Solomon Islands Government

Office of the
uditor-General

OAG Building
Mud Alley Street
P O Box G18
Honiara
Solomon Islands.

Phone:
(677) 28886

Email:
dmin@oag.gov.sb

Website:
www.oag.gov.sb

Honorable Manasseh Sogavare, MP
Minister of Finance and Treasury
Ministry of Finance and Treasury
P O Box G26
HONIARA, SI

23.12.24

Your ref:
Our ref: 1180-MID-2021- 2022

Date: 16 December 2024

Dear Minister,

Independent Auditor's Report of the Solomon Islands Ports Authority (SIPA) for the year ended 30 September 2021 and 30 September 2022.

In compliance with section 47(3) of the Public Finance and Audit Act [Cap. 120], I am pleased to submit to you my report on the financial statements of the Solomon Islands Ports Authority for the year ended 30 September 2021 and 30 September 2022, for laying before the next sitting of Parliament in accordance with section 47(4) of the Act.

A management letter detailing issues identified during the audit for both years has been provided to the authority's management for implementation and is also enclosed for your information.

Yours sincerely,

David Teika Dennis
Auditor General

ERM / Assess and provide to the Min. on the report

Cc: Permanent Secretary, Mckinnie Dentana, MOFT

23.12.24

MINISTRY OF FINANCE AND TREASURY
Date: 23/12/24
RECEIVED
SOLOMON ISLANDS

Solomon Islands
Office of the Auditor-General

TO LEAD IS TO SERVE

Independent Auditor's Report to the Members of Solomon Islands Ports Authority

Report on the Audit of the Financial Statement ended 30 September 2021.

Qualified Opinion

I have in joint consultation with the Board of Solomon Islands Ports Authority (the Authority) pursuant to Section 23(3) of the Ports Act contracted KPMG Fiji which is part of the KPMG International network to assist me to audit the financial statements of the Solomon Islands Ports Authority ("the Authority") which comprise the statement of financial position as at 30 September 2021, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information as set out in notes 1 to 24.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the accompanying financial statements give a true and fair view of the financial position of the Authority as at 30 September 2021, and of its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

Basis of qualified opinion

The Authority owns land and buildings which is recognized in the statement of financial position at carrying value of $163,738,701 at 30 September 2021 and $157,415,730 at 30 September 2020. As described in Note 3(b) to the financial statements, subsequent to initial recognition, the land and buildings under Property, Plant and Equipment (PPE) are measured at fair value. We were unable to obtain sufficient appropriate audit evidence regarding the fair value of the land and building as at 30 September 2021.

The value of land and buildings is recorded by the Authority based on a calculation derived from external market valuations obtained in 2012. There have been significant changes in valuations of land and buildings in many similar assets and similar locations since the date of the last valuation. I was unable to satisfy myself by alternative procedures given the absence of relevant information from the Authority regarding the fair value of the land and buildings and the opening balance value.

Accordingly, I am not able to determine the quantum of any adjustments that might be necessary to land and buildings, the asset revaluation reserve, depreciation expense and net profit for the year ended 30 September 2021 and for the corresponding year ended 30 September 2020 and the statement of financial position as at 30 September 2019, which would have resulted from revaluing the land and building to fair value.

I conducted my audit in accordance with International Standards of Supreme Audit Institutions (ISSAI). My responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit* of the Financial Statements section of my report.

I am independent of the Authority in accordance with International Organization of Supreme Audit Institutions (INTOSAI) Code of Ethics, and the ethical requirements that are relevant to my audit of the financial statements in Solomon Islands, and I have fulfilled my other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Directors' report, but does not include the financial statements and my auditor report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

Independent Auditor's Report to the Members of Solomon Islands Ports Authority
Report on the Audit of the Financial Statements (continued)

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. Accordingly, I am unable to conclude whether or not the other information is materially misstated with respect to matters described in the Basis of Qualified Opinion.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Standards, 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 Authority'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 Authority or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Financial Statements

My objectives are 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 auditors' 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 International Standards of Supreme Audit Institutions (ISSAI) 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 ISSAIs, I exercise professional judgment and maintain professional skepticisms 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 my 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 the 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 Authority'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 Authority's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditors' 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 auditors' report. However, future events or conditions may cause the Authority 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.

Independent Auditor's Report to the Members of Solomon Islands Ports Authority
Report on the Audit of the Financial Statements (continued)

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 control that I identify during our audit.

Report on Other Legal and Regulatory Requirements

I have obtained all the information and explanations which, to the best of my knowledge and belief, are necessary for the purposes of my audit.

In my opinion:

i) proper books of account have been kept by the Authority, sufficient to enable financial statements to be prepared, so far as it appears from my examination of those books;

ii) to the best of my knowledge and according to the information and explanations given to me, the financial statements give the information required by section 23 (3) of the Ports Act (Cap 161), State Owned Enterprises Act 2007 and Public Finance and Audit Act (Cap. 120) in the manner so required; and

iii) the Authority did not comply with the requirements of the State-Owned Enterprise Act 2007 which require the audited financial statements to be submitted to the Accountable Minister no later than 3 months of the following year to which the financial statements relate. The signed statements were presented to me on 13 December 2024.

David Teika Dennis
Auditor General
13 December 2024

Office of the Auditor-General
Honiara, Solomon Islands

Solomon Islands Ports Authority

Financial Statements

For the year ended 30 September 2021

Table of Contents

Solomon Islands Ports Authority
Directors' report
For the year ended 30 September 2021

The Board of directors present their report together with the financial statements of the Solomon Islands Ports Authority ("the Authority") for the year ended 30 September 2021 and the auditors' report thereon.

Directors
The Board of directors in office during the financial year and at the date of this report were:

Name	Position	
Michael Wate	Chairman	
Moses Virivolomo	Vice Chairman	
Johnny Sy	Board Member	
Steven Maesiola	Board Member	*ineffective as of 24 July 2024*
Donald Kudu	Board Member	*ineffective as of 24 July 2024*
Ali Homelo	Board Member	*newly appointed on 18 December 2021*
Gabriel Suri	Board Member	*ineffective as of 24 July 2024*
Albert Kabui	Board Member	*newly appointed on 25 July 2024*
Travis Ziku	Board Member	*newly appointed on 25 July 2024*
Rose Martin	Board Member	*newly appointed on 25 July 2024*

State of affairs
In the opinion of the directors:
- there were no significant changes in the state of affairs of the Authority during the financial year under review not otherwise disclosed in this report or the financial statements; and

- the accompanying statement of financial position gives a true and fair view of the state of affairs of the Authority as at 30 September 2021 and the accompanying statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows give a true and fair view of the results of the Authority for the year then ended.

Principal activities
The principal activities of the Authority is providing and managing the port infrastructure and services in the declared ports.

Results
The net profit of the Authority for the year ended 30 September 2021 was $58,133,676 (2020: $72,572,801).

Going Concern
The directors believe that the Authority will be able to continue to operate for at least 12 months from the date of this report.

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

Dividends
The Directors have not declared or paid any dividend for the financial year ended 30 September 2021 (2020: $5,000,000).

Solomon Islands Ports Authority
Directors' report (continued)
For the year ended 30 September 2021

Assets
The directors took reasonable steps before the Authority's financial statements were made out to ascertain that the assets of the Authority were shown in the accounting records at a value equal to or below the value that would be expected to be realised in the ordinary course of business.

At the date of this report, the directors were not aware of any circumstances which would render the values attributable to the assets in the financial statements misleading.

Bad and Doubtful debts
The directors took reasonable steps before the Authority's financial statements were made out to ascertain that all known bad debts were written-off and adequate provision was made for doubtful debts.

At the date of this report, the directors are not aware of any circumstances which would render the amount written-off for bad debts, or the amount of the provision for doubtful debts, inadequate to any substantial extent.

Directors' benefit
No director of the Authority has, since the last financial year, received or become entitled to receive any benefit (other than benefits included in the amount of emoluments or shown in the financial statements under related party note - Note 21(a)) by reason of a contract made with the Authority or a related corporation with the director or with a firm of which he is a member or with a company in which a director has a substantial financial interest.

Unusual transactions
The results of the Authority's operations during the financial period have not, in the opinion of the directors been substantially affected by any item, transaction or event of a material and unusual nature other than those disclosed in the financial statements.

Events subsequent to balance date
The country recorded it's community transmission of COVID-19 in January 2022 and as at date of this report, the country has experienced widespread community transmission of COVID-19. In response to this, Solomon Island Government had implemented various measures which includes restricted movement, curfews and lockdowns amongst other measures. Until this ultimate disruption caused by the outbreak is uncertain, it may result in adverse impact of the company's financial performance, position, cash flows.The authority continues to monitor developments in the COVID-19 pandemic. Given the dynamic nature of this circumstances and the significant increase in economy uncertainities, the related input on the authority's future results cannot be reasonably estimated at this stage. Apart from this, there has been no arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature, in the opinion of the directors, to affect significantly the operations of the Authority in the subsequent financial years.

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

Dated at Honiara this 13th day of December 2024.

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

Chairman of the Board **Director**

Solomon Islands Ports Authority
Statement by Directors
For the year ended 30 September 2021

In the opinion of the Directors:

(a) the accompanying statement of profit or loss and other comprehensive income is drawn up so as to give a true and fair view of the results of the Authority for the year ended 30 September 2021;

(b) the accompanying statement of financial position is drawn up so as to give a true and fair view of the state of affairs of the Authority as at 30 September 2021;

(c) the accompanying statement of changes in equity is drawn up so as to give a true and fair view of the changes in equity of the Authority for the year ended 30 September 2021;

(d) the accompanying statement of cash flows is drawn up so as to give a true and fair view of the cash flows of the Authority for the year ended 30 September 2021;

(e) at the date of this statement there are reasonable grounds to believe the Authority will be able to pay its debts as and when they fall due;

(f) all related party transactions have been adequately recorded in the books of the Authority, and

(g) the financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRS").

For and on behalf of the Board of Directors by authority of a resolution of the Directors this 13th day of December 2024.

Chairman of the Board | **Director**

Solomon Islands Ports Authority
Statement of profit or loss and other comprehensive income
For the year ended 30 September 2021

	Note	2021 $	2020 $
Revenue	5	201,087,920	212,526,237
Other income	6	26,546,078	19,795,663
Release of deferred revenue	19	3,510,257	3,510,257
Administrative and operating expenses	7	(82,073,401)	(79,168,196)
Personnel expenses	8	(94,610,741)	(85,563,409)
Profit from operations		**54,460,113**	**71,100,552**
Finance income	9(a)	3,880,226	4,751,900
Finance cost	9(b)	(206,663)	(3,279,651)
Net finance income		**3,673,563**	**1,472,249**
Net profit before tax		**58,133,676**	**72,572,801**
Income tax	3(h)	-	-
Net profit for the year		**58,133,676**	**72,572,801**
Other comprehensive income		-	-
Total comprehensive income for the year		**58,133,676**	**72,572,801**

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes set out on pages 11- 33.

Solomon Islands Ports Authority
Statement of financial position
As at 30 September 2021

	Note	2021 $	2020 $
ASSETS			
Current assets			
Cash and cash equivalents	10	169,413,601	170,794,622
Trade and other receivables	11	45,368,557	60,539,121
Inventories	12	837,052	1,139,593
Investments	13	104,997,486	102,315,872
Total current assets		**320,616,696**	**334,789,208**
Non-current assets			
Government bonds	13	20,000,000	20,000,000
Investment property	14	32,866,509	32,285,372
Property, plant and equipment	15	649,761,554	575,241,851
Right-of-use assets	16(i)	148,375	154,079
Total non-current assets		**702,776,438**	**627,681,302**
Total assets		**1,023,393,134**	**962,470,510**
LIABILITIES			
Current liabilities			
Trade and other payables	17	29,236,876	20,828,228
Employee benefits	18	2,037,419	1,768,618
Lease liabilities	16(ii)	1,109	984
Deferred revenue	19	3,510,257	3,510,257
Total current liabilities		**34,785,661**	**26,108,087**
Non-current liabilities			
Employee benefits	18	6,118,355	8,495,613
Lease liabilities	16(ii)	156,815	157,925
Deferred revenue	19	154,158,817	157,669,074
Total non-current liabilities		**160,433,987**	**166,322,612**
Total liabilities		**195,219,648**	**192,430,699**
Net assets		**828,173,486**	**770,039,811**
EQUITY			
SIG equity contribution		402,824	402,824
Asset revaluation reserves		248,823,215	248,823,215
Retained earnings		578,947,447	520,813,772
Total equity		**828,173,486**	**770,039,811**

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

Chairman of the Board **Director**

The above statement of financial position should be read in conjunction with the accompanying notes set out on pages 11-33.

Solomon Islands Ports Authority
Statement of changes of equity
For the year ended 30 September 2021

	Solomon Islands Government contribution $	Asset revaluation reserve $	Retained earnings $	Total $
Restated balance as at 1 October 2019	402,824	248,823,215	453,240,970	702,467,009
Total comprehensive income for the year				
Net profit for the year	-	-	72,572,801	72,572,801
Dividend declared and paid during the year	-	-	(5,000,000)	(5,000,000)
Other comprehensive	-	-	-	-
Balance as at 30 September 2020	**402,824**	**248,823,215**	**520,813,771**	**770,039,810**
Balance as at 1 October 2020	402,824	248,823,215	520,813,771	770,039,810
Total comprehensive income for the year				
Net profit for the year	-	-	58,133,676	58,133,676
Dividend declared and paid during the year	-	-	-	-
Other comprehensive	-	-	-	-
Balance as at 30 September 2021	**402,824**	**248,823,215**	**578,947,447**	**828,173,486**

The above statement of changes in equity should be read in conjunction with the accompanying notes set out on pages 11-33.

Solomon Islands Ports Authority
Statement of cash flows
For the year ended 30 September 2021

	Note	2021 $	2020 $
Cash flow from operating activities			
Receipt from customers		236,335,212	238,752,031
Payments to suppliers and employees		(131,011,861)	(104,472,003)
Bank fees paid		(81,891)	(60,583)
Interest received		3,729,707	4,015,086
Net cash flows from operating activities		**108,971,167**	**138,234,531**
Cash flow used in investing activities			
Acquisition of investment securities		(2,694,426)	(73,413,596)
Acquisition of property, plant and equipment	15	(108,004,890)	(82,593,008)
Proceeds from disposal of property, plant and equipment		460,072	193,706
Net cash flows used in investing activities		**(110,239,244)**	**(155,812,898)**
Cash flow used in financing activities			
Dividend paid		-	(5,000,000)
Lease payment		(20,001)	(20,001)
Net cash flows used in financing activities		**(20,001)**	**(5,020,001)**
Net decrease in cash and cash equivalents		(1,288,078)	(22,598,368)
Cash and cash equivalents at the beginning of the year		173,485,549	196,083,917
Cash and cash equivalents at the end of the year	10	**172,197,471**	**173,485,549**

The above statement of cash flows should be read in conjunction with the accompanying notes set out on pages 11 - 33.

Solomon Islands Ports Authority
Notes to and forming part of the financial statements
For the year ended 30 September 2021

1. General information

The Solomon Islands Ports Authority ("the Authority") is domiciled in the Solomon Islands.

The principal activities of the Authority is providing and managing the port infrastructure and services in the declared ports. The Authority's principal place of operations is located at Dowling Drive, Honiara, Solomon Islands.

The financial statements were authorised for issue by the Board of Directors on 13 DECEMBER 2024.

2. Basis of preparation

(a) Statement of compliance

The financial statements of the Authority have been prepared in accordance with International Financial Reporting Standards ('IFRS') and the provisions of the Ports Act (CAP.161).

(b) Basis of measurement

The financial statements have been prepared under the historical cost basis and do not take into account changes on money values except for investment property which is measured at fair value.

(c) Use of estimates and judgment

The preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- Note 3 (c) – Impairment of non-financial assets
- Note 3 (g) – Impairment of non-derivative financial assets
- Note 3 (i) - Investment properties revaluation
- Note 3 (j) - Employee benefits

Solomon Islands Ports Authority
Notes to and forming part of the financial statements (continued)
For the year ended 30 September 2021

3. Statement of significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in the financial statements.

a) Foreign currency translation

i) Functional and presentation currency

The functional currency adopted in the preparation of the financial statements is the Solomon Islands currency, which is also the Authority's presentation currency. All amounts have been rounded to the nearest dollar, unless otherwise indicated.

ii) Foreign Currency Translation

Transactions in foreign currencies are translated to Solomon Islands dollar at the exchange rates prevailing at the date of the transaction. Foreign exchange differences arising on translation are recognised in profit or loss. Foreign currency monetary assets and liabilities are translated at the exchange rate prevailing at balance date. Resulting exchange differences are recognised in profit or loss for the year. Non-monetary assets and liabilities denominated in foreign currency are recorded at the exchange rate prevailing at the date of the transaction.

b) Property plant and equipment

Items of property, plant and equipment are initially measured at cost less accumulated depreciation and any accumulated impairment losses. Land and buildings are initially recognised at cost less accumulated depreciation and subsequently revalued to fair value.

Costs includes expenditures that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Any gain or loss on disposal of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the asset at the time of disposal) is recognised in profit or loss.

Subsequent expenditure

Subsequent expenditure is capitalised only when it is probable that the future economic benefits of the expenditure will flow to the Authority. Routine ongoing repairs and maintenance are expensed as incurred.

Depreciation

Items of property, plant and equipment are depreciated from the date they are available for use. Depreciation is charged on a straight-line basis over the estimated useful lives of the assets.

The rates of depreciation used are based on the following estimated useful lives:

Leasehold land and properties:	Over the period of lease
Buildings and improvements:	10 to 50 years
Wharves and jetties:	5 to 50 years
Vehicles:	5 to 15 years
Plant and equipment:	5 to 15 years

Deferred income

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

Solomon Islands Ports Authority
Notes to and forming part of the financial statements (continued)
For the year ended 30 September 2021

3. Statement of significant accounting policies (continued)

b) Property plant and equipment (continued)

Reclassification to investment property

When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified accordingly. Ang gain arising on this remeasurement is recognised in profit or loss to the extend that is reverses a previous impairment loss on the specific property, with any remaining gain recognised in OCI and presented in the revaluation reserve. Any loss is recognised in profit or loss. However, to the extend that an amount is included in the revaluation surplus for that property, the loss is recognised in OCI and reduces the revaluation surplus within equity.

Revaluation of property, plant and equipment

Land and buildings are shown at fair value, based on valuations by external independent valuers, less subsequent depreciation of assets. The fair values are recognised in the financial statements of SIPA, and are reviewed at the end of each reporting period to ensure that the carrying value of assets is not materially different to their fair values.

The primary valuation methodologies used in valuing land and buildings are the direct comparison and income capitalisation approaches cross checked with cost approach. These methodologies use market derived assumptions, including rents, capitalisation and terminal rates, and discount rates obtained from analysed transactions. The adopted methodologies are considered to provide the best estimate of value.

SIPA does not have any specific mention in their policy on asset revaluation duration. As such, in line with accounting standards, as a minimum, assets should be revalued every five years.

Any revaluation increase arising on the revaluation of assets is credited to the asset revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense in profit or loss, in which case the increase is credited to the profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of assets is charged as an expense in statement of comprehensive income to the extent that it exceeds the balance, if any, held in the asset revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued assets is charged to profit or loss. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus remaining in the asset revaluation reserve, is transferred directly to retained earnings.

(c) Impairment of non-financial assets

The carrying amounts of all assets are reviewed at each balance date to determine whether there is any indication of impairment. If any such indication exists, then the assets recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the statement of profit or loss, unless an asset has previously been devalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through profit or loss.

Solomon Islands Ports Authority
Notes to and forming part of the financial statements (continued)
For the year ended 30 September 2021

3. Statement of significant accounting policies (continued)

(d) Inventory

Inventory is recorded at the lower of cost and net realisable value. The cost of inventory is based on the weighted average basis and includes expenditures incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition.

e) Revenue

Revenue comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of the Authority's activities. Standard credit terms are a month following invoice except for port utilisation fees which is cash basis. Revenue is shown net of GST and discount. Revenue is recognised as follows:

- Container terminal revenue: relates to the handling, processing, storage of containers. The primary performance obligations identified include the load and discharge of containers (which include the services provided to support the handling of containers). Container terminal revenue is recognised over-time based on the number of containers exchanged (output method). This method is considered appropriate as it allows revenue to be recognised based on the Authority's effort to satisfy the performance obligation. The transaction price is determined based on the master price list.
- Multi cargo revenue: relates to the wharfage and storage of bulk goods. Revenue recognised over time, from the point that cargo transferred from vessel to land and vice-versa, being an output method. The transaction price determined based on the master price list.
- Marine services revenue: relates directly to the visit of a vessel to the port and include fees for pilotage, towage and mooring. Contracts are entered into with vessel operators. The performance obligations identified include vessel arrive, departure, anchorage and berthage. Revenue is recognised over time, based on time elapsed, being an input method. The transaction price determined based on the master price list.
- Stevedoring: relates to the process of loading and unloading vessels and stowing cargo. Revenue is recognised over time, based on the number of containers handled (output method). This method is considered appropriate as it allows revenue to be recognised based on the Authority's effort to satisfy the performance obligation. The transaction price is determined based on the master price list.
- Rental income: from property leased under operating leases is recognised in profit or loss on a straight-line basis over the term of the lease.
- Other income: is recognised when the right to receive payment is established.

f) Financial instruments

i) Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Authority becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Solomon Islands Ports Authority
Notes to and forming part of the financial statements (continued)
For the year ended 30 September 2021

3. Statement of significant accounting policies (continued)

f) Financial instruments (continued)

ii) Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at amortised cost. The Authority does not have a Financial assets are not classified subsequent to their initial recognition unless the Authority changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets: Business model assessment

The Authority makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Authority's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed; and
- how managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and, the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for de-recognition are not considered sales for this purpose, consistent with the Authority's recognition of the assets.

Financial assets: Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Authority considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Authority considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features; prepayment and extension features; and,
- terms that limit the Authority's claim to cash flows from specified assets (e.g., nonrecourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Solomon Islands Ports Authority
Notes to and forming part of the financial statements (continued)
For the year ended 30 September 2021

3. Statement of significant accounting policies (continued)

f) Financial instruments (continued)

Financial assets: Reclassifications
Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Authority changes its business model for managing financial assets.

ii) Classification and subsequent measurement (continued)

Financial assets: Subsequent measurement and gains and losses

Financial assets at amortised cost:
These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on de-recognition is recognised in profit or loss.

Financial liabilities
Financial liabilities are classified as amortised cost or FVTPL. A financial liability is classified as FVTPL if it is held for trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using effective interest method. Interest expense and foreign exchange losses are recognised in profit or loss. Any gain or losses on derecognition is also recognised in profit or loss.

Derecognition
Financial assets
The financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Authority's statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Authority has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement in which the Authority has transferred substantially all the risks and rewards of the asset and it does not retain control of the asset.

When the Authority has transferred the rights to receive cash flows from an asset or has entered into a 'pass-through' arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, the Authority continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Authority also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Authority has retained.

Financial liabilities
The Authority derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Authority also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Solomon Islands Ports Authority
Notes to and forming part of the financial statements (continued)
For the year ended 30 September 2021

3. Statement of significant accounting policies (continued)

ii) Classification and subsequent measurement (continued)

Modification of financial assets

If the terms of a financial asset are modified, the Authority evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case the original financial assets is derecognized and a new financial assets is recognized at fair value.

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial assets. In this case, the Authority recalculates the gross carrying amount of the financial assets and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss. If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income. If the terms of a financial asset were modified because of financial difficulties of the borrower and the asset was not derecognised, then impairment of the asset was measured using the pre-modification interest rate.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when and only when the Authority currently has a legal or foreseeable right to offset the amount, and it intends either to settle them on a net basis or to reduce the asset and settle the liability simultaneously.

g) Impairment of non-derivative financial assets

The Authority recognises loss allowances for expected credit losses (ECL) on financial assets measured at amortised cost.

The Authority measures loss allowances at an amount equal to lifetime ECL, except for the following, which are measured as 12 month ECL:

- Cash at bank balances and amortised debt securities for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables is always measured at an amount equal to lifetime ECL as it does not include significant financing component.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Authority considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Authority's historical experience and informed credit assessment and including forward-looking information.

The Authority assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due depending on the terms and conditions agreed with respective customers.

The Authority considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the authority in full, without recourse by the Authority to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

Solomon Islands Ports Authority
Notes to and forming part of the financial statements (continued)
For the year ended 30 September 2021

3. Statement of significant accounting policies (continued)

g) Impairment of non-derivative financial assets (continued)

The Authority considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Authority considers this to be Baa3 or higher per rating agency Moody's or BBB- or higher per rating agency Standards & Poor's.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12 month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Authority is exposed to credit risk.

Measurement of ECLs

Trade receivables

The Authority uses a provision matrix to determine the lifetime expected credit losses. It is based on the Authority's historical observed default rates, and is adjusted by a forward-looking estimate that includes the probability of a worsening economic environment within the next year. At each reporting date, the Authority updates the observed default history and forward-looking estimates.

Debt securities including cash at bank and term deposit investments

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Authority expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets:

At each reporting date, the Authority assesses whether financial assets carried at amortised cost are 'credit-impaired'. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is 'credit-impaired' includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulty

Presentation of allowance for ECL in the statement of financial position:

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Solomon Islands Ports Authority
Notes to and forming part of the financial statements (continued)
For the year ended 30 September 2021

3. Statement of significant accounting policies (continued)

g) Impairment of non-derivative financial assets (continued)

Write-off:
The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Authority determines that the debtor does not have assets or sources of income or adequate customer deposits that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Authority's procedures for recovery of amounts due.

h) Tax expense

The Authority is exempt from income tax pursuant to Schedule 3 of the Solomon Islands Income Tax Act, which states that the Authority is exempt from tax on the condition that income is not derived from haulage, sea transport or from the provision of warehousing in a warehouse appointed as a private warehouse under Section 2 of the Customs and Excise Act.

i) Investment properties revaluation

Investment property is initially recorded at cost and subsequently at fair value with any change therein recognised in profit and loss.

Any gain or loss on disposal of investment property (calculated as the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss. When investment property previously was classified as property, plant and equipment is sold, any related amount included in the asset revaluation reserve is transferred to retained earnings.

Investment property rental income

Rental income from investment property is recognised as other income on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

j) Employee benefit

Short-term employee benefits

Short-term employee benefits comprising of accrued wages and salaries, bonus, annual leave and entitlement to Solomon Islands National Provident Fund are measured on an undiscounted basis and are expensed as the related service is provided.

Liabilities recognised in respect of short-term employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Long-term employee benefits

Long-term employee benefits comprise of long service leave and early retirement benefit.

The Authority's net obligation in respect of long-term employee benefits is the amount of future benefits that employees have earned in return for their service in the current and prior periods. This benefit is discounted to its present value. The Directors and management resolved that employees can utilize their long service leave that have been accrued once the employee has served at least 5 years of employment.

Solomon Islands Ports Authority
Notes to and forming part of the financial statements (continued)
For the year ended 30 September 2021

3. Statement of significant accounting policies (continued)

k) Leases

At inception of contract, the Authority assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Authority assesses whether:

- The contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, the asset is not identified;
- The Authority has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The Authority has the right to direct the use of the asset. The Authority has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Authority has the right to direct the use of the asset if either:
  - The Authority has the right to operate the asset: or
  - The Authority designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Authority allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Authority has elected not to separate non-lease components and account for the leases and non-lease components as a single lease.

i) As a lessee

The Authority recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Authority's incremental borrowing rate. Generally, the Authority uses its incremental borrowing rate as the discount rate.

Solomon Islands Ports Authority
Notes to and forming part of the financial statements (continued)
For the year ended 30 September 2021

3. Statement of significant accounting policies (continued)

k) Leases (continued)

i) As a lessee (continued)

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the Authority is reasonably certain to exercise, lease payments in an optional renewal period if the Authority is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Authority is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured where there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Authority estimate of the amount expected to be payable under a residual value guarantee, or if the Authority changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Authority presents right-of-use assets and lease liabilities as separate like items on the statement of financial position.

Short-term leases and leases of low-value assets
The Authority has elected not to recognise right-of-use assets and lease liabilities for short-term leases of office space and accommodation for expatriate staff that have a lease of low-value assets. The Authority recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

ii) As a lessor
When the Authority acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Authority makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Authority considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Authority is an intermediate lessor, it accounts for its interest in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Authority applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Authority applies IFRS 15 to allocate the consideration in the contract.

Solomon Islands Ports Authority
Notes to and forming part of the financial statements (continued)
For the year ended 30 September 2021

3. Statement of significant accounting policies (continued)

k) Leases (continued)

ii) As a lessor (continued)

The Authority recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of "other income".

The accounting policy applicable to the Authority as a lessor in the comparative period were not different from IFRS 16.

l) Net finance costs

Finance income comprises of interest earned on investments and operating bank accounts. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Financial costs comprise of bank charges and interest incurred on overdraft accounts and interest on lease liabilities measured using effective interest measures.

m) Goods and sales tax

Revenue, expenses and assets are recognised net of the amount of goods and sales tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable or payable is included as a current asset or liability in the statement of financial position.

n) Comparative figures

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

4. Financial risk management

Overview

The Authority has exposure to the following risks:

(i) credit risk
(ii) liquidity risk
(iii) market risk

This note presents information about the Authority's exposure to each of the above risks, and the Authority's objectives, policies and processes for measuring and managing risk, and the Authority's management of capital. Further quantitative disclosures are included throughout these financial statements.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Authority's risk management framework. The Authority's risk management policies are established to identify and analyse the risks faced by the Authority, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Authority's activities.

Solomon Islands Ports Authority
Notes to and forming part of the financial statements (continued)
For the year ended 30 September 2021

4. Financial risk management (continued)

Risk management framework (continued)

i) ***Credit risk***

Credit risk is the risk of financial loss to the Authority if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Authority's cash at bank, debt security investments, and trade and other receivables.

The carrying amount of financial assets represents the maximum credit exposure.

The Authority's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Authority's customer base, including the default risk of the industry as these factors may have an influence on credit risk.

Trade and other receivables

In monitoring customer credit risk, customers are grouped according to their credit characteristics, aging profile, maturity and existence of previous financial difficulties. Trade and other receivables relate mainly to the Authority's corporate customers. The Authority does not require collateral in respect of financial assets. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. The Authority has credit risk arising from credit exposure to customers, including outstanding receivables. The level of credit granted is regularly monitored.

	Note	2021 $	2020 $
Cash	10	169,413,601	170,794,622
Trade and other receivables	11	45,368,557	60,639,121
Investments	13	124,997,486	122,315,872
		339,779,644	**353,749,615**

As at 30 September, the aging of gross trade receivables was as follows:	2021 $	2020 $
Not past due	6,809,271	4,089,116
Past due 1-30 days	6,765,085	12,707,040
Past due 30-60 days	2,104,479	6,152,210
Past due 61-90 days	8,962,182	6,133,917
Past due greater than 90 days	28,900,307	27,367,005
	53,541,324	**56,449,288**

The Authority uses an allowance matrix to measure the expected credit losses (ECLs) of trade receivables from individual customers, which comprise a very large number of small balances.

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off.

The following table provides information about the exposure to credit risk and ECLs for trade receivables and contract assets from individual customers as at 30 September 2021 and 2020 respectively.

Solomon Islands Ports Authority
Notes to and forming part of the financial statements (continued)
For the year ended 30 September 2021

4. Financial risk management (continued)

i) Credit risk (continued)

Trade and other receivables (continued)

	Weighted average loss rate	Gross carrying amount	Loss allowance	Credit impaired
		$	$	$
30 September 2021				
Current (not past due)	6.18%	6,809,271	(420,690)	6,388,581
1-30 days past due	8.43%	6,765,085	(570,119)	6,194,966
31-60 days past due	12.65%	2,104,479	(266,142)	1,838,337
60-90 days past due	70.29%	8,962,182	(6,299,804)	2,662,378
More than 90 days past due	72.34%	28,900,307	(20,907,900)	7,992,407
		53,541,324	**(28,464,655)**	**25,076,669**
30 September 2020				
Current (not past due)	59.38%	4,089,115	(2,427,948)	1,661,167
1-30 days past due	4.66%	12,707,040	(591,833)	12,115,207
31-60 days past due	12.12%	6,152,210	(745,539)	5,406,671
60-90 days past due	7.11%	6,133,917	(435,866)	5,698,051
More than 90 days past due	69.21%	27,367,005	(18,940,501)	8,426,504
		56,449,287	**(23,141,687)**	**33,307,600**

Loss rates are based on actual credit loss experience over the past few years. These rates are multiplied by scalar factors to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Authority's view of economic conditions over the expected lives of the receivables. Scalar factors are based on actual and forecast GDP growth or inflation rates.

The calculation of impairment based on expected credit loss experience was $28,464,655 (2020: $23,141,687).

Cash and cash equivalents

The Authority held cash of $172,195,874 as at 30 September 2021 (2020: $173,461,589). Cash are held with banks, which are rated A, B+, B-, based on Standard and Poor ratings.

Impairment on cash and cash equivalents has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Authority recognised an impairment allowance of $2,783,870 (2020: $2,690,927) against cash and cash equivalents. During the year, an impairment expense of $92,943 was recognised.

Investments

The Authority held investments of $127,111,009 as at 30 September 2021 (2020: $124,416,583). Investments are held with the banks which are rated A+ and B- based on Standard and Poor ratings. In relation to debt investment securities held with Banks, the Authority monitors changes in credit risk by tracking published external credit ratings but when external credit ratings are not available or published, the Authority monitors changes in credit risk by reviewing available press and regulatory information.

Impairment on debt investment securities has been measured on the 12-month expected loss basis and reflects to short maturities of the exposures. The Authority recognised impairment allowance of $2,113,523 (2020: $2,100,711). During the year, an impairment expense of $12,812 was recognised.

Solomon Islands Ports Authority
Notes to and forming part of the financial statements (continued)
For the year ended 30 September 2021

4. Financial risk management (continued)

ii) Liquidity risk

Liquidity risk is the risk that the Authority will not be able to meet its financial obligations as they fall due. The Authority's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Authority's reputation. Liquidity risk is considered minimal as all liabilities of the Authority are payable within 12 months and the Authority has adequate funds at balance date to settle these financial liabilities.

iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Authority's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Market risk is considered minimal for the Authority.

iv) Currency risk

The Authority is exposed to currency risk to the extent that there is a mismatch between the currencies in which purchases, and borrowings are denominated and the respective functional currencies. The Authority does not have significant exposure to currency risk.

v) Capital management

The Authority's capital includes Solomon Islands Government contribution, asset revaluation reserves and retained earnings.

The Authority's policy is to maintain a strong capital base so as to maintain creditor and market confidence and to sustain future development of the business. The Authority is not subject to any externally imposed capital requirements. There have been no material changes in the Authority's management of capital during the year.

The Authority's adjusted net debt to equity ratio as at 30 September was as follows:

	Note	2021 $	2020 $
Total liabilities		195,219,648	192,430,699
Less: cash and cash equivalents	10	(169,413,601)	(170,794,622)
Adjusted net debt		**25,806,047**	**21,636,077**
Total equity		828,173,486	770,039,811
Adjusted net debt to equity		**3.12%**	**2.81%**

Solomon Islands Ports Authority
Notes to and forming part of the financial statements (continued)
For the year ended 30 September 2021

	Note	2021 $	2020 $
5. Revenue			
Anchorage		333,530	942,286
Berthage		11,908,977	13,694,017
Container cleaning		4,794,745	4,495,760
Handling		11,568,969	3,981,119
Port machinery hire		12,344,355	13,874,884
Pilotage and mooring line fees		15,898,293	22,008,101
Port dues		823,059	946,391
Stevedoring		47,158,136	49,963,972
Storage		42,221,727	44,510,649
Tonnage dues		37,688,839	40,997,733
Wharfage		10,657,294	10,555,831
Port utilisation		5,689,996	6,555,494
Total revenue		**201,087,920**	**212,526,237**
6. Other income			
Environment fee		149,625	127,984
Investment property rental income		6,972,615	6,854,434
Overtime recovery and rations		5,448,821	4,968,468
Power and water sales		4,646,841	2,253,196
Wharf entry fees		4,533,947	3,274,803
Doubtful debt released		-	2,161,230
Other income		4,794,229	155,548
Total other income		**26,546,078**	**19,795,663**
7. Administrative and operating expenses*			
Advertising expenses		524,487	-
Auditors' remuneration		707,197	393,366
Bad and doubtful debts		7,437,537	1,713,210
Board of directors's expenses	21	1,430,992	1,027,276
Computer consumables		808,976	505,038
Consultancy services		1,502,662	1,085,194
Depreciation	15	33,025,215	30,106,922
Donation		1,569,894	1,455,111
Electricity and water		10,772,810	8,473,380
Entertainment		840,589	1,142,956
Fuel		2,853,666	2,178,681
Insurance		385,752	831,243
Land rents and rates		2,491,017	3,078,950
Legal expenses		3,583,864	2,151,896
Other operating expenses		1,758,503	17,570,661
Postage, telephone and fax		2,263,538	1,902,970
Printing and stationeries		2,261,161	1,202,739
Pronto expenses		901,603	-
Publication and subscription		317,904	-
Repairs and maintenance		4,961,949	4,348,603
Uniform and protective gears		1,674,085	-
Total administrative and operating expenses		**82,073,401**	**79,168,196**

* In the 2020 financial statements, the Authority recognised total operational expenses of $73,013,508 and total administrative and other operating expenses of $91,718,097 respectively. In 2021, the Authority re-categorised these line items and recognised total administrative and operating expenses of $79,168,196 (Note 7) and personnel expenses of $85,562,409 (Note 8) in the 2020 comparatives respectively to better reflect their nature.

Solomon Islands Ports Authority
Notes to and forming part of the financial statements (continued)
For the year ended 30 September 2021

	2021 $	2020 $
8. Personnel expenses *		
Salaries and Wages	49,686,588	41,798,373
National provident fund	3,749,878	4,168,429
Other staff benefits and costs	41,174,275	39,595,607
Total personnel expenses	**94,610,741**	**85,562,409**

* In the 2020 financial statements, the Authority recognised total operational expenses of $73,013,508 and total administrative and other operating expenses of $91,718,097 respectively. In 2021, the Authority re-categorised these line items and recognised total administrative and operating expenses of $79,168,196 (Note 7) and personnel expenses of $85,562,409 (Note 8) in the 2020 comparatives respectively to better reflect their nature.

	2021 $	2020 $
9. (a) Finance income		
Interest income	3,445,718	4,618,138
Currency exchange gain	434,508	133,762
Total finance income	**3,880,226**	**4,751,900**
(b) Finance cost		
Bank charges	81,891	60,583
Impairment expenses on application of IFRS 9	105,756	3,199,941
Interest expense - lease liability	19,016	19,127
Total finance cost	**206,663**	**3,279,651**

10. Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following:

	2021 $	2020 $
Cash at bank	172,195,874	173,461,589
Cash on hand	1,597	23,960
	172,197,471	**173,485,549**
Provision for impairment through application of IFRS 9	(2,783,870)	(2,690,927)
Total cash and cash equivalents	**169,413,601**	**170,794,622**

	2021 $	2020 $
11. Trade and other receivables		
Trade receivables	53,541,324	56,449,288
Less: allowance for doubtful debts *	(28,464,655)	(23,141,687)
	25,076,669	**33,307,601**
Over-payment ADB loan	1,583,095	1,583,095
Other receivables	17,250,609	23,465,104
Less: provision for other receivables	(2,943,117)	(2,052,128)
Prepayments	4,401,301	4,235,449
Total trade and other receivables	**45,368,557**	**60,539,121**

Solomon Islands Ports Authority
Notes to and forming part of the financial statements (continued)
For the year ended 30 September 2021

	2021 $	2020 $
11. Trade and other receivables (continued)		

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

	2021 $	2020 $
Balance at 1 October	25,193,815	25,302,917
Allowance for doubtful debt released for trade receivables	5,322,968	(2,161,230)
Allowance for doubtful debt recognised for other receivables	890,989	2,052,128
Balance at 30 September	**31,407,772**	**25,193,815**

	2021 $	2020 $
12. Inventories	**837,052**	**1,139,593**

	2021 $	2020 $
13. Investments		
Current		
Short term deposit	107,111,009	104,416,583
Provision for impairment through application of IFRS 9	(2,113,523)	(2,100,711)
	104,997,486	102,315,872
Non-current		
Government bond *	20,000,000	20,000,000
Total investments	**124,997,486**	**122,315,872**

The Authority has term deposits with BRED Bank, Bank of South Pacific and Pan Oceanic Bank at an interest rate ranging from 0.40% to 4.00% per annum maturing in date range from 1 October 2020 to 30 September 2021.

The Authority has a Covid19 Domestic Development Bond with the Central Bank of Solomon Islands at an interest rate of 5.00% per annum commencing from May 2020 for a period of 10 years maturing on May 2030.

* In the 2020 financial statements, the Authority classified a Government Bond of $20 million with a maturing period of 10 years as part of Current Assets. As per IAS 1 paragraph 66(c), an entity shall classify an asset as current when it expects to realise the asset within twelve months after the end of the reporting period. In light of this, this amount has been reclassified to Non-Current Assets as Government Bond in 2021 and 2020 comparatives.

	2021 $	2020 $
14. Investment properties		
Balance at the beginning of the financial year - at fair value	32,285,372	36,541,406
Changes in fair value	581,137	-
Disposal from Investment properties	-	(905,722)
Reclass to Property, plant and equipment	-	(3,350,312)
Balance at the ending of the financial year - at fair value	**32,866,509**	**32,285,372**

Investment property comprises of commercial and residential property that are leased to third parties. Each lease contains a lease period of 3 and 50 years respectively with annual rental subject to increase upon renewal indexed to the Honiara retail price index. Subsequent renewals are negotiated with the lessee.

Rental income from investment properties of $6,972,615 (2020: $6,854,434) has been recognised in other income (Note 6).

Solomon Islands Ports Authority
Notes to and forming part of the financial statements (continued)
For the year ended 30 September 2021

14. Investment properties (continued)

Fair value hierarchy

The fair value of investment property was determined by an external, independent property valuer, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The independent valuer provide the fair value of the Authority's investment property portfolio every 12 months.

The fair value measurement for all of the investment properties have been categorised as a level 3 fair value based on the inputs to the valuation technique used.

Valuation techniques and significant unobservable inputs

The following table shows the valuation technique used in measuring the fair value of investment properties, as well as significant unobservable inputs used.

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Replacement cost method: where the improvements are valued using current replacement cost and an allowance for depreciation and obsolescence plus the value of the land (notable sales of comparable vacant sites within Honiara are noted).	• Depreciation rate applied. • Locality of the property. • Proximity to civic amenities. • Topography/geographical feature of the land • Demand of the land	The estimated fair value would increase (decrease) if: • Depreciation rate were lower (higher); • The property located in urban locality; • Closer to civic amenities; • The higher the demand for the land

15. Property, plant and equipment

	Land and Building $	Wharves & Jetties $	Plant & Equipment $	Vehicles $	Work in Progress $	Total $
Cost						
Balance as at 1 October 2019	196,538,608	287,847,180	142,045,347	19,787,413	16,727,049	662,945,597
Additions	3,127,435	-	21,057,198	24,363,625	34,044,750	82,593,008
Disposals	(1,393,724)	-	(5,546,130)	(1,593,038)	-	(8,532,892)
Transfer to investment properties	3,350,312	-	-	-	-	3,350,312
Transfers (in/(out))	1,035,288	-	12,425,359	-	(13,460,647)	-
Balance as at 30 September 2020	202,657,919	287,847,180	169,981,774	42,558,000	37,311,152	740,356,025
Balance as at 1 October 2020	202,657,919	287,847,180	169,981,774	42,558,000	37,311,152	740,356,025
Additions	9,146,105	-	12,075,982	2,905,149	83,877,654	108,004,890
Disposals	(146,577)	-	(2,468,756)	(1,711,759)	(242,072)	(4,569,164)
Transfers (in/(out))	20,806,147	-	4,887,849		(25,693,996)	-
Reclass	(17,431,294)	16,194,689	34,365,051	(32,676,899)		451,547
Balance as at 30 September 2021	**215,032,300**	**304,041,869**	**218,841,900**	**11,074,491**	**95,252,738**	**844,243,298**
Accumulated Depreciation						
Balance as at 1 October 2019	39,840,057	46,212,449	51,081,655	2,055,733	-	139,189,894
Depreciation charges	5,680,877	8,381,143	14,420,215	1,618,983	-	30,101,218
Disposals	(278,745)	-	(3,534,256)	(363,937)	-	(4,176,938)
Balance as at 30 September 2020	45,242,189	54,593,592	61,967,614	3,310,779	-	165,114,174
Balance as at 1 October 2020	45,242,189	54,593,592	61,967,614	3,310,779	-	165,114,174
Depreciation charges	6,292,004	9,189,774	16,545,942	997,495	-	33,025,215
Disposals	(112,379)	-	(2,467,369)	(1,064,313)	-	(3,644,061)
Reclass	(128,215)	1,608,059	(1,418,872)	(74,556)	-	(13,584)
Balance as at 30 September 2021	**51,293,599**	**65,391,425**	**74,627,315**	**3,169,405**	-	**194,481,744**
Carrying Amount						
At 1 October 2019	156,698,551	241,634,731	90,963,692	17,731,680	16,727,049	523,755,703
At 30 September 2020	157,415,730	233,253,588	108,014,160	39,247,221	37,311,152	575,241,851
At 30 September 2021	**163,738,701**	**238,650,444**	**144,214,585**	**7,905,086**	**95,252,738**	**649,761,554**

Solomon Islands Ports Authority
Notes to and forming part of the financial statements (continued)
For the year ended 30 September 2021

16. Leases

(i) As a lessee

The Authority leases land from the Solomon Islands Government for its port and building infrastructures. Information about leases for which the Authority is a lessee is presented below.

	2021 $	2020 $
(i) Right-of-use assets		
Balance at 1 October	154,079	159,783
Additions during the year	-	-
Depreciation charge during the year	(5,704)	(5,704)
Balance at 30 September	**148,375**	**154,079**
(ii) Lease liabilities		
Maturity analysis - contractual undiscounted cash flows		
Less than one year	20,001	20,001
One to five years	40,002	100,003
More than five years	464,623	464,623
Total undiscounted liabilities at 30 September	**524,626**	**584,627**
Lease liabilities included in the statement of financial position at 30 September		
Current	1,109	984
Non-current	156,815	157,925
	157,924	**158,909**
Amount recognised in profit or loss		
Interest on lease liabilities	19,016	19,127
Expenses relating to short-term leases	745,501	729,414
Expenses relating to low-value leases	46,706	46,706
	811,223	**795,247**
Amount recognised in the statement of cash flows		
Total cash outflows for leases	**20,001**	**20,001**

(ii) As a lessor

Lease income from lease contracts in which the Authority acts as a lessor is as below.

	2021 $	2020 $
Operating lease		
Lease income	**6,972,615**	**6,854,434**

Solomon Islands Ports Authority
Notes to and forming part of the financial statements (continued)
For the year ended 30 September 2021

	2021 $	2020 $
17. Trade and other payables		
Trade payables	13,556,006	9,813,782
Other payables and accrued expenses	15,680,870	11,014,446
Total trade and other payables	**29,236,876**	**20,828,228**
18. Employee benefits		
Current	2,037,419	1,768,618
Non-current	6,118,355	8,495,613
Total employee benefits	**8,155,774**	**10,264,231**

Movement is made up of the following:

	2021 $	2020 $
Opening balance	10,264,231	10,441,609
Provisions made during the year	7,638,145	14,865,034
Provisions utilised during the year	(9,746,602)	(15,042,412)
Closing balance	**8,155,774**	**10,264,231**

	2021 $	2020 $
19. Deferred revenue		
Current	3,510,257	3,510,257
Non-current	154,158,817	157,669,074
Total deferred revenue	**157,669,074**	**161,179,331**
Opening balance	161,179,331	164,689,588
Less: Depreciation charge for the year	3,510,257	3,510,257
Closing balance	**157,669,074**	**161,179,331**

The deferred revenue relates to the international wharf which was funded by the Government of Japan. The initial grant was for the amount of $175,812,881. It was recognised as deferred revenue on initial recognition and subsequently amortized to profit or loss as income on a straight-line basis over the useful life of the acquired asset.

There were no unfulfilled conditions and other contingencies.

20. Equity

Equity comprises of Solomon Island Government contribution, retained earnings and asset revaluation reserves.
Solomon Islands Government equity contribution comprises of initial contribution by the Solomon Islands Government at the inception of the Authority.

Solomon Islands Ports Authority
Notes to and forming part of the financial statements (continued)
For the year ended 30 September 2021

21. Related parties

(a) Identity of related parties

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

Name	Position
Johnny Sy	Chairman
Michael Wate	Vice Chairman
Steven Maesiola	Board Member
Moses Virivolomo	Board Member
Donald Kudu	Board Member
Ali Homelo	Board Member
Gabriel Suri	Board Member

Director's fees and related expenses amounting to $1,430,992 were incurred and paid during the period (2020: $1,027,276).

(b) Key management personnel

In addition to the Board of Directors, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly (whether executive or otherwise) of that entity.

During the period, the following persons were the executives identified as key management personnel, with the greatest authority and responsibility for planning, directing and controlling the activities of the Authority.

Name	Position
Eranda Kotelawala	Chief Executive Officer
George Rausi	Chief Financial Officer
Ronald Ivupitu	Chief Port Engineer
Percy Biliki	Harbour Master
Ellison Pade	Chief Information Systems Officer
James Gerea	Head of Corporate Service (deceased on 10 January 2021)

The aggregate compensation of the key management personnel for the Authority comprises of short term and long term benefits and is set out on page 33.

Solomon Islands Ports Authority
Notes to and forming part of the financial statements (continued)
For the year ended 30 September 2021

21. Related parties (continued)

		2021 $	2020 $
(b)	**Key management personnel (continued)**		
	Short term benefits	**5,859,602**	**5,210,681**
(c)	**Amounts receivable related parties**		
	Overpayment of ADB loan by the Authority to SIG	**1,583,095**	**1,583,095**

22. Capital commitments

Capital commitments as at 30 September 2021 was $Nil (2020: $Nil).

23. Contingent liabilities

Litigation is a common occurrence in the industry due to the nature of the business undertaken. The Authority has formal controls and policies for managing legal claims. Once professional advice has been obtained and the amount of loss reasonably estimated, the Authority makes adjustments to account for any adverse effects which the claims may have on its financial standing. Based on the Authority's legal counsel, the claims against the Authority does not have meritorious grounds and management assessed the claims have reasonable prospects of being struck out. As a result, management believes that its defence in Court or arbitration has reasonable prospects of success. Management also does not consider a reliable estimate can be made at this stage in the event the Authority is not successful though it is considered for this event to occur is remote.

24. Events subsequent to balance date

The country recorded it's community transmission of COVID-19 in January 2022 and as at date of this report, the country has experienced widespread community transmission of COVID-19. In response to this, Solomon Island Government had implemented various measures which includes restricted movement, curfews and lockdowns amongst other measures. Until this ultimate disruption caused by the outbreak is uncertain, it may result in adverse impact of the company's financial performance, position, cash flows.The authority continues to monitor developments in the COVID-19 pandemic. Given the dynamic nature of this circumstances and the significant increase in economy uncertainities, the related input on the authority's future results cannot be reasonably estimated at this stage. Apart from this, there has been no arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature, in the opinion of the directors, to affect significantly the operations of the Authority in the subsequent financial years.