

**SOLOMON ISLANDS POSTAL CORPORATION**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

# 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 2016 and the Independent Audit Report thereon.

**Directors**

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

<b>Name</b>	<b>Date of Appointment</b>	<b>Position</b>	<b>Date of Revocation</b>
<b>2014</b>			
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
<b>2015</b>			
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
<b>2016</b>			
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 2016 was the provision of Postal services.

**Operating and financial review**

The Corporation recorded a net profit for the year amounting to \$961,997 (2015: net loss of \$1,486,953)

**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)

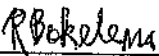
A State Owned Enterprises (SOE) Regulation was gazetted on April 2010 named the SOE Regulation 2010. The SOE Regulation was to administer the administration of the SOE Act 2007. The effecting of the Regulation can have significant impact on the following:


- 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 DOHA 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 Bokelema  
Director

  
Name: Eideen Zoleveke  
Director

Dated at Honiara this 12<sup>th</sup> day of September

2017.



## INDEPENDENT AUDITOR'S REPORT

To the board members and shareholders of Solomon Islands Postal 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, 2016, and the statement of comprehensive income, statement of changes in equity and statement of cash flows 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 statements 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 one hundred and eleven (111) transactions were deleted as at December 31, 2016. 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 (\$72,447,610) as at 31 December 2016. 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.

#### 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 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 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 skepticism 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 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 conclusions are based on the audit evidence obtained up to the 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, among 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 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 66 days after the due date of 31 March 2016.



Peter Lokay  
Auditor General

Office of the Auditor-General  
Solomon Islands

Date: 2 October 2017

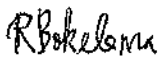



**Solomon Islands Postal Corporation  
Statement by Directors**

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 2016 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 Bokelama  
Director

  
Name: Gibson Zoukoku  
Director

Dated at Honiara this 12<sup>th</sup> day of September 2017.

**Solomon Islands Postal Corporation**  
**Statement of Comprehensive Income for the year ended 31 December 2016**

	Notes	<u>2016</u> \$	<u>2015</u> \$
<b>Revenue from Continuing Operations</b>			
Property Rentals		2,494,050	2,420,578
SIG Grant (CSO funding)		1,930,000	1,900,000
Other Income	13	923,081	1,722,873
Foreign currency sales		2,364,633	1,943,091
Post shop sales		1,205,004	974,945
Post Box Rentals		799,552	901,516
Terminal Dues		1,025,804	359,452
Bulk Postage		413,595	303,688
Stamp sales		166,871	174,317
<b>Total revenue from continuing operations</b>		<u>11,322,590</u>	<u>10,700,460</u>
<b>Expenses from Continuing Operations</b>			
Advertising, Printing and Stationery		169,709	228,012
Board expenses		112,451	113,464
Cost of goods purchased for resale	14	3,081,042	2,383,497
Depreciation	7	685,058	886,794
Operating expenses		968,761	647,103
Maintenance and repairs		309,789	491,455
Office expenses		320,802	157,241
Terminal dues expenses		-	30,338
Rent expense		846,820	861,622
Seminars, conferences and training		327,233	298,825
Travel and transport		38,418	128,408
Utilities		1,515,258	1,286,342
Employment Expense		3,833,642	3,591,793
Mail freights		117,429	225,622
Withholding tax expenses		-	72,354
<b>Total expenses from continuing operation</b>		<u>12,326,412</u>	<u>11,402,870</u>
<b>Profit / (loss) from continuing operation</b>		<u>(1,003,822)</u>	<u>(702,410)</u>
Finance revenues		2,022,181	52,459
Financial costs		(56,362)	(837,002)
<b>Net Finance Cost</b>		<u>1,965,819</u>	<u>(784,543)</u>
<b>Profit (loss) before income tax</b>		<u>961,997</u>	<u>(1,486,953)</u>
Income tax expense	1(M)	-	-
<b>Net Profit (loss) for the year</b>		<u>961,997</u>	<u>(1,486,953)</u>
<b>Other comprehensive income</b>			
Revaluation increment of land & building		-	-
<b>Total Other Comprehensive income</b>		<u>-</u>	<u>-</u>
<b>Total Comprehensive income for the year</b>		<u>961,997</u>	<u>(1,486,953)</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 2016**

	Note	Asset Revaluation Reserve \$	Retained Earnings/ (Accumulated) Losses \$	Total \$
<b>Balance as at 1 January 2015</b>		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		-	-	-
<b>Total Comprehensive Income for the year</b>		<u>6,756,167</u>	<u>(55,643,337)</u>	<u>(48,887,170)</u>
<b>Balance as at 31 December 2015</b>		<u>6,756,167</u>	<u>(55,643,337)</u>	<u>(48,887,170)</u>
<b>Balance as at 1 January 2016</b>		6,756,167	(55,643,337)	(48,887,170)
Net Profit/loss for the year			961,997	961,997
Total Other Comprehensive Income		-	-	-
<b>Total Comprehensive Income for the year</b>		<u>-</u>	<u>961,997</u>	<u>961,997</u>
<b>Balance as at 31 December 2016</b>		<u>6,756,167</u>	<u>(54,681,340)</u>	<u>(47,925,173)</u>

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 2016**

	Note	2016 \$	2015 \$
<b>CURRENT ASSETS</b>			
Cash on hand and at bank	3	1,134,225	957,561
Trade and other receivables	4	837,040	867,364
Inventories	5	2,641,278	2,445,565
<b>TOTAL CURRENT ASSETS</b>		<u>4,612,543</u>	<u>4,270,490</u>
<b>NON-CURRENT ASSETS</b>			
Investment Properties	6	7,968,059	7,968,059
Property, plant and equipment	7	16,752,419	17,010,495
<b>TOTAL NON-CURRENT ASSETS</b>		<u>24,720,478</u>	<u>24,978,554</u>
<b>TOTAL ASSETS</b>		<u>29,333,021</u>	<u>29,249,044</u>
<b>CURRENT LIABILITIES</b>			
Deferred Income	8	46,500	46,500
Trade and other payables	8	76,973,116	77,953,509
Long Service Benefit	8	87,037	8,334
<b>TOTAL CURRENT LIABILITIES</b>		<u>77,106,653</u>	<u>78,008,343</u>
<b>NON - CURRENT LIABILITIES</b>			
Deferred Income	8	46,500	93,000
Long Service Benefit	8	105,041	34,871
<b>TOTAL NON-CURRENT LIABILITIES</b>		<u>151,541</u>	<u>127,871</u>
<b>TOTAL LIABILITIES</b>		<u>77,258,194</u>	<u>78,136,214</u>
<b>NET ASSETS</b>		<u>(47,925,173)</u>	<u>(48,887,170)</u>
<b>SHAREHOLDERS' EQUITY</b>			
Asset revaluation reserves		6,756,167	6,756,167
Retained earnings / (Accumulated losses)		(54,681,340)	(55,643,337)
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<u>(47,925,173)</u>	<u>(48,887,170)</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 2016**

	Note	2016 \$	2015 \$
<b>Cash Flows From Operating Activities</b>			
Cash receipts from customers		9,382,158	9,204,728
Cash receipts from SIG CSO Grant		1,930,000	1,900,000
Cash payments to suppliers and employees		<u>(10,708,512)</u>	<u>(10,722,702)</u>
Cash generated from / (used in) operations		<u>603,646</u>	<u>382,026</u>
Net cash provided by / (used in) operating activities	12(b)	<u>603,646</u>	<u>382,026</u>
<b>Cash Flows From Investing Activities</b>			
Acquisition of property, plant and equipment	7	(426,982)	(217,733)
Withdrawal of term deposits		<u>-</u>	<u>-</u>
Net cash provided by / (used in) investing activities		<u>(426,982)</u>	<u>(217,733)</u>
Net increase / (decrease) in cash and cash equivalents		176,664	164,293
Cash and cash equivalents at the beginning of the financial year		<u>957,561</u>	<u>793,268</u>
Cash and cash equivalents at the end of the financial year	3	<u>1,134,225</u>	<u>957,561</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)**

**(c) 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)**

**I. 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.