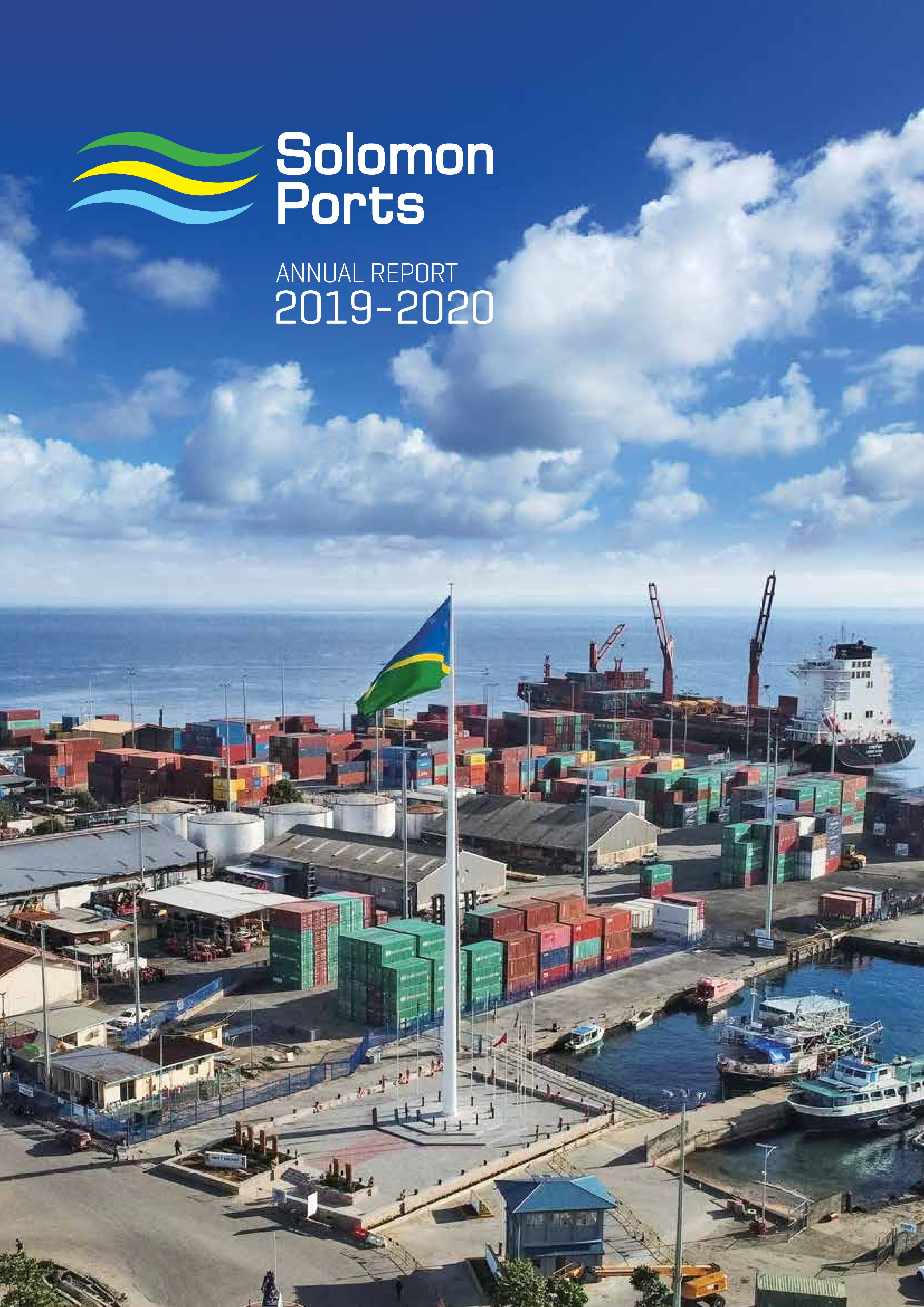
Solomon Ports

ANNUAL REPORT 2019-2020



Vision

To become South Pacific's Strategic Gateway to the World

Mission

We will endeavour to achieve our goal by delivering the highest value to customers and the community through optimal performance and efficiency of our services, employees, processes, commercial stewardship and growth of our assets.

To harmoniously participate in building this great nation for its people.

Our Values

Professionalism
Progressive leadership
Commercial stewardship
Strategic innovation
Employee wellbeing and diversity
Corporate citizenship

Contents

Letter to the Ministers

20th June 2022

Hon. Harry Kuma
Ministry of Finance and Treasury
P O Box 26
Honiara

Hon. Manasseh Maelanga
Ministry of Infrastructure Development,
PO Box G1
Honiara

Dear Honourable Ministers,

SOLOMON ISLANDS PORTS AUTHORITY ANNUAL REPORT for 2020

On behalf of the Directors of the Solomon Islands Ports Authority, I am pleased to present the organisation's Annual Report for the Financial Year 2020.

The Solomon Islands Ports Authority's operational achievements and the audited accounts for the year 2020 are incorporated in the Report.

I am pleased to report that the Authority has recorded a profit before tax of $72,572,801 for the period under review.

Yours sincerely,

Johnny Sy
Chairman
Solomon Islands Ports Authority

Highlights 2019-2020

- $69,269,096 net profit before tax recorded for 2019
- $72,572,801 net profit before tax recorded for 2020
- International recognition for Solomon Ports Green Port Initiative by:
  5th Global Entreps Awards and 5G Citizens International Congress and IAPH World Ports Sustainability Programme for the Green Port Project
- Selected to host 45th PMTA conference
- Achieved full IAPH membership
- Admitted as member of Ports Australia
- Commissioned new mobile X-ray scanner
- New Patrol Boat launched
- Commissioned two new Kalmar reach stackers
- Disaster recovery site established
- Domestic Terminal Gatehouse opened
- Unity Square commissioned

Message from the Chairman

Johnny Sy
Chairman

It gives me great pleasure to present the 2019-2020 Annual Report for the Solomon Islands Ports Authority.

Set against the backdrop of the impact of the COVID-19 pandemic on the global maritime trading sector, Solomon Ports met the unprecedented challenges with focus, resolve and resilience. The company persisted in the delivery of efficient operations and services to ensure that the economic lifeline of the country persisted unabated, in these extraordinary times.

The operating profit for the financial year under review was $72,572,801, an increase by $3,303,705, compared with the operating profit of $69,269,096 for the previous year. This result is considered reasonable growth for the period, given the need to navigate the challenges and changes to the international and regional port and maritime industries brought about by the pandemic.

We remain convinced that implementation of our response to the impacts of the pandemic, encompassing all our Ports, will bring positive long-term benefits and enhanced financial returns to the Company and, therefore, to Government, our shareholders, and the public.

Solomon Ports has embarked on a transformational journey of modernisation. It continues to make commendable advances along this route, and is receiving international recognition for the lead we have taken within the Pacific region in adopting cutting-edge Smart and Green technologies to reduce carbon emissions, such as investing in renewable energy sources.

Ongoing strategic planning is crucial if Solomon Ports is to continue its journey of commitment to modernisation. Already, the Solomon Ports Modernisation Plan is transforming the appearance of the port facilities, with the construction of the new Domestic Terminal Gatehouse and the installation of the inspirational Unity Square.

The Board recognises that while global trends may be a challenge, Solomon Ports is demonstrating the ability to make sound decisions to adopt and utilise technological innovation that continues to enhance the operational efficiency of the company.

The implementation of the robust PRONTO billing and accounting system provides improved access to information and more efficient revenue collection, which enables prudent business decisions and enhanced service delivery. We anticipate the interface of this system with the Terminal Operating System, which will further improve efficiencies across the company.

As Solomon Islands' reliance upon international and regional maritime trade makes it imperative that the improvements in effectiveness and efficiency continue, the investment in machine productivity, such as the newly acquired stacking equipment for the Ports of Honiara and Noro, is essential for the company's ongoing growth.

Solomon Ports continues to facilitate the economic needs of the nation, meeting the needs of our shareholders and key stakeholders in the various, relevant industry sectors, while addressing the demands of an increasingly sophisticated supply chain. For while we may perceive our challenges and concerns as national, the pandemic has brought home the extent to which our decisions and performance contribute to, and are affected by, the international and regional port and maritime networks.

The year has also been notable for rising number of reports regarding the increasing occurrence of cyber attacks on international companies. Solomon Ports has commenced the implementation of an action plan to address the possibility of such an attack, with a disaster recovery site established at a secondary location at the Honiara Port Terminal.

A second phase of the plan will see the construction of a more robust disaster and recovery centre off-site and at a distance from the Solomon Ports facilities. This will safe guard against potential natural disasters, such as a tsunami, as well as provide guaranteed continuity of business systems and resource recovery in the event of a cyber attack.

By exercising judicious foresight and proactively planning for a future that will provide the best for all Solomon Islanders, the company will remain apprised of new developments, both positive and negative. Solomon Ports will be able to remain flexible in the face of technological advances, adopting the most appropriate systems, programmes and machinery that will contribute to the continued building of an adaptable and resilient company that will benefit our stakeholders, the staff and management, and our customers.

Appreciation

I would like to acknowledge the support of my fellow Board members throughout the year. Their combined experience and business acumen have been invaluable as we navigated new waters in these challenging times.

On behalf of the Board, I wish to commend the Chief Executive Officer for his leadership and the Executive Management Team for their perseverance. They confronted the unprecedented challenges arising in 2020 with a steadfast commitment to champion optimum outcomes for the company. This resolute response to the changes and challenges of 2020 strengthened the resolve of all Solomon Ports employees, who came together with a shared determination to continue serving the best interests of all our valued stakeholders and the nation.

Finally, I take this opportunity to acknowledge the Ministry of Finance & Treasury and the Ministry of Infrastructure Development Ministry for their continued support. We look forward to this continuing into the future.

Johnny Sy
Chairman
Solomon Islands Ports Authority

Message from the Chief Executive Officer

Eranda Kotelawala
CEO

Solomon Islands Ports Authority has remained resolute and resilient, continuing to operate with sound fiscal, operational, social and environmental strategies implemented across the organisation in the face of the challenges arising from the COVID-19 Coronavirus pandemic. This unwavering adherence to best practices has ensured that the company has delivered a strong financial performance for the 2019-2020 Financial Year.

COVID-19 Response

As information regarding the pandemic and its far-reaching impact upon the international and regional port and maritime industries became available, Solomon Ports immediately adopted a proactive and collaborative stance in recognition of the potential immediate and long-term risks associated with the rapidly spreading virus.

Solomon Ports worked in close collaboration with the Ministry of Health and the Solomon Islands COVID-19 Oversight Committee, to establish safety procedures and to disseminate information to staff and all port users regarding the importance of adhering to these protocols.

Staff received appropriate personal protection equipment, including facemasks, gloves, and hand sanitisers and safety standard procedures were enforced, to ensure that COVID-19 would not be transmitted via the port.

As an essential aspect of the company's risk management strategies, Solomon Ports formulated an emergency response plan to ensure the port would remain in operation should there be any community transmission of the virus within Solomon Islands. An emergency compound shelter for staff housing was established inside the port environs as a contingency plan to keep the port operational and the staff safely isolated, should the need arise. It is gratifying to note that, to date, the need for this facility has not eventuated.

Green Port Initiative

Our commitment to our Green Port Initiative drives Solomon Ports' investment in innovative technologies. The initiative is leading the way for Pacific Regional ports and is receiving international recognition in the global maritime arena, being shortlisted amongst 126 countries competing in the final round of the 5th Global Entreps Awards and 5G Citizens International Congress, launched in September at the General Assembly of the United Nations, New York, USA, and continuing until January 2021.

Solomon Ports was also the only Pacific Regional Port to be selected as a finalist in the International Association of Ports and Harbours (IAPH) World Ports Sustainability Programme (WPSP) for the Green Port Project, further confirmation that the company is leading the regional port industry in the reduction of our carbon footprint through the utilisation of renewable energy resources.

Our commitment to the use of reusable, sustainable, energy sources and the reduction of carbon emissions is not limited to our own facilities and operations, as we also provide access to solar technologies for the benefit of the wider community, as evidenced by the solar lighting installed along Commonwealth Street in Honiara's CBD, and the solar systems provided to village schools and communities.

Holistic Planning for Modernisation

Solomon Ports is cognisant of the need for a holistic focus in order that strategic planning is consistent with furthering the best interests of organisation, its employees, its stakeholders and, equally importantly, the health and economic wellbeing of the citizens of this nation.

The company understands that success is achieved through staying at the forefront of cutting-edge technology that meets the highest standards of performance and the organisation's rigorous Green requirements, as demonstrated by the completion and commissioning of the newly constructed Domestic Terminal Gatehouse. As part of the company's ongoing Port Modernisation Strategy, the Gatehouse is 100 percent solar energy powered, in harmony with our Green Port Initiative.

The Modernisation Strategy will continue into the new year with a work plan that encompasses the construction of new jetties, the rehabilitation and renovation of existing jetties, an the anchoring of mooring buoys, as well as the overall enhancement and beautification of the Domestic Port facilities and infrastructure.

Enhanced Security

With the commissioning of Solomon Ports harbour patrol boat by the Prime Minister, Hon. Manasseh Sogavare, our ISPS compliance and port security capabilities have been further strengthened. A Harbour Patrol Unit has been established, responsible for patrolling and monitoring the port's jurisdiction area, to deter illegal and unwanted activities within the Honiara Port boundary.

To assist the Customs and Excise Division in scanning the contents of import and export containers and vehicles entering and exiting the country, Solomon Ports has again set the regional benchmark with our investment in one of the most sophisticated mobile x-ray scanners currently available.

This new acquisition is a robust addition to Solomon Ports adherence to the International Ships & Ports Security (ISPS) Code, as well as supporting our responsibility for environmental stewardship, our third Strategic Goal. With the nation recognised as a "Centre of Plant Diversity* Solomon Ports is able to provide additional vigilance to support the protection of Solomon Islands' fragile ecosystems.

Acknowledgement

I wish to acknowledge the unwavering support that Solomon Ports has received from our line Ministries, Ministry of Finance and Treasury and Ministry of Infrastructure Development, and in particular, the accountable Ministers, throughout the 2020 financial year.

May I express my sincere appreciation to our Chairman and the Board of Directors, for their steadfast leadership and invaluable guidance, throughout this challenging yet stimulating year.

My sincere appreciation to the Management Team and to every employee for your hard work and dedication that is essential to the continued success of Solomon Ports.

Solomon Ports will continue to plan, implement and complete successful projects and milestone achievements in key areas that will strengthen our operational capacities, and together we will continue to maintain excellence in service delivery to the highest standard, now and into the future, for the continued benefit of our stakeholders.

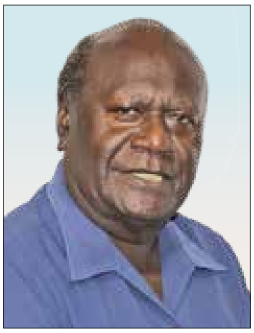
Eranda Kotelawala
CEO
Solomon Islands Ports Authority

** Convention on Biological Diversity, U.N. Environment Programme.*

Board of Directors

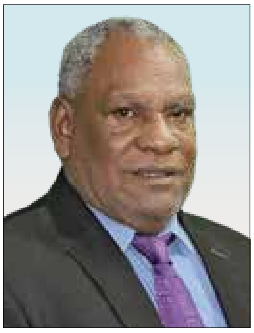
Johnny Sy
Chairman

Michael Wate
Deputy Chairman



Donald Kudu
Director

Moses Virivolomo
Director

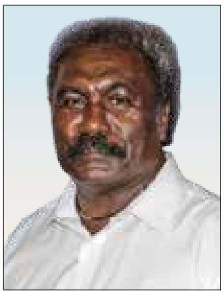


Stephen Maesiola
Director

Executive Management Team

Percy Biliki
Harbour Master

George Rausi
Chief Financial Officer



Ronald Ivupitu
Chief Port Engineer

Ellison Pade
Chief Information and Systems Officer

James Gerea
Chief Human Resources and Capital Officer
(Deceased)

John Irofa'alu
Assistant Manager Operations

James Kabini
Assistant Manager Operations

Wilfred Maefiri
Assistant Manager Operations
(Deceased)

Corporate Governance

Role of the Board

The primary role of the Board is to protect and enhance long-term Company values. It sets the overall strategies for the Company and mandates the Executive management to carry them out. It also ensures that good corporate governance policies and practices are implemented within the Company. In the course of discharging its duties, the Board acts in good faith, with due diligence and care, and in the best interests of the Company and Government. The Board currently comprises five members.

The day-to-day operation of the business of the Company is a delegated function of the Chief Executive Officer, and the Executive Management Team, who are led by the Chief Executive Officer. They are closely monitored by the Board and are accountable for the performance of the Company as measured against the corporate goals and business targets set by the Board. The Company provides extensive background information about its history, mission and business to the Board.

Board Directors are also invited to visit the Company's operational facilities from time to time and to meet with the management team for gaining better understanding of the business operations of the Company. Furthermore, the Board has separate and independent access to the Chief Executive Officer, senior management staff and the Company Secretary at all times. With prior request to the Company Secretary, the Board is given access to independent professional advice any time that it thinks appropriate.

The posts of the Chairman and the Chief Executive Officer are separate to ensure a clear distinction between the Chairman's responsibility to manage the Board and the Chief Executive Officer's responsibility to manage the Company's business. The division between the Chairman and the Chief Executive Officer is clearly established and set out in practice and in writing.

Corporate Governance

The Board is committed to maintaining a high standard of corporate governance practices within the Company and devotes considerable effort to identify and formalise best practices. The Board believes that sound and effective corporate practices are fundamental to the smooth, effective and transparent operation of the Company and its ability to provide a vibrant Port Services at minimal cost to its clients and yet achieving a profit that will be reinjected for capital projects and purchases.

Comprehensive guidelines, policies and procedures are formulated by the Manager Corporate Services in support of the Company's corporate governance frameworks, including the Directors Manual, Corporate Governance Manual, Guidelines on Internal Control System, Corporate on Staff Responsibility, Whistleblowing Policy, Disclosure Policy on Inside Information, and the terms of reference for various Board Committees, in such time as these are formulated. These documents are reviewed regularly and updated in line with the amendments of applicable legislations and rules, as well as the current market practice. Currently, no Board Committees have been formulated and therefore no sub-committees are in existence at present.

The Company will be fully compliant with all the applicable code provisions in its Corporate Governance Code and objectives.

Corporate Governance Function

The Board is responsible for performing the corporate governance duties. Specific terms of reference were set out in the Corporate Governance Manual of the Company and the relevant duties include the following:

a. To develop and review the Company's policies and practices on a corporate governance;
b. To review and monitor the training and continuous professional development of Directors and senior management staff;
c. To review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
d. To develop, review and monitor the code of conduct and compliance manual (if any) applicable to the employees and Directors;
e. To review the Company's compliance with the Company Code and disclosure in the Corporate Governance Report, and
f. To look at and improve all Capital Expeditors for all projects in the Company.

The Board strives to keep employees abreast of the latest developments in corporate governance issues through education and promotion. A series of training sessions on corporate governance and internal control practices were also given to the Board and staff members to update and improve their knowledge in these matters. The Board and Executive Management have also attended a course on Corporate Governance, hosted by the Solomon Islands Chamber of Commerce.

Board Meetings

The Board meets regularly, at least three times a year, at quarterly intervals, and holds additional meetings as and when the Board thinks appropriate.

Six Board meetings were held in the 2020 Financial Year. Notice of not less than 14 days was given to the Board of Directors for the regular Board meetings. Draft agenda for the Board meetings were prepared by the Board Secretary and circulated to all Directors for comments before each meeting. Board members were given an opportunity to include any other matters in the agenda. The agenda, together with Board papers, are sent in full to the Board Directors not less than three business days before the intended date of the Board meeting. Minutes of Board meetings are prepared by the Company Secretary with details of any decisions reached, any concerns raised and dissenting views expressed. The draft minutes are sent to all Board Directors within a reasonable time after each meeting for their comments before being formally signed by the Chairman of the meeting. Copies of the final version of minutes of the Board meeting are sent to the Board of Directors for information and record. At each regular Board meeting, Executive management of the Company makes presentations to the Board on various aspects, including the business performance, financial performance, corporate governance and outlook, etc.

A written report reviewing all the key operational aspects of the Company is provided to the Board Directors before each regular Board meeting to enable them to make informed decisions for the benefit of the Company.

Throughout the 2020 Financial Year, the Board of Directors also participated in the consideration and approval of matters of the Company by way of written resolutions circulated to them. Supporting written materials were provided and verbal briefings were given, by the Board Directors or the Board Secretary, when required.

Declaration of Interest

Pursuant to the by-laws of the Company, a Board Director, interested in a contact or arrangement or proposed contract or arrangement with the Company, whether directly or indirectly, shall declare the nature of his interest at the Board meeting at which the question of entering into the contract or arrangement is first considered.

A Board Director shall not vote (nor be counted in the quorum) on any resolution of the Board Directors in respect of any contract, arrangement or proposal in which he, or any of his associate(s), is to his knowledge, materially interested. Matters to be decided at Board meetings are decided by a majority of votes from the Board Directors allowed to vote. These by-laws were strictly observed throughout the 2020 Financial Year.

Attendance

Directors play an active part in the Company's meetings through the contribution of their professional opinions and active participation in discussions. The attendance record of each Director at the Board meetings and the general meeting held in the 2020 Financial Year is minuted in the Meetings register.

Corporate Statement

The Solomon Islands Ports Authority (SIPA) is a statutory corporation established by an Act of Parliament and came into being on Monday, June 04, 1956. It is responsible for the Ports of Honiara and Noro, as declared under the Act.

Functions

The Authority is charged with the duty to:

- Provide, maintain and improve, in the declared ports, such as facilities as appear best calculated to serve the public interest.
- Maintain, improve and regulate the use of declared ports to such extent as appears expedient in the public interest.
- Provide for the declared ports, the approaches thereto and the territorial waters of the Solomon Islands, such as pilotage services and aids as appear best calculated to serve the public interest.

Our Strategic Goals

1. **Regional Leadership in Maritime Transport Facilities**

   Our objective is to become a modern seaport operator and transform the Ports of Honiara and Noro into a strategic "Hub Port" in the South Pacific by 2021.

2. **Maximise Shareholder Value for the Government and the Public**

   Enhance SIPA's financial performance and position by improving returns on invested capital, income optimisation and prudent cost management.

3. **Environmental Stewardship**

   To achieve Environmentally Friendly Port status with all Solomon Islands Port Authority facilities.

4. **Port Facilities that Operate Safely and Securely**

   To achieve zero incident status in Occupational Health and Safety (OHS), and International Ship and Port Facility Security (ISPS) compliance in all port facilities.

5. **A Port that the Public Understands, Trusts and Values**

   To build public and stakeholder confidence through enhancing overall value preposition, transparency and accountability.

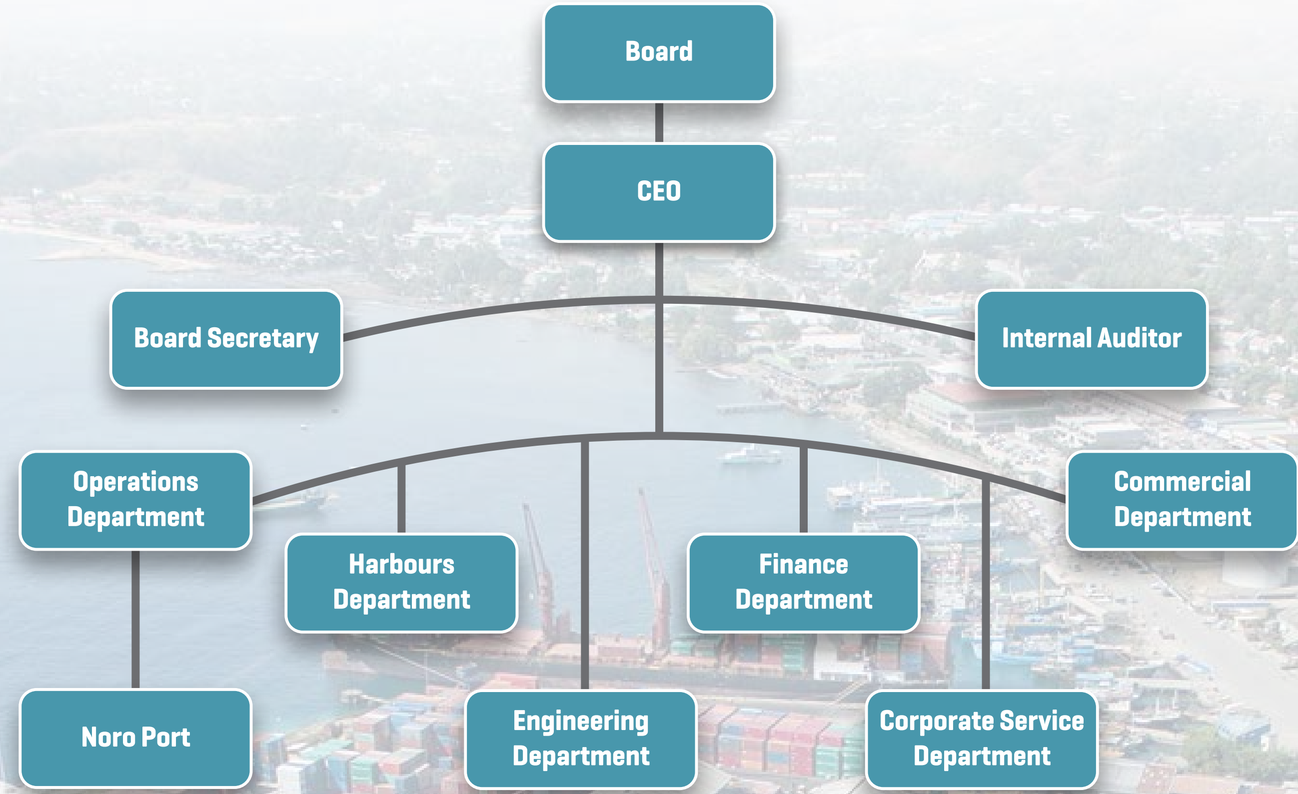
6. **A Port with an Innovative and Motivated Workforce**

   To ensure that Solomon Ports is an employer of choice with human assets effectively managed to achieve port services.

7. **A Customer-Focused Port that continues to improve Operational Efficiency**

   To enhance operational performance of all business units within SIPA, by optimising the value chain and the effective use of technology.

Organisational Structure



2020 - The Year in Review

International Recognition for Green Port Initiative

The aim of the Solomon Ports' Green Port Initiative is the reduction of carbon emissions in port operations, a challenge confronting the global maritime and transport industries.

The effectiveness of the Initiative has been recognised on the international stage, with Solomon Ports' Green Port Initiative being shortlisted amongst 126 countries competing in the final round of the 5th Global Entreps Awards and 5G Citizens International Congress. This was was launched in September at the General Assembly of the United Nations, New York, USA, and will continue until January 2021. Categories include Sustainability, Digital Industry, Entrepreneurship, Good Governance and the Sustainable Development Goals.

Earlier in 2020, Solomon Ports became the only Pacific Regional Port to be selected as a finalist in the International Association of Ports and Harbours (IAPH) World Ports Sustainability Programme (WPSP) for the Green Port Project.

With the SBD $15 million investment by Solomon Ports in 20 LED light and solar light poles at the Ports of Honiara and Noro, there has been an overall reduction in carbon emissions from the ports' operations as well as a commensurate reduction in the cost and use of electricity.

Collateral benefits include the improved efficiency of the operations, enhanced service delivery and capability, with faster vessel turnaround and increased security.

As part of the initiative, in and around the port has been planted with flowers and trees, to both beautify the surroundings and to assist in absorbing and reducing carbon and other gas emissions in the vicinity.

Solomon Ports has also installed solar light poles in the staff housing area, and in the spirit of giving back to the people of Solomon Islands, has also donated and installed solar light poles in the heart of Honiara city, providing lights for the country's citizens, along the renown Commonwealth Street.

Vehicle, Energy & Utility Management

Additional initiatives were implemented in 2020 in support of Solomon Ports' drive to manage and possibly reduce our carbon footprint.

As vehicles that travel at reduced speeds consume less fuel, and also in the interests of safeguarding the safety of customers and Solomon Ports' personnel, speed humps at the port access road and 20km speed limit signs have been installed.

The Vehicle Tracking System devices, installed in all of the company's light vehicles, provide monthly data reports on fuel consumption, distances travelled and routes taken. This performance data is shared with the drivers, who have taken responsibility for driving on company business only, and keeping to approved routes while doing so.

The appointment of a Light Vehicle Management Supervisor to plan, manage and approve daily vehicle movements and fuel requirements has also contributed to the improvements in this area.

The overall electricity consumption of Solomon Ports is now being monitored by the Energy & Utility Management Officer, appointed in 2020. As well as undertaking the energy audit, the officer is tasked with implementing measures to control and reduce electricity consumption. The officer collaborates with department heads in this regard, in particular with Engineering, Security, Vehicle and Plant Supervisors, to investigate and implement measures to manage electricity and fuel consumption.

COVID-19 Pandemic

Throughout 2020, Solomon Islands Ports Authority has remained resolute and resilient in the face of the COVID-19 Coronavirus pandemic that has impacted the international port and maritime industries.

With the global tourist cruise industry one of the hardest hit seafaring sectors, shipping lines and logistics companies have also had to adapt to the so-called 'new normal' way of conducting business and to meet new restrictions and regulations that affect container and bulk cargo vessels world-wide.

Precautionary Protocols

Recognising the potential threat posed by COVID-19 to Solomon Ports employees, the crews of arriving and departing vessels, and the health of all Solomon Islands citizens the Company introduced precautionary protocols to help protect all stakeholders. Wearing facemasks was made mandatory for all port users entering Solomon Ports terminals and administration buildings.

As an essential service provider to the nation, Solomon Ports was conscious of the need to develop a practical solution should greater measures be necessary to withstand and manage the impact of the virus on day-to-day operations.

Emergency Response Compound

The Company prepared for the possibility of a total lockdown scenario by establishing an Emergency Response Compound within the precincts of the Honiara Port.

New, prefabricated container houses that can cater for up to 80 port workers were completed in the first quarter of the year, with all amenities provided, such as water supply, electricity, air conditioning, bedding and access to sufficient food supplies. This would ensure that in the event of total lockdown, port operations and the flow of imports and exports would continue unhindered.

Capital Infrastructure Projects

Undeterred by the pandemic, Solomon Ports continued to roll out previously planned capital infrastructure projects, as the company is committed to developing international and domestic port facilities and services to the highest possible standards.

Capital works projects in 2020 included the completion of the Container Fumigation site, and the completion of the new LED lights and CCTV system at Noro Port. Projects undertaken and ongoing into the future included Asian Development Bank (ADB) technical assistance to conduct rehabilitation assessment of Berth No: 1 in Port of Honiara and International Berth in Port of Noro; the redevelopment of the Noro International Berth and domestic jetty upgrade, and the continuous repairs and replacement of damaged concrete slabs in the main international terminal.

45th PMTA Conference 2020

Not only did the Coronavirus pandemic impact port operations, border security and how business is conducted, but it also affected the 45th Pacific Maritime Transport Alliance (PMTA) Conference with the theme "Climate Change – Sustainability and Resilience of Pacific Ports" that was scheduled to be held 8th -10th July in in Honiara.

Regional cooperation and understanding are the foundation of PMTA, a regional, professional organisation that provides a forum for high-level, mutually beneficial discussions amongst member ports and port users regarding universal challenges, development strategies and progress.

In anticipation of hosting this prestigious regional event for the first time, Solomon Ports officially launched the 45th PMTA Conference logo and dedicated website, both being firsts for the event.

It was with regret that the Solomon Islands Hosting Committee and the PMTA Executive Committee agreed upon the necessity to postpone the conference as travel bans and restrictions and quarantine requirements made it unfeasible to proceed until the health and safety of all concerned could be guaranteed.

International Relationships

Solomon Ports recognises the importance of establishing and maintaining strong relationships with international port and maritime industry organisations. Such collegial relationships provide a sound platform for the mutual sharing and increase of knowledge on issues relevant to the development and management of ports, while raising the profile of Solomon Ports as an increasingly important link in the Pacific and global supply chains.

Ports Australia Membership

Regional connectivity, knowledge sharing and the training opportunities for development were strengthened with the announcement that Solomon Ports is now a member of Ports Australia.

Solomon Ports is proud to be included in this membership, and welcomes the opportunity to participate in working groups for mutual benefit and improvement of port standards in the future.

IAPH Recognition

On the global stage, Solomon Ports received recognition as a regular member of IAPH. After two years as a provisional member, Solomon Ports is now a member of the prestigious organisation that advocates for, and helps to shape, the global maritime industry.

With headquarters in Japan, IAPH is the global alliance of the world's port community, representing more than 200 ports and some 140 port related businesses in 90 nations that handle more than 60% of the global seaborne trade and nearly 80% of the world's container traffic. IAPH has consultative status with five UN agencies, including the International Maritime Organisation (IMO) and United Nations Conference on Trade and Development.

IAPH membership provides Solomon Ports with opportunities to share information and enhance cooperation and coordination in the maritime sector at the highest level.

Singapore Partnership

Similarly, as the only port participant outside of the Asia region in the development of the *Best Practice Guidelines for Stowage and Securing of Steel Cargo*, by Jurong Port Pte Ltd, Singapore, Solomon Ports was proud to be part of the launch of the global publication, which spearheads comprehensive guidelines for improvements in steel cargo handling, better safety measures and enhanced productivity during offloading operations.

Mobile X-Ray Scanner

Solomon Ports continued to set the benchmark for the Pacific region's maritime industry with the investment of SBD 16 million in the state-of-the-art mobile X-ray unit, provided by NUTECH, China.

The purchase and commissioning of the mobile scanner follows the request by the Solomon Islands Government to assist the Customs and Excise Division to scan import and export containers entering or exiting the country. It is one of the most sophisticated scanners available in today's market, using cutting-edge imaging technology to analyse the contents of containers and vehicles and is expected to be in service until 2030.

The machine is a deterrent to potential perpetrators attempting to smuggle contraband items, narcotics and other prohibited organic or inorganic substances into the

country illegally. As the global problem of contraband tobacco has reached Solomon Islands, The X-ray scanner will assist in disrupting this illegal supply chain.

The new machine is also consistent with Solomon Ports' Strategic Goal No. 3, Environmental Stewardship. With the nation recognised as a "Centre of Plant Diversity' *(source: Convention on Biological Diversity, U.N. Environment Programme)*, Solomon Ports provides a robust addition to the vigilance that is necessary to support the protection of Solomon Islands' fragile ecosystems.

Patrol Boat Strengthens Security

Our ISPS compliance and port security capabilities have been further strengthened with the commissioning of the harbour patrol boat and the establishment of a Harbour Patrol Unit that is responsible for patrolling and monitoring the port's jurisdiction area, to deter illegal and unwanted activities within the Honiara Port boundary.

Enhanced Handling Capability

During the year at Port of Honiara, Solomon Ports commissioned a brand-new Model DRU 450-62S5, Kalmar reach stacker, fully laden container handler that is capable of handling a maximum of five containers at a time, and that brings the total Honiara Port fleet to 21 machines, the largest amongst Pacific Ports. The new machine was imported from Australia in three sections, at a cost of SBD $3.6 million. A similar machine was also transported to Port Noro for commissioning.

Technical Capacity Confirmed

The new container handler was fully assembled by Solomon Ports mechanics, operators and jiggers, thus showcasing

the technical expertise of the staff involved and the overall level of capacity available within the organisation.

Domestic Terminal Gate House

As part of the ongoing Port Modernisation Plan, the commissioning of the new Domestic Port Terminal Gate House is testament to the Company's commitment to serving the people of Solomon Islands, providing them with the maximum standard of service delivery and facilities of the highest quality.

Solomon Ports has achieved this while remaining true to the realisation of its Green Initiative, with the new building being 100% powered by solar energy. As the automated gates, the lighting and the air-conditioning units are all powered by renewable energy, this is indeed a remarkable feat.

The Company's work programme for the coming year will continue to enhance the Domestic Port facilities and infrastructure, including the improvement of the whole Domestic Terminal, the installation of proper entry and Exit gates, the beautification of the port area, the construction of new jetties, the rehabilitation and renovation of existing jetties and the anchoring of mooring buoys.

The new Domestic Terminal Gate House is also a prime example of the support that Solomon Ports continues to provide for local businesses. Designed by local architects, constructed by local builders and contractors, work on the important project has made a valuable contribution to the livelihoods of the local communities.

Pilot Programme for Local Exporters

Aware of the impact of COVID-19 on the local population, in particular the agriculture sector and the export trade, Solomon Ports signed a Memorandum of Understanding (MOU) to assist Small and Medium Exporters in addressing the additional challenges they face in accessing overseas markets.

The partnership between Solomon Ports, Express Freight Management, and Ueniusu'unu Agribusiness Group paves the way for the innovative pilot export initiative, Less Than Container Load (LCL) Access to Export Markets, using leading-edge digital technology that enables the sharing of containers for exports and connects small-scale producers, aggregators, exporters and intermediaries to aggregate freight for specialty overseas markets.

The programme is designed to improve freight and logistics for the Solomon Islands agriculture sector, while transforming the previous process within the sea freight and logistics market, resulting in greater transparency and efficiency to benefit all stakeholders.

Unity Square

Solomon Ports was proud to host Honourable Prime Minister Sogavare as Guest of Honour, and all the Solomon Islands provincial premiers, at the commissioning of the largest national flag and the tallest flagpole, in the Pacific Region. The 50metre national flag flies high above the site at Point Cruz, Honiara and is flanked by all the provincial flags.

Unity Square is a symbol of unity in diversity, embodying the common destiny of the Solomon Islands nation and its peoples, and is a tangible demonstration of Solomon Ports' commitment to its civic responsibility in support of building the nation.

Solar for Madili and Sepi

Not all of Solomon Ports' actions within the arena of Corporate Social Responsibility are as public or as noticeable as Unity Square. When Solomon Ports donated a solar power system to Madili School, Rendova Island, Western Province, the community received electricity for the first time. The system will provide power to a classroom and five staff houses.

Likewise, the newly built community hall at Sepi has solar powered electricity, thanks to the solar energy system donated by Solomon Ports, after the Sepi community worked together to build the new hall. The recipients were greatly appreciative of the donation, expressing their belief that the milestone development would bring long-term benefits and future progress to the community.

School Renovations Funded

Students attending Choiseul Bay Provincial Secondary School, Choiseul Province, will be able to cook and eat their meals in a clean, safe and dry environment, thanks to the Solomon Ports donation of SBD $105,000 to the school for the repair and renovation of the kitchen and dining hall.

Red Cross Assistance

The Solomon Ports support of the Solomon Islands Red Cross fundraising initiative was acknowledged when the Non-Profit Organisation (NGO) presented Solomon Ports with a Certificate of Appreciation.

At a time when public and external donations in support of NGOs are impacted by the Coronavirus pandemic, the Solomon Ports decision to select the Solomon Islands Red Cross daily catering service has meant that the NGO has been able to continue important programmes such as blood donations and having volunteers conduct COVID-19 awareness in the provinces.

Support for Health Care

As well as visits by Solomon Ports staff to share gifts and the spirit of Christmas with patients at the National Referral Hospital, Solomon Ports supported the organisational effort of the Solomon Islands Wantok Association of NSW to donate equipment to the Kilu'ufi Hospital in Malaita Province. Norwest Rotary Club provided the container and paid shipping costs to Honiara.

The 40foot container packed with 70 beds, bed linen, medical gowns, and hospital equipment and basic medical items made its way to Kilu'ufi Hospital, thanks to the assistance of the Tongs Corporation and the Rotary Club of Honiara, and Solomon Ports, who waived port charges in support of the community project.

Solomon Ports welcomed the opportunity to fulfil its obligations of social responsibility by partnering with the Rotary Club to assist the health care system.

Operational Review

Solomon Islands Ports Authority is responsible for the two major declared ports of entry into Solomon Islands, namely Honiara and Noro, both of which are ISPS compliant.

In the process of evolving from its simple beginnings in 1956, Solomon Islands Ports Authority (SIPA) has transformed as a flourishing gateway port in the Pacific region, and has adopted new technologies that enhance efficiency and productivity, while still advancing the Green Port Initiative and Climate Change Mitigation strategies that are essential to our continued successful progress as a Pacific Island nation in the 21st Century.

The 2020 financial year has seen Solomon Ports consolidate and reap the benefits from the 2019 implementation of new container handling machines, terminal operating systems, billing system, and staff training and development, all of which have contributed to appreciable port operations improvements Port Honiara and Port Noro.

Harbour Master's Office

In the latter months of 2019 and into early 2020, reports of the rapid spread of the COVID-19 pandemic saw Solomon Ports taking a proactive and robust stance at its borders. It was essential that appropriate, new, control measures were adopted that were in line with the joint Standard Operating Procedures (SOPs) formulated in conjunction with the Ministry of Health, as the Harbour Master's Office is vital to the efficient functioning of the overall port operations at the Port of Honiara and the Port of Noro.

In order to safeguard Solomon Ports employees, the nation's citizens and the crews of vessels arriving at our ports of entry, suitable protocols were established and all pilots are now required to wear the correct level of personal protective equipment (PPE) as outlined in the revised SOPs.

The Harbour Master is responsible for enforcing the regulations that govern the ports of entry, as well as for ensuring the safety of navigation, the security of the the harbour and the correct operation of the port facilities. This necessitates the efficient and effective management of the ports and their navigation areas to meet the requirements of customers and the relevant statutory bodies.

These comprehensive obligations include reporting to the CEO as required, the planning and allocation of berthage, the allocation of vessels to pilots for berthing and unberthing, and the piloting of ships within the harbour precincts of the Ports of Honiara and Noro.

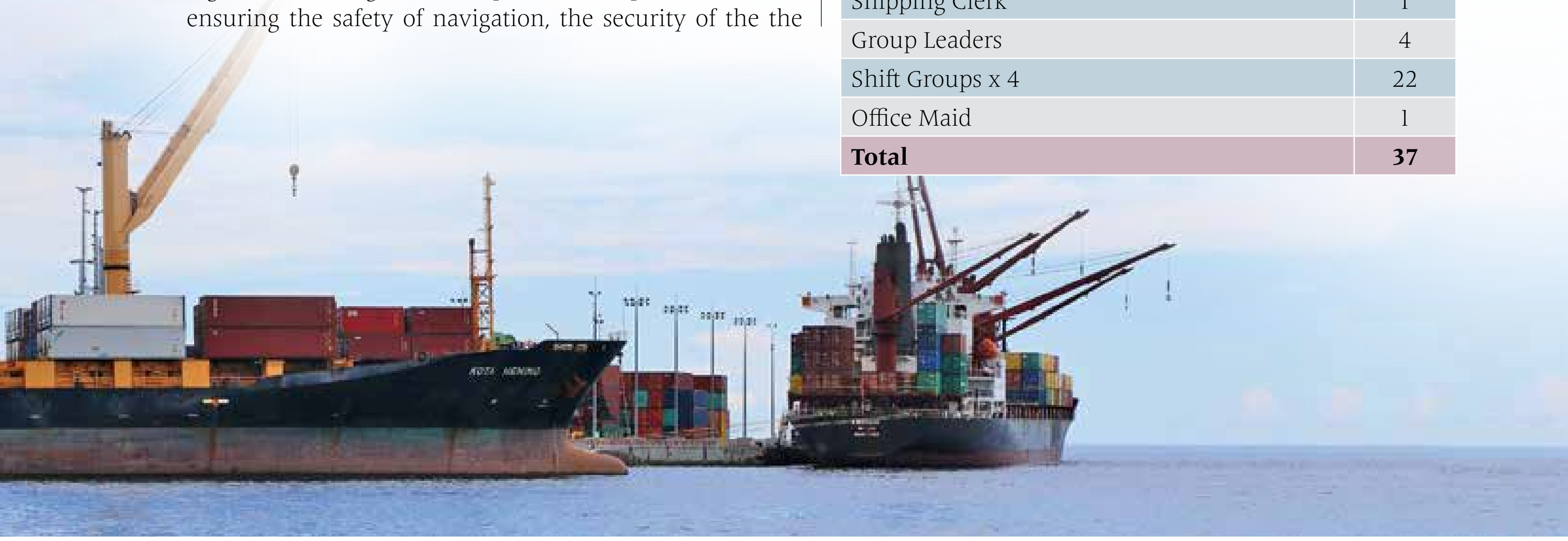
Pilots and Pilotage

Solomon Ports employs suitably qualified marine pilots whose duties, under the purview of the Deputy Harbour Master Pilotage & Navigation, include maintaining communication with the ships and the port, the boarding and safe navigation of vessels entering or leaving our harbours, maintaining and updating relevant data, and maintaining pilotage of domestic vessels that exceed 40metres.

The successful, reciprocal relationship between the department's staff and Solomon Ports is the domain of the Harbour Supervisor, with the overall role of communicating organisational needs, overseeing employee performance, identifying development needs, and providing guidance and support.

Harbour Department Personnel for 2020

Harbour Master	1
Deputy HM Navigation/ Pilotage	1
Deputy HM Administration	1
Senior Pilot, Safety & Compliance Officer	1
Pilots	2
Cadets	2
Domestic Supervisor	1
Shipping Clerk	1
Group Leaders	4
Shift Groups x 4	22
Office Maid	1
Total	**37**



Port of Honiara

The Port of Honiara is located at Latitude 09° 26.0′ South, Longitude 159° 57.0′ East, with the location of pilot boarding grounds at Latitude 09° 25.0′ South, Longitude 159° 58.0′ East, and there is a distance of 0.5 nautical miles from pilot station to anchorage, with a minimum depth of 11 metres and a diameter of 300 metres at the turning basin. On average, the tidal range is 0.9 metres, with weak and variable tidal streams within the vicinity of the wharf.

There are two international berthing wharves, Berth No.1 and Berth No. 2

Berth No. 1 is 110 metres long, with a depth of 10.5 metres, while Berth No. 2 is 150 metres long, with a depth of 11.5 metres. Both berths are tabular, with concrete surfaces and harbour fenders.

The Honiara Port has a minimum depth of anchorage at 20 metres with variable wind currents mostly at North Easterly winds.

Terminal Operating System

The implementation in 2020 of the additional modules to the Terminal Operating System (TOS) continues to positively impact Solomon Ports' operational performance, enhancing the capacity for improved service delivery to customers through the utilisation of the following processes:

- Voyage creation and scheduling
- Voyage Tracking
- PRA and Discharge list entry
- Truck Tracking
- Containers Received
- Container Loading
- Container Discharge
- Container Delivery

As containers are stacked and stored according to voyage, weight and POD for back loading, and with automatic storage tracking and gate in/out, load/discharge reports, accurate information is immediately available. As well as optimising customer service and contributing to the greater vessel handling efficiencies, the application of TOS has simultaneously strengthened security and occupational health and safety, improved the physical profile of the port facility, and decreased revenue leakage.

Terminal Layout Line Marking

This increase in efficiencies has been supported by the application of line marking through the use of the line marking machine at the Port of Honiara. Area A for 40ft FCL (full container load) import containers and Area B for 20ft FCL import containers have been marked. Area C was also marked and in use for 20ft FCL import containers, and will be re-marked as soon as the contract to replace the pavement is completed. Vehicle safety and a smoother entrance and egress of traffic have also been enhanced by the marking out of designated traffic lanes inside the container yard.

Yard Planning Proficiency

With the Yard Control Centre responsible for the proper management of the container yard and both FLC and empty containers, the improvements stemming from the integrated augmentation of machinery, processes and procedures are demonstrated by the radical reduction in the number of container moves required when accessing full or empty containers for customers.

As Yard Planners ensure that containers are stacked according to consignments, weight and commodity, it now requires a maximum of only four moves to access a customer's FLC container for delivery. An empty container requires only one move to access, a remarkable reduction in comparison with the more than 20 moves often required a mere two or three years ago.

Container Booking System

In the interests of further enhancing Solomon Ports' customer service and the ongoing promotion of smooth, effective operations, the decision to implement the Port Management and Container Booking System in 2019 has also been validated by the accumulated efficiencies resulting from the increased pace of container handling and turn around times for vehicles in the yard and for customers in general, both importers and exporters.

Customers continue to express their appreciation, as the process enables customers to complete faster container booking, at their convenience. Provided all necessary documents are ready to be uploaded into the system, customers may complete booking at the Counter Service Centre for 'gate-out delivery'. The process, which complements TOS, has greatly reduced truck queues at the entrance gate, fuel wastage, and delays in collecting customers' documentation.

Export Timeframes

The facilitation of the Export Timeframes protocol has also been of benefit, with the enforcement of the 48 hour cut-off time for the receipt of export goods. The introduction of the late penalty fee for container and bulk cargo export goods has inspired greater cooperation and coordination by customers to meet their deadlines well ahead of the scheduled timeframes.

This streamlining of services for shipping agents and shipping principals has reduced the burden on pre-departure planning and documentation to be fulfilled by the operations department, as well as preventing vessel departure delays due to the continuous late delivery of export containers.

Weigh in Motion (WIM)

As the first Pacific Port to have installed a Weigh-In-Motion (WIM) system to comply with the IMO SOLAS VGM (Verified Gross Mass) requirement, Solomon Ports remains conversant with the important role played by new, evolving technologies in its continued operation as a provider of effective and efficient port operations.

The system is fully RFID enabled in order to trace vehicle entry and movements within the terminal, with a permanent RFID card issued and fixed to the windscreen of all trucks entering the port area. With five cameras installed, the system is able to capture different positions of the container number and vehicle registration plate.

Mobile X-Ray Scanner

The commissioning of the state-of-the-art mobile X-ray unit, provided by NUTECH, China, reinforces Solomon Port's adherence to the International Ships & Ports Facility Security (ISPS) Code and sets the highest standard for the Pacific region's maritime industry with the investment of SBD 16 million in the high-tech scanner.

The machine can be deployed to any part of the country, based on operational needs and will be operated by Customs and Biosecurity officers to quickly and efficiently inspect containers suspected of carrying items of a dubious or illicit nature.

Terminal Sweeping Machine

Another first for the region's maritime sector was Solomon Ports commissioning of a new yard sweeping machine in 2019. This has significantly improved the overall cleanliness of the wharf, the container terminal and all common areas of the port. Its use has also lowered the dust levels at the domestic jetties and the surrounding road access. This development has enhanced the working environment and reduced potential health hazards by improving the workplace cleanliness for employees.

Container Fumigation and Sea Container Hygiene System

To better facilitate Solomon Islands' exports to New Zealand, Australia, and other international markets that require stringent Bio-Security adherence before reaching such destinations via sea, Solomon Ports Fumigation Division was established in 2016. All incoming containers to Solomon Islands are fumigated at the request of Solomon Islands Bio-Security Department to protect country's agriculture, flora and fauna, and all containers exported to Australia and New Zealand are fumigated and certified to Australian Bio-Security standard by Solomon Ports fumigation division.

Solomon Ports is fully licensed under the AFAS Australian Quarantine Standard and the Solomon Islands Quarantine Standards, with the Authority's container washing facility at the Port of Honiara the only compliant container washing provider in the Solomon Islands certified to Australian Quarantine Standard.

Freshwater Supply to Vessels

As part of providing port reception and facilities and provision of additional services to shipping lines calling our ports, Solomon ports has already invested in a water storage and supply facility for Port of Honiara, coupled with a state-of-the-art, reverse osmosis water purification system with the capacity to provide 350,000 liters of fresh water to vessels requiring fresh water supply.

Port of Honiara Cargo Handling Equipment

Kalmar Fleet

Description	Type	No
Full Container Handler	Kalmar Reach stacker	5 Units
Empty Container Handler	Kalmar Reach stacker	5 Units
	Twin Pick	1
	16T Fork	1 Unit
	8 T Fork	1 Unit

Omega Fleet

Description	Type	No
Full Container Handler	Reach Stacker	4
	Top Lift	1
	ECH	
	16T Fork	1

Terminal Tractors and Trailers

Description	Type	No
Terminal Tractors and Trailers	Terberg Trailers and 80T Low Bed Trailers	5

Transport Division: Port of Honiara Light Vehicle Fleet

Description	Equipment Type	No
Isuzu Truck	3 Ton	2
Bus	20 Seater	2
Bus	10 Seater	2

Port of Honiara International Vessel Calls 2019-2020

Type of Ships	Oct 2019	Nov 2019	Dec 2019	Jan 2020	Feb 2020	Mar 2020	Apr 2020	May 2020	Jun 2020	Jul 2020	Aug 2020	Sep 2020
Container	10	12	9	12	6	8	6	11	5	9	8	10
Fuel Tanker	3	2	2	3	3	3	2	1	2	6	4	2
Palm Oil Tanker	0	1	0	1	1	1	0	1	1	0	1	1
Cruise Ship	0	1	0	0	1	0	0	0	0	0	0	0
LPG Gas	1	1	1	1	1	1	2	1	1	1	1	1
Landing Craft	0	0	0	0	0	0	0	0	1	1	1	0
Tugboat/DB	0	0	0	0	0	0	0	0	1	1	0	0
Navy Ships	1	2	0	0	0	0	0	0	0	0	0	0
General Cargo	0	1	0	0	0	0	1	0	1	0	1	3
Survey	0	0	0	0	0	0	0	0	0	0	0	0
Fishing Fish Carrier	0	0	0	5	21	11	2	9	4	22	3	1
Others	1	1	1	1	2	2	3	3	2	2	3	1
TOTAL	**16**	**21**	**13**	**23**	**35**	**26**	**16**	**26**	**18**	**42**	**22**	**19**

Port of Noro

Noro Port, which is an ISPS controlled area, is a multi-purpose berth, serving both international and domestic shipping vessels. The deep-water berth is 62metres in length with 14metres depth, alongside a concrete deck and steel pile structure. Pilotage is compulsory for vessels exceeding 40metres overall in length.

There are two boarding grounds at the Noro Port:
Outer: Latitude 08° 4′ South, Longitude 157° 12.1′ East
Inner: Latitude 08° 4′ South, Longitude 157° 11.8′ East

The preference for which boarding ground to choose is dependent on the Captain. Traffic in the channel can sometimes be heavy, so navigating in the direction of the leading lights at an angle of 190°T is recommended.

Terminal Operation System

Like Honiara Port, the Port of Noro is benefitting from the introduction of the Terminal Operating System, despite some constraints imposed by the need for enhanced network coverage.

Yard planners can now stack containers according to consignee and number of containers discharged, and clerical staff can use TOS to identify the physical position of a container. Positive customer feedback emphasises appreciation for invoice accuracy and the faster container pick-up times and truck turnaround time in the Terminal.

Requests have been received from a major international logistics and shipping line company, seeking to expand their current lease area to accommodate another 500 reefer boxes, occupying a total ground slot of 125 units.

Noro Reefer Facility

In response to the increasing demand for Solomon Islands' fish exports, an additional reefer facility with a 100 plug-in points has been constructed at Noro Port, with a proper pavement for the refrigeration area, an upgraded power supply and a backup generator.

Container Booking System

Similarly, Noro Port is reporting increased customer satisfaction with being able to make bookings at their convenience and the reduced turnaround times in the terminal.

Export Timeframes

The 48hour Export Timeframes protocol has also been implemented at Port Noro, with container and bulk cargo customers responding in a positive and cooperative manner well in advance of the posted schedules.

Port of Noro
International Vessel Calls 2019-2020

Type of Ships	Oct 2019	Nov 2019	Dec 2019	Jan 2020	Feb 2020	Mar 2020	Apr 2020	May 2020	Jun 2020	Jul 2020	Aug 2020	Sep 2020
Container	3	2	2	3	2	2	3	1	2	2	1	2
Fuel Tanker	-	1	-	4	3	1	1	1	1	1	-	1
Palm Oil Tanker	-	-	-	-	-	-	-	-	-	-	-	-
Cruise Ship	-	-	-	-	-	-	-	-	-	-	-	-
LPG Gas	-	-	-	-	-	-	-	-	-	-	-	-
Landing Craft	-	-	-	-	-	-	-	-	-	-	-	-
Tugboat/DB	-	-	-	-	-	-	-	-	-	-	-	-
Navy Ships	-	-	-	-	-	-	-	-	-	-	-	-
General Cargo	19	19	20	29	17	19	24	26	24	11	17	18
Survey	-	-	-	-	-	-	-	-	-	-	-	-
Fishing Fish Carrier	-	2	-	-	-	-	-	-	1	-	-	-
Others	16	16	14	21	4	13	2	20	16	2	5	34
TOTAL	**38**	**40**	**36**	**57**	**26**	**35**	**30**	**49**	**43**	**16**	**23**	**55**

Port of Noro Cargo Handling Equipment

Kalmar Fleet

Description	Type	No
Full Container Handler	Kalmar Reach stacker	2 Units
Empty Container Handler	Kalmar Reach stacker	1 Unit
	Twin Pick	-
	16T Fork	1 Unit
	8 T Fork	1 Unit

Terminal Tractors and Trailers

Description	Type	No
Terminal Tractors and Trailers	Terberg Trailers	1
	80T Low Bed Trailers	1

Transport Division: Port of Noro Light Vehicle Fleet

Description	Equipment Type	No
Toyota	Rav-4	2
Hyundai	Pickup	1
Toyota Bus	10 Seater Bus	1
Mitsubishi	Mitsubishi - i-O	1

Human Resources Development

Employees by Location

	2019	2020
Honiara	417	478
Noro	53	53
Total	**470**	**531**

Employees by Gender & Location

	2019		2020	
	Female	Male	Female	Male
Honiara	53	364	60	418
Noro	2	51	2	51
Total	**55**	**415**	**62**	**469**

Gender Equity

Historically, port activities worldwide have been male dominated. Solomon Ports is no exception, but although males comprise the majority of the workforce, females are encouraged to seek recruitment with the Company. To date, a total of 62 females are employed throughout most departments at Solomon Ports.

As Solomon Ports believes in providing a safe, respectful and supportive work place that encourages female leadership and engagement in work roles traditionally held by males, the Company welcomed the opportunity for female staff members to participate in the Waka Mere (She Works) programme, offered by International Finance Corporation (IFC), supported by Australian Aid and the New Zealand Foreign Affairs & Trade Aid Programme, in collaboration with the Solomon Islands Chamber of Commerce and Industry (SICCI). The programme has positively influenced and informed policy development at Solomon Ports that supports women in the work place and the Solomon Ports Winning Team Culture.

Winning Team Culture

Solomon Ports continues to promote the Winning Team Culture throughout the organisation, as the integration of this philosophy into our employees' working lives benefits them, as well as the Company, with demonstrable outcomes such as high levels of productivity, team work, commitment to personal professional development and greater job satisfaction. Other outcomes from the training provided by the Human Resources team to bring about behavioural changes include:

Productivity improvement champions
- Promotes employees
- Appraisals

Productivity improvement teams
- Punctuality improved with time clock installation

Living the vision, mission and values
- Remove waste
- Training held to bring culture change

Enhance the customer experience

Advance advice by email of planned changes

Waka Mere Impacts

Empowerment and professional development of women

Policy Implementation - Respectful Workplace/ Domestic Violence

One team ethos –team SIPA

Process for employees to voice concerns/issues

Decisions guided by policy implementation

Training

It is mandatory for Solomon Ports to abide by international regulations and maintain compliance with the ISPS Code, International Labour Organisation (ILO) standards, and the International Health Regulations (IHR 2005).

ISPS Certification

Five Solomon Islands Ports security officers have also reached international levels of recognition by attaining certification in the International Ships & Port Security (ISPS) Code from the Australian Maritime College, University of Australia, Tasmania. This milestone achievement for the Authority's security standards provides the officers with internationally acknowledged qualifications as Port Facility Security Officers (PFSOs).

ISPS Code Training

ISPS Code training is mandatory for all new employees recruited by Solomon Ports. Quarterly training sessions on ISPS Code requirements are also mandatory, and were conducted at the Port of Honiara, attended by 71 employees, and at the Port of Noro, attended by 43 employees. Each facility received a total of 50 training hours that included:

- Access Control Training
- Security Awareness Training
- Physical Search
- Safety and Security Procedures
- Functioning Drills and Exercises

Safety training was conducted by the Port Facility Security Officer (PFSO) Honiara and PFSO Noro, who also act as Occupational Health & Safety (OHS) Officers in ensuring the implementation of safety and security.

Fire Warden/Fire Drill Training

The ongoing Fire Warden and fire drill training is conducted on a regular basis by the Royal Solomon Islands Police Force (RSIPF) |Fire and Rescuer Services, supported by Solomon Port Facility Security Officers at Honiara and Noro Ports. Sessions were attended by 43 participants from the Noro Port Facility and 28 participants from Honiara.

COVID-19 Awareness

As information regarding the COVID -19 pandemic reached Solomon Islands, experts from the Ministry of Health conducted training on appropriate protocols to follow in order to keep employees, international crews and all port users as safe and healthy as possible. The importance of safe practices such as hand washing, the proper use of PPE, social distancing, and covering coughs were emphasised in the training.

Information Technology & Communications

Data Security & Resilience

Solomon Ports has embarked on implementing an action plan in order to guarantee the continuity of business systems and the recovery of resources in the event of a disaster, whether be a cyber security attack or any other form of disaster.

A disaster recovery site has been established at a secondary location at the Operations Terminal Control Office in the Honiara Port Terminal. The facility plays a pivotal role, not only to support the daily functions and the ongoing operations of the Company, but also ensures business continuity and minimised downtime.

Hosted in the facility are physical redundant servers providing fault tolerant server support for core systems and applications such as Pronto ERP system and PortManager, Terminal Operating Systems.

Administered by the Network Administrator to ensure that servers are online and critical applications are replicated successfully daily, the facility is connected to the primary server site in the main Administration Building. Through direct optical fibre connections applications replications occur every 30 minutes between the primary server and the secondary server hardware, through the Veeam Software.

Moving forward, a more robust disaster and recovery centre is planned, to be constructed and hosted remotely off-site, away from the Solomon Ports' premises and facilities in order to mitigate against possible disasters such as tsunamis or other natural catastrophes

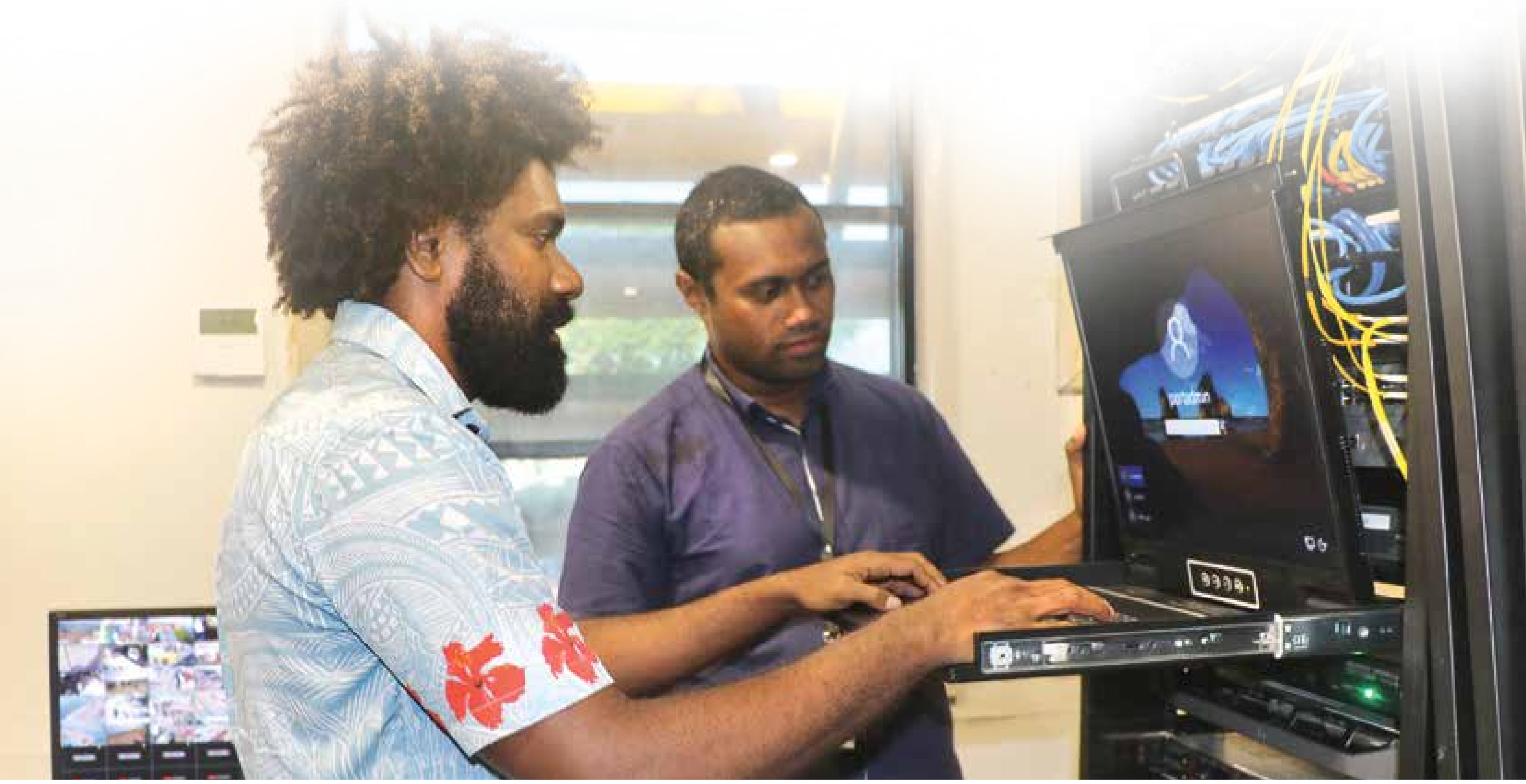
High Speed Fibre Network

With the arrival and the commissioning of the underwater optical fibre cable, the Port of Honiara transferred its connection from copper connection to optical fibre cable connection with Solomon Telekom. The resulting greater bandwidth and reliability has significantly enhanced and improved Solomon Ports' communication capability.

Reliable internet speed and connectivity are vital to Solomon Ports, in order to adequately support the various online platforms for remote meetings, conferences and webinars, as well as provide remote access through VPN and Remote Desktop Access for users who work remotely.

It is now possible to migrate and host other services from on line to cloud based services, in particular the MS Exchange Services, while reducing risks and providing a better option to mitigate against the growing threats of ransom ware attack through phishing email and other attack vectors.

The successful incorporating into the underwater fibre optic network infrastructure has given the organisation the opportunity to deploy systems and network infrastructures to support the ongoing growth and development of the Port of Honiara into a competitive and successful Port in the region.



Finance Department

Solomon Ports has utilised the Pronto ERP system throughout the 2019 -2020 financial year. This system covers all of the Company's financial modules, such as general ledger, accounts receivable, accounts payable, point of sale, inventory, payroll, procurement, and Cognos reporting portal.

The Finance Department is now well versed in the use of the modules, as relating to their roles and responsibilities.

The implementation of the Pronto Business Intelligence function is also in progress, and when completed would give management access to business dashboards that cover the various modules, such as accounts receivable, sales, accounts payable, inventory, and general ledger. Implementation of the fixed asset module is still in progress and is expected to be utilised in the next financial year.

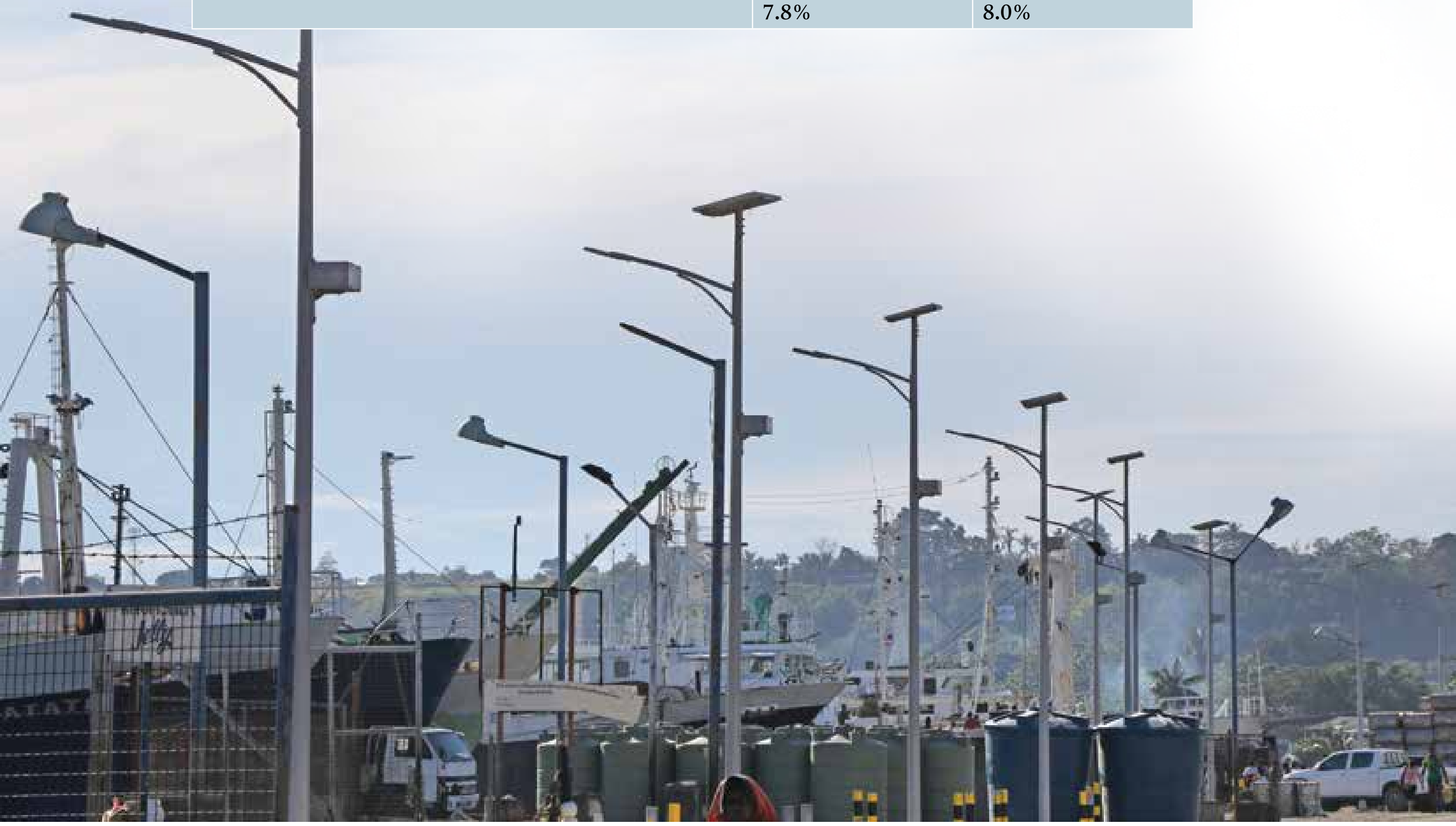
The Pronto ERP billing system is yet to be interfaced with the new, 'Port Manager' terminal operating system (TOS), in terms of capturing information that would initiate the billing process and generate invoices. In the interim, this information is captured by TOS, with the reports sent to the Finance Department, where accounts receivable staff manually enter billing information into Pronto for billing.

The integration of Pronto ERP billing system is expected to be interfaced with the 'Port Manager' system in the next financial year.

Financial Performance Indicators

In addition to the key performance indicators provided, the following financial performance indicators, which are not subject to audit, are provided to assist users to assess the financial performance of Solomon Ports. The indicators selected are considered appropriate to use in evaluating the performance of Solomon Ports as a State Owned Enterprise.

	2020	2019
CURRENT RATIO		
Total Current Assets	354,789,208.00	334,493,403.00
Total Current Liabilities	26,108,097.00	22,596,982.00
	13.59	**14.80**
OPERATING RATIO		
Total Operating Expenses + Deprecation and tax	73,013,508.00	78,832,328.00
Total Operating Revenue	212,526,237.00	195,764,282.00
	34.4%	**40.3%**
FREE CASH FLOW		
Net Cashflow from Operations (after interest)	138,234,531.00	57,779,436.00
Net Cashflow from Operations (before interest)	138,234,531.00	57,779,436.00
	100%	**100%**
RETURN ON ASSETS		
Earnings Before Interest and Tax	72,571,801.00	69,269,096.00
Average Total Assets	928,630,511.00	866,198,595.50
	7.8%	**8.0%**



Solomon Islands Ports Authority
Financial Statements

For the year ended 30 September 2020

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Directors' Report
For the year ended 30 September 2020

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 2020 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	Date Appointed
Johnny Sy	Chairman	
Michael Wate	Vice Chairman	01/12/2019
Steven Maesiola	Board Member	01/12/2019
Moses Virivolomo	Board Member	10/02/2020
Donald Kudu	Board Member	10/02/2020
Ali Homelo	Board Member	18/12/2021
Gabriel Suri	Board Member	18/12/2021

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 2020 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 2020 was $72,572,801 (2019: $69,269,096).

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 declared dividend amounting to $5,000,000 for the financial year ended 30 September 2020 (2019: nil).

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.

Directors' Report *(Cont'd)*

For the year ended 30 September 2020

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) 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.

Significant events during the year

The social, health and economic consequences of the COVID-19 pandemic continue to evolve rapidly and is having a major impact across the globe. Since its declaration as a pandemic in March 2020, COVID-19 and the associated government, business and consumer response has had an impact on the operations and financial performance of the Authority. While the ultimate disruption which may be caused by the COVID-19 is uncertain, it may result in an adverse impact on the Authority's financial position, performance, and cash flows, should it result in significant economic downturn impacting the Authority.

The Authority continues to monitor developments in the COVID-19 pandemic and the measures being implemented on the economies to control any possible outbreak. Given the dynamic nature of this circumstances and the significant increase in economic uncertainty, the related impact on the Authority's future results of operations, cash flows and financial condition cannot be reasonably estimated at balance date and will be reflected in the Authority's 2021 annual financial statements.

Events subsequent to balance date

In 2021 there had been civil unrest and community transmission of the pandemic due to which there had been lock downs and border closures. 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 8th day of June 2022

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

Chairman of the Board

Director

Statement by Directors

For the year ended 30 September 2020

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 2020;

(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 2020;

(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 2020;

(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 2020;

(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 8th day of June 2022.

Chairman of the Board

Director

Solomon Islands
Office of the Auditor-General

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

Report on the Audit of the Financial Statements

Opinion

I have audited the accompanying financial statements of Solomon Islands Ports Authority (the Authority) which comprise the Statement of Financial position as at 30 September 2020, and the Statements of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information as set out in notes I to 26.

In my opinion the accompanying financial statements give a true and fair view of the financial position of the Authority as at 30 September 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis of opinion

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 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 opinion.

Emphasis of Matter

I draw attention to Note 25 to the financial statements which indicates that the comparative information presented as at and for the year ended 30 September 2019 has been restated. My opinion is not modified in respect of these matters.

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 auditors, 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.

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. I have nothing to report in this regard.

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

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

Management are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting 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.

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 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 scepticisms 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.

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

- 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 control that I identify during my 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 Public Finance and Audit Act (Cap 120) and the State-owned Enterprise Act 2007 which require the financial statements to be submitted to the Office of the Auditor General not later than 3 months of the following year to which the financial statements relate. The signed statements were presented to me on 20June 2022.

David Dennis
Auditor-General

Office of the Auditor-General
Honiara, Solomon Islands

Statement of Profit or Loss & other Comprehensive Income

For the year ended 30 September 2020

	Note	2020 $	2019 $ ** Restated*
Revenue	5	212,526,237	195,764,282
Other income	6	19,795,663	17,918,887
Change in fair value of investment properties	15	-	1,487,023
Release of deferred revenue	20	3,510,257	3,510,257
Operational expenses	7	(73,013,508)	(78,832,328)
Administrative and other operating expenses	8	(91,718,097)	(71,826,496)
Profit from operations		**71,100,552**	**68,021,625**
Finance income	10(a)	4,751,900	2,017,099
Finance cost	10(b)	(3,279,651)	(769,628)
Net finance income		**1,472,249**	**1,247,471**
Net profit before tax		**72,572,801**	**69,269,096**
Income tax	3(h)	-	-
Net profit for the year		**72,572,801**	**69,269,096**
Other comprehensive income		-	-
Total comprehensive income for the year		**72,572,801**	**69,269,096**

**- Refer Note 25*

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes set out on pages 47-75.

Statement of Financial Position

As at 30 September 2020

	Note	2020 $	2019 $ ** Restated*	2018 $ ** Restated*
ASSETS				
Current assets				
Cash and cash equivalents	11	170,794,622	195,176,790	180,255,739
Trade and other receivables	12	60,539,121	88,297,195	62,478,240
Inventories	13	1,139,593	701,000	715,987
Investments	14	122,315,872	50,318,418	50,984,115
Total current assets		**354,789,208**	**334,493,403**	**294,434,081**
Non-current assets				
Investment property	15	32,285,372	36,541,406	35,054,383
Property, plant and equipment	16	575,241,851	523,755,703	508,118,215
Right-of-use assets	17 (i)	154,079	-	-
Total non-current assets		**607,681,302**	**560,297,109**	**543,172,598**
Total assets		**962,470,510**	**894,790,512**	**837,606,679**
LIABILITIES				
Current liabilities				
Trade and other payables	18	20,828,228	17,192,306	14,056,354
Employee benefits	19	1,768,618	1,894,419	1,316,814
Lease liabilities	17 (ii)	984	-	-
Deferred revenue	20	3,510,257	3,510,257	3,510,258
Total current liabilities		**26,108,087**	**22,596,982**	**18,883,426**
Non-current liabilities				
Employee benefits	19	8,495,613	8,547,190	9,189,699
Lease liabilities	17 (ii)	157,925	-	-
Deferred revenue	20	157,669,074	161,179,331	164,689,586
Total non-current liabilities		**166,322,612**	**169,726,521**	**173,879,285**
Total liabilities		**192,430,699**	**192,323,503**	**192,762,711**
Net assets		**770,039,811**	**702,467,009**	**644,843,968**
EQUITY				
SIG equity contribution		402,824	402,824	402,824
Asset revaluation reserves		248,823,215	248,823,215	248,823,215
Retained earnings		520,813,772	453,240,970	395,617,929
Total equity		**770,039,811**	**702,467,009**	**644,843,968**

**- Refer Note 25*

Signed in accordance with a 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 47-75.

Statement of Changes in Equity

For the year ended 30 September 2020

	Solomon Island Government contribution $	Asset revaluation reserve $	Retained earnings $	Total $
Balance as at 1 October 2018 (as previously reported)	402,824	248,823,215	393,451,594	642,677,633
Adjustment for prior period error (refer to note 25)	-	-	2,166,335	2,166,335
Adjustment on initial application of IFRS 9			(11,646,054)	(11,646,054)
Restated balance as at 1 October 2018	**402,824**	**248,823,215**	**383,971,875**	**633,197,914**
Total comprehensive income for the year				
Net profit for the year	-	-	69,269,096	69,269,096
Other comprehensive	-	-	-	-
Restated balance as at 30 September 2019	**402,824**	**248,823,215**	**453,240,970**	**702,467,009**
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**	**520,813,772**	**770,039,811**

**- Refer Note 25*

The above statement of changes in equity should be read in conjunction with the accompanying notes set out on pages 47-75.

Statement of Cash Flows

For the year ended 30 September 2020

	Note	2020 $	2019 $
Cash flow from operating activities			
Receipt from customers		238,752,031	184,922,202
Payments to suppliers and employees		(104,472,003)	(128,949,860)
Bank fees paid		(60,583)	(215,963)
Interest received		4,015,086	2,023,057
Net cash flows from operating activities		**138,234,531**	**57,779,436**
Cash flow used in investing activities			
Acquisition of investment securities		(73,413,596)	(18,872)
Acquisition of property, plant and equipment	16	(82,593,008)	(41,932,386)
Proceeds from disposal of property, plant and equipment		193,706	-
Net cash flows used in investing activities		**(155,812,898)**	**(41,951,258)**
Cash flow used in financing activities			
Dividend paid		(5,000,000)	-
Lease payment		(20,001)	-
Net cash flows used in financing activities		**(5,020,001)**	**-**
Net (decrease) / increase in cash and cash equivalents		(22,598,368)	15,828,178
Cash and cash equivalents at the beginning of the year		196,083,917	180,255,739
Cash and cash equivalents at the end of the year	11	**173,485,549**	**196,083,917**

The above statement of cash flows should be read in conjunction with the accompanying notes set out on pages 47-75.

Notes to and Forming Part of the Financial Statements

For the year ended 30 September 2020

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 9th June 2022.

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

(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

Notes to and Forming Part of the Financial Statements *(Cont'd)*

For the year ended 30 September 2020

2. Basis of preparation *(continued)*

(d) Change in accounting policies and disclosures

Except for the changes below, the Authority has consistently applied the accounting policies to all periods presented in these financial statements. A number of other interpretations and amendments are also effective 1 October 2019, but they do not have a material effect on the Authority's financial statements.

IFRS 16 Leases

The Authority adopted IFRS 16 Leases with the date of initial application of 1 October 2019.

The Authority applied IFRS 16 standard using the modified retrospective approach, under which the cumulative effect of the initial application is recognised in retained earnings at 1 October 2019. Accordingly, the comparative information presented for 2019 is not restated - i.e., it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

i) Definition of lease

Previously, the Authority determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 Determining whether an Arrangement contains a Lease. The Authority now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 3(k).

On transition to IFRS 16, the Authority elected to apply the practical expedient to grandfather the assessment of with transactions are leases. The Authority applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as lease under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 October 2019.

ii) As a lessee

As a lessee, the Authority leases assets including property and offices. The Authority previously classified leases a operating or finance leases based on its assessment of whether the lease transferred significantly all the risks and rewards incidental to ownership of the underlying asset to the Authority. Under IFRS 16, the Authority recognises right-of-used assets and lease liabilities for most of these leases - i.e. these leases are on balance sheet.

At commencement or on modification of a contract that contains a lease component, the Authority allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price.

However, for leases of property the Authority has elected not to separate non-lease components and account for the lease and associated non-lease components as a single lease component.

<u>Leases classified as operating leases under IAS 17</u>

Previously, the Authority classified property leases as operating leases under IAS 17. On transition, for these lea ses, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Authority's incremental borrowing rate as at 1 October 2019 (see Note3(k)). Right-of-use assets are measured at either:

- Their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the Authority's incremental borrowing rate at the date of initial application.
- An amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. The Authority applied this approach to all leases.

The Authority has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

Notes to and Forming Part of the Financial Statements *(Cont'd)*

For the year ended 30 September 2020

2. Basis of preparation *(continued)*

(d) Changes in accounting policies and disclosures *(continued)*

The Authority used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leased under IAS 17. In particular, the Authority:

- applied a single discount rate to a portfolio of leases with similar characteristics;
- adjusted the right-of-use assets by the amount of IAS 37 onerous contract provisions immediately before the date of initial application, as an alternative to impairment review;
- did not recognise right-of-use assets and liabilities for leases with remaining terms less than 12 months from the date of initial application;
- did not recognise right-of-use assets and liabilities for leases of low value assets;
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term.

iii) As a lessor

The Authority is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor, except for a sub-lease. The Authority accounted for its leases in accordance with IFRS 16 from the date of initial application.

iv) Impact on transition

On transition to IFRS 16, the Authority recognised right-of-use assets and lease liabilities of $159,783 recognising the difference in retained earnings. The impact on transition is summarised below:

When measuring lease liabilities, the Authority discounted lease payments using its incremental borrowing rate at 1 October 2019. The weighted-average rate applied is 12%.

	1 October 2019 **$**
Operating lease commitments at 30 September 2019 as disclosed under IAS 17	822,610
Discounted using the incremental borrowing rate at 1 October 2019	609,151
Recognition exemption for leases of low value	(379,804)
Recognition exemption for short-term leases	(69,564)
Lease liabilities recognised at 1 October 2019	**159,783**

Notes to and Forming Part of the Financial Statements *(Cont'd)*

For the year ended 30 September 2020

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.

Notes to and Forming Part of the Financial Statements *(Cont'd)*

For the year ended 30 September 2020

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. The last revaluation was done in 2013. Since then no major asset revaluation exercise had been conducted on any class of assets.

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.

d) Inventory

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

Notes to and Forming Part of the Financial Statements *(Cont'd)*

For the year ended 30 September 2020

3. **Statement of significant accounting policies *(continued)***

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.

(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 asset that it measured at FVTPL and/or FVOCI.

Financial assets are not reclassified subsequent to their initial recognition unless the Authority changes its business model for managing financial assets in which case allT 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.

Notes to and Forming Part of the Financial Statements *(Cont'd)*

For the year ended 30 September 2020

3. Statement of significant accounting policies *(continued)*

f) Financial instruments *(continued)*

(ii). Classification and subsequent measurement (continued)

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.

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

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.

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.

Notes to and Forming Part of the Financial Statements *(Cont'd)*

For the year ended 30 September 2020

3. Statement of ssignificant accounting policies *(continued)*

f) Financial instruments *(continued)*

(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 om 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.

Notes to and Forming Part of the Financial Statements *(Cont'd)*

For the year ended 30 September 2020

3. Statement of significant accounting policies *(continued)*

f) Financial instruments *(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 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.

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.

Notes to and Forming Part of the Financial Statements *(Cont'd)*

For the year ended 30 September 2020

3. Statement of significant accounting policies *(continued)*

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

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.

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.

Notes to and Forming Part of the Financial Statements *(Cont'd)*

For the year ended 30 September 2020

3. Statement of significant accounting policies *(continued)*

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 determine 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.

Notes to and Forming Part of the Financial Statements *(Cont'd)*

For the year ended 30 September 2020

3. **Statement of significant accounting policies *(continued)***

k) **Leases**

The Authority has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4 . The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately if they are different from those under IFRS 16 and the impact of changes is disclosed in Note 2(d)(iv).

Policy applicable before 1 October 2019

For contracts entered into before 1 October 2019, the Authority determined whether the arrangement was or contained a lease based on the assessment of whether:

- Fulfilment of the arrangement was dependent on the use of a specified asset or assets; and
- The arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
    - o The purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
    - o The purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
    - o Facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

Policy applicable from 1 October 2019

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:
    - o The Authority has the right to operate the asset: or
    - o The Authority designed the asset in a way that predetermines how and for what purpose it will be used.

This policy is applied to contracts entered into, or changed, on or after 1 October 2019.

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.

Notes to and Forming Part of the Financial Statements *(Cont'd)*

For the year ended 30 September 2020

3. Statement of significant accounting policies *(continued)*

k) Leases *(continued)*

(i) As a lessee

<u>Under IFRS 16 from 1 October 2019</u>

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.

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.

Notes to and Forming Part of the Financial Statements *(Cont'd)*

For the year ended 30 September 2020

3. Statement of significant accounting policies *(continued)*

k) Leases *(continued)*

(i) Under IAS 17 – before 1 October 2019

In the comparative period, as a lessee the Authority classified leases that transfer substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent.

Subsequently, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Asset held under other leases were classified as operating leases and were not recognised in the Authority statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total expense, over the term of the lease.

(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.

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 financial 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 paid on overdraft accounts and interest on lease liabilities.

Notes to and Forming Part of the Financial Statements *(Cont'd)*

For the year ended 30 September 2020

3. Statement of significant accounting policies *(continued)*

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.

(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.

Notes to and Forming Part of the Financial Statements *(Cont'd)*

For the year ended 30 September 2020

4. Financial risk management *(continued)*

(i) Credit risk (continued)

	Note	2020 $	2019 $ *** Restated**
Cash and cash equivalents	11	202,259,376	195,176,790
Trade and other receivables	12	59,097,263	88,297,195
Investments	14	90,851,118	50,318,418
		352,207,757	**333,792,403**

	2020 $	2019 $
As at 30 September, the aging of gross trade receivables was as follows:		
Not past due	4,089,115	15,780,220
Past due 1-30 days	12,707,040	10,004,906
Past due 30-60 days	6,152,210	4,284,558
Past due 61-90 days	6,133,917	4,874,833
Past due greater than 90 days	27,367,005	19,563,813
	56,449,287	**54,508,330**

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 2020 and 2019 respectively.

**- Refer Note 25*

Notes to and Forming Part of the Financial Statements *(Cont'd)*

For the year ended 30 September 2020

4. Financial risk management *(continued)*

(i) Credit risk (continued)

	Weighted average loss rate	Gross carrying amount $	Loss allowance $	Credit impaired $
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)	5,406,672
60-90 days past due	7.11%	6,133,917	(435,866)	5,998,051
More than 90 days past due	69.21%	27,367,005	(18,940,501)	8,426,503
		56,449,287	**(23,141,687)**	**33,307,600**
30 September 2019				
Current (not past due)	3.13%	15,780,220	(494,163)	15,286,057
1-30 days past due	2.12%	10,004,906	(212,192)	9,792,714
31-60 days past due	3.69%	4,284,558	(157,916)	4,126,642
60-90 days past due	100%	4,874,833	(4,874,833)	-
More than 90 days past due	100%	19,563,813	(19,563,813)	-
		54,508,330	**(25,302,917)**	**29,205,413**

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 $23,141,687 (2019: $25,302,917).

Cash and cash equivalents

The Authority held cash of $202,259,376 as at 30 September 2020 (2019: $195,176,790). 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 $2,690,926 (2020: $907,127) against cash and cash equivalents. During the year, an impairment expense of $1,783,799 was recognised.

Investments

The Authority held investments of $90,851,117 as at 30 September 2020 (2019: $50,318,418). 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 $2,100,711 (2020: $684,569). During the year, an impairment expense of $1,416,142 was recognised.

Notes to and Forming Part of the Financial Statements *(Cont'd)*

For the year ended 30 September 2020

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.

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.

(iv) 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	2020 $	2019 $ ** Restated*
Total liabilities		192,430,699	192,323,503
Less: cash and cash equivalents	11	(170,794,622)	(195,176,790)
Adjusted net debt		**21,636,076**	**(2,853,287)**
Total equity		770,039,811	702,467,009
Adjusted net debt to equity		**2.81%**	**-0.41%**

**- Refer Note 25*

Notes to and Forming Part of the Financial Statements *(Cont'd)*

For the year ended 30 September 2020

	Note	2020 $	2019 $
5. Revenue			
Anchorage		942,286	306,884
Berthage - overseas ship		13,694,017	13,216,083
Container cleaning		4,495,760	4,405,925
Handling		3,981,119	8,422,993
Port machinery hire		13,874,884	12,906,385
Pilotage and mooring line fees		22,008,101	18,929,083
Port dues		946,391	2,084,758
Stevedoring		49,963,972	49,445,086
Storage		44,510,649	33,526,092
Tonnage dues		40,997,733	35,154,339
Wharfage		10,555,831	11,027,758
Port utilisation		6,555,494	6,338,896
		212,526,237	**195,764,282**
6. Other income			
Environment fee - overseas ships		127,984	109,276
Investment property rental income		6,854,434	7,051,631
Overtime recovery and rations		4,968,468	6,761,554
Power and water sales		2,253,196	1,029,829
Wharf entry fees		3,274,803	2,652,246
Doubtful debt released		2,161,230	-
Other income		155,550	314,351
		19,795,663	**17,918,887**
7. Operational expenses			
Depreciation *		28,286,633	24,549,920
Electricity and water		4,159,559	2,616,364
Employees' amenities		-	30,000
Fuel		2,178,681	2,519,093
Insurance		831,243	1,027,118
Personnel expenses		31,893,233	40,762,928
Repair and maintenance		2,425,670	3,091,919
Uniforms		-	49,149
Other costs of sales		3,238,489	4,185,837
		73,013,508	**78,832,328**

** Depreciation is being split into three portions:*

i) Property, plant and equipment depreciation (under note 16) split into two portions: operational expenses $28,286,633 (2019: $24,549,920) and administrative and other operating expense $1,820,289 (2019: $1,580,144).

ii) Right-of-use depreciation (under note 17) amounting to $5,704.

Notes to and Forming Part of the Financial Statements *(Cont'd)*

For the year ended 30 September 2020

	Note	2020 $	2019 $
8. Administrative and other operating expenses			
Auditors' remuneration		393,366	334,240
Bad and doubtful debts		1,713,210	5,065,347
Computer consumables		505,038	483,360
Consultancy services		1,085,194	3,247,727
Depreciation		1,820,289	1,580,144
Board of director's expenses	22	1,027,276	1,398,333
Electricity and water		4,313,821	2,268,283
Land rents and rates		3,078,950	2,332,949
Legal expenses		2,151,896	245,841
Personnel expenses		53,669,176	39,506,833
Postage, telephone and fax		1,902,970	1,574,687
Printing and stationeries		1,202,739	1,112,389
Repairs and maintenance		1,922,933	1,809,921
Travel allowances		1,382,082	4,127,382
Entertainment		1,142,956	557,716
Donation		1,455,111	1,199,159
Write-off deposit on asset		5,067,970	280,615
Other operating expenses		7,883,120	4,701,570
		91,718,097	**71,826,496**
9. Personnel expenses **			
Salaries and wages		41,798,373	46,267,573
National Provident Fund		4,168,429	4,315,056
Other staff benefits and costs		39,595,607	29,687,132
		85,562,409	**80,269,761**

The average total number of employees during the year ended 30 September 2020 was 499 (2019: 494)

***Personnel expenses is mapped under operational expenses $31,891,233 (2019: $40,762,928) and administrative and other operating expenses $53,669,176 (2019: $39,506,833) respectively.*

		2020	2019
10. (a) Finance Income			
Interest income		4,618,138	2,017,099
Currency exchange gain		133,762	-
		4,751,900	**2,017,099**
(b) Finance Cost			
Bank charges		60,583	57,869
Currency exchange loss		-	158,094
Impairment expenses on application of IFRS 9		3,199,941	553,665
Interest expense - lease liability		19,127	-
		3,279,651	**769,628**
11. Cash and cash equivalents			
For the purposes of the statement of cash flows, cash and cash equivalents comprise the following:			
Cash at bank		173,461,588	165,134,813
Short term deposit with original maturity less than 3 months*		-	30,629,212
Cash on hand		23,960	319,892
		173,485,549	**196,083,917**
Provision for impairment through application of IFRS 9		(2,690,926)	(907,127)
		170,794,622	**195,176,790**

**Deposits mapped held with Pan Oceanic Bank mapped under note 14 at an interest rate ranging from 2.00% to 2.75% maturing in date range from March 2021 to April 2021.*

Notes to and Forming Part of the Financial Statements *(Cont'd)*

For the year ended 30 September 2020

	Note	2020 $	2019 $ ** Restated*
12. Trade and other receivables			
Trade receivables		56,449,287	54,508,330
Less: allowance for doubtful debts *	4(i)	(23,141,687)	(25,302,917)
		33,307,601	29,205,413
Over-payment ADB loan		1,583,095	1,583,095
Other receivables		23,465,104	33,260,608
Less: provision for other receivables		(2,052,128)	-
Prepayments		4,235,449	24,248,079
		60,539,121	**88,297,195**

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

Balance at 1 October		25,302,917	9,629,548
Allowance for doubtful debt released for trade receivables		(2,161,230)	5,065,347
Allowance for doubtful debt recognised for other receivables		2,052,128	-
Adjustment on initial application of IFRS 9		-	10,608,022
Balance at 30 September		**25,193,815**	**25,302,917**

** The doubtful debt released(income) during the year is disclosed under note 6. The recognised(expense) related to 2019 is disclosed under note 8.

13. Inventories		**1,139,593**	**701,000**
14. Investments			
Short term deposit		104,416,583	51,002,987
Government bond		20,000,000	-
Provision for impairment through application of IFRS 9		(2,100,711)	(684,569)
		122,315,872	**50,318,418**

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 October 2019 to April 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.

15. Investment properties			
Balance at the beginning of the financial year - at fair value		36,541,406	35,054,383
Changes in fair value		-	1,487,023
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		**32,285,372**	**36,541,406**

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 $6,854,434 (2019: $7,051,631) has been recognised in other income (Note 6).

**- Refer Note 25*

Notes to and Forming Part of the Financial Statements *(Cont'd)*

For the year ended 30 September 2020

15. 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

Notes to and Forming Part of the Financial Statements *(Cont'd)*

For the year ended 30 September 2020

16. Property, plant and equipment

	Land and buildings $	Wharves and jetties $	Plant and equipment $	Vehicles $	Work in Progress $	Total $
Cost						
Balance at 30 October 2018	189,244,001	287,847,180	108,245,642	22,717,395	19,700,190	627,754,408
Acquisitions	6,148,686	-	12,214,952	812,435	22,756,313	41,932,386
Disposals	(8,950)	-	(2,989,830)	(3,742,417)	-	(6,741,197)
Transfer to investment properties	-	-	-	-	-	-
Transfers (In/(Out))	1,154,871	-	24,574,583 -	(25,729,454)	-	-
Balance at 30 September 2019	**196,538,608**	**287,847,180**	**142,045,347**	**19,787,413**	**16,727,049**	**662,945,597**
Acquisitions	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 from investment properties	3,350,312	-	-	-	-	3,350,312
Transfers (In/(Out))	1,035,288	-	12,425,359	-	(13,460,647)	-
Balance at 30 September 2020	**202,657,919**	**287,847,180**	**169,981,774**	**42,558,000**	**37,311,152**	**740,356,025**
Accumulated depreciation						
Balance at 1 October 2018	34,403,474	37,831,306	43,384,246	4,017,167	-	119,636,193
Depreciation charge for the year	5,445,533	8,381,143	10,322,718	1,980,951	-	26,130,345
Disposals	(8,950)	-	(2,625,309)	(3,942,385)	-	(6,576,644)
Balance at 30 September 2019	**39,840,057**	**46,212,449**	**51,081,655**	**2,055,733**	**-**	**139,189,894**
Depreciation charge for the year	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 at 30 September 2020	**45,242,189**	**54,593,592**	**61,967,614**	**3,310,779**	**-**	**165,114,174**
Carring amount						
At 30 September 2018	**154,840,527**	**250,015,874**	**64,861,396**	**18,700,228**	**19,700,190**	**508,118,215**
At 30 September 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**

Notes to and Forming Part of the Financial Statements *(Cont'd)*

For the year ended 30 September 2020

17. 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.

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

(ii) As a lessor

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

Operating lease	
Lease income	**6,854,434**

Notes to and Forming Part of the Financial Statements *(Cont'd)*

For the year ended 30 September 2020

	2020 $	2019 $
18. Trade and other payables		
Trade payables	9,813,782	9,698,402
Other payables and accrued expenses	11,014,446	7,493,904
	20,828,228	**17,192,306**
19. Employee entitlements		
Current	1,768,618	1,894,419
Non-current	7,053,755	8,547,190
	8,822,373	**10,441,609**
Movement is made up of the following:		
Opening balance	10,441,609	10,506,513
Provisions made during the year	13,423,176	11,428,642
Provisions utilised during the year	(15,042,412)	(11,493,546)
Closing balance	**8,822,373**	**10,441,609**
20. Deferred revenue		
Current	3,510,257	3,510,257
Non-current	157,669,074	161,179,331
	161,179,331	**164,689,588**
Opening balance	164,689,588	168,199,845
Less: Depreciation charge for the year	3,510,257	3,510,257
Closing balance	**161,179,331**	**164,689,588**

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.

21. 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.

Notes to and Forming Part of the Financial Statements *(Cont'd)*

For the year ended 30 September 2020

22. Related parties

(a) Identity of related parties

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

Name	Position	Date Appointed
Johnny Sy	Chairman	
Michael Wate	Vice Chairman	01/12/2019
Steven Maesiola	Board Member	01/12/2019
Moses Virivolomo	Board Member	10/02/2020
Donald Kudu	Board Member	10/02/2020
Ali Homelo	Board Member	18/11/2021
Gabriel Suri	Board Member	18/11/2021

Director's fees and related expenses amounting to $1,027,276 were incurred and paid during the period (2019: $1,398,333).

(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
Christopher Sade	Noro Port Manager
Percy Biliki	Harbour Master
James Kabini	Operations Manager
John Irofa'alu	Operations Manager
Ellison Pade	Chief Information Systems Officer
James Gerea	Head of Corporate Service (deceased on 10 January 2021)
Wilfred Maefiri	Assistant Manager Operations (deceased on 31 January 2022)

The aggregate compensation of the key management personnel for the Authority comprises of short term benefits and is set out below:

	2020 $	2019 $
Short term benefits	5,210,681	4,548,200

Notes to and Forming Part of the Financial Statements *(Cont'd)*

For the year ended 30 September 2020

22. Related parties *(continued)*

(c) Amounts receivable related parties

	2020 $	2019 $
Overpayment of ADB loan by the Authority to SIG	1,583,095	1,583,095

23. Capital commitments

Capital commitments as at 30 September 2020 was $Nil (2019: $Nil).

24. Contingent liabilities

The Authority is not aware of any contingent liabilities as at 30 September 2020 (2019: $Nil).

25. Restatement

During the financial year, the Authority discovered that the Ministry of Lands erroneously overcharged the Authority in 2012 in respect to the leased land rental due to an invoicing error for the amount of $2,549,941. The Authority also did not accrue and expense the lease rentals on these occupied properties since 2012.

Additionally, the Authority had identified that the revenue accrued as at 30 September 2019 had been erroneously computed due to incorrect transaction data provided for container storage. Credit notes have been issued by the Authority on these transactions during the financial year.

The prior period errors highlighted above have been corrected by restating each of the affected financial statement line items for prior periods. The following table summarises the impacts on the Authority's financial statements.

Statement of financial position

			Impact of restatement			
As at 30/09/2020	As previously reported		Adjustments		Restated	
	2019	2018	2019	2018	2019	2018
Trade and other receivable	90,610,595	60,311,905	(4,479,734)	2,166,335	88,297,195	62,478,240
Total current assets	**336,806,803**	**292,267,746**	(4,479,734)	2,166,335	334,493,403	294,434,081
Total assets	**897,103,912**	**835,440,344**	(4,479,734)	2,166,335	894,790,512	837,606,679
Net assets	**704,780,409**	**642,677,633**	(4,479,734)	2,166,335	702,467,009	644,843,968
Retained earnings	**455,554,370**	**393,451,594**	(4,479,734)	2,166,335	453,240,970	395,617,929
Total equity	**704,780,409**	**642,677,633**	(4,479,734)	2,166,335	702,467,009	644,843,968

Notes to and Forming Part of the Financial Statements *(Cont'd)*

For the year ended 30 September 2020

25. Restatement *(continued)*

Statement of profit or loss and other comprehensive income

		Impact of restatement	
	As previously reported 2019	**Adjustment**	**Restated 2019**
Revenue	200,177,310	(4,413,028)	195,764,282
Administrative and other operating expenses	(71,759,790)	(66,706)	(71,826,496)
Profit from operations	**72,501,359**	**(4,479,734)**	**68,021,625**
Net profit before tax	**73,748,830**	**(4,479,734)**	**69,269,096**
Net profit for the year	**73,748,830**	**(4,479,734)**	**69,269,096**
Total comprehensive income for the year	**73,748,830**	**(4,479,734)**	**69,269,096**

26. Events subsequent to balance date

In 2021 there had been civil unrest and community transmission of the pandemic due to which there had been lock downs and border closures. 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 year.


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