1,792,928)
	COG Available for sale	<u>2,383,497</u>	<u>1,778,943</u>