COMMODITIES EXPORT MARKETING AUTHORITY

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

Commodities Export Marketing Authority

Financial Statements for year ended 31 December 2011

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Commodities Export Marketing Authority
Financial Statements for year ended 31 December 2011
State Owned Enterprise Information

The Commodities Export Marketing Authority ('the Authority') is a State Owned Enterprise domiciled in Solomon Islands.

Registered Office

PO Box 1087
Honiara

Principal Place of Business

Honiara, Solomon Islands

Directors

The Directors at any time during or since the end of the financial year are listed in the Directors' Report.

Commodities Export Marketing Authority
Financial Statements for year ended 31 December 2011
Directors' Report

The Directors present their report together with the financial statements of Commodity Export Marketing Authority ('the Authority') for the year ended 31 December 2011 and the Independent Audit Report thereon.

Directors

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

Name	Date of Appointment	Date of Resignation
Hon. Martin Sopage - Chairman	01/09/2008	24/04/2010
Barnabas Anga - PS	20/11/2009	3/06/2011
Hence Vaekesa - PS	01/07/2011	
Alfred Ramo - GM	01/07/2010	
Ataban Tropa	20/11/2008	
Augustine Rose	20/11/2008	
Belani Tekulu	20/11/2008	
Danny Dicks	20/11/2008	
Dudley Longamei	20/11/2008	
Edwin Suibaea	20/11/2008	
Jeffery Aihunu	20/11/2008	
Lawry Wickham	20/11/2008	
Robert Pae Kuve	20/11/2008	
Alpha Kimata (Vice Chairman)	21/11/2008	

Principal activities

The principal activity of the Authority during the course of the financial year ended 31 December 2011 was the provision of development and regulation of copra and cocoa exporting and other prescribed commodities in the Solomon Islands.

Operating and financial review

The Authority achieved a net loss for the year amounting to $351,154 (2010 - restated net profit of: $753,431).

Commodities Export Marketing Authority
Financial Statements for year ended 31 December 2011
Directors' Report - cont'd

Significant Changes in the State of Affairs

In July 2007 the Solomon Island Government passed the State Owned Enterprises Act 2007 and listed Commodities Export Marketing Authority as a State Owned Enterprise under the jurisdiction of the Act.

Compliance with the Act could impact on the future operations of Commodities Export Marketing Authority. Significant impact could include:

- The Minister of Finance and the Responsible Minister (the "accountable Ministers") can direct CEMA to perform a community service obligation (Section 8, 1);
- The accountable Ministers can determine the amount of any dividend payable by CEMA (Section 12, 1b);
- The requirement to issue a Statement of Corporate Objectives that provides disclosure of intended activities, accounting policies, performance targets, dividends and taxes to be paid during the period in question (Section 13, 2);
- The requirement to issue the audited consolidated financial statements of the group within 3 months after the end of the financial year (Section 14, 1b); and
- This act shall prevail where there is any inconsistency in requirements with the Commodities Exports Marketing Authority Act (Section 26, 7 and 8).

There were no other significant changes in the state of affairs of the Authority during the year.

There has not arisen in the interval between the end of the financial year and the date of this report any other item, transaction or event of a material or unusual nature likely to affect significantly the operations of the Authority, the results of its operations, or the state of affairs of the Authority in future financial years.

Signed in accordance with a resolution of the Directors.

Name: ALPHA KIMATA
Director

Name: AUGUSTINE ROSE
Director

Common Seal

Dated at Honiara this first day of October 2012.

Solomon Islands Office
of the Auditor-General

INDEPENDENT AUDITOR'S REPORT

To the Board of the Commodities Export Marketing Authority

I was engaged to audit the accompanying financial statements of the Commodities Export Marketing Authority ("CEMA"), which comprise the Balance sheet as at 31 December 2011, and the Profit and loss statement, Statement of changes in equity and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors and management's responsibility for the financial statements

The Board of Directors and management are responsible for the preparation and fair presentation of these financial statements in accordance with an acceptable financial reporting framework. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

My responsibility is to express an opinion on the financial statements based on conducting the audit in accordance with International Standards on Auditing. Because of the matters discussed in the Basis for disclaimer opinion paragraph, however, I was not able to express any opinion on the financial statements.

Basis for Disclaimer of Opinion on the Profit and Loss Statement, Statement of Changes in Equity and Statement of Cash Flows

Opening Balances

A disclaimer of opinion was issued on the 2010 financial statements. I therefore could not determine the accuracy of the opening balances as at 1 January 2011, and the effect of any misstatements therein on the Profit and Loss Statement, Statement of Changes in Equity and Statement of Cash Flows for the year ended 31 December 2011.

As a result of these matters, I was unable to determine whether any adjustments might have been necessary in respect to the profit for the year reported in the Profit and Loss Statement and Statement of Changes in Equity and the net cash flows from operating activities reported in the Statement of Cash Flows.

Expenditure

I could not verify the completeness, existence and accuracy of expenses totaling $199,110 due to the absence of sufficient appropriate supporting documentation.

As a result I am unable to confirm or verify by alternative means the carrying amount of expenses included in the financial statements as at 31 December 2011 and determine whether any adjustments might be necessary to the amounts and disclosures in the financial statements.

Basis for Qualified Opinion on the Balance Sheet

Property Plant and Equipment

The last independent valuation of land and buildings was undertaken in 2003. I was therefore unable to satisfy myself as to the carrying value of land and buildings at 31 December 2011 and determine whether any adjustments might be necessary to the amounts disclosed in the financial statements.

Disclaimer of Opinion on the Profit and Loss Statement, Statement of Changes in Equity and Cash Flow Statement

Because of the significance of the matters described in the Basis for disclaimer of opinion paragraph, I have not been able to obtain sufficient appropriate audit evidence on the profit and loss statement, statement of change in equity and statement of cash flow. As a result I am unable to express an opinion on the profit and loss statement, statement of changes in equity and cash flow statement for the year ended 31 December 2011.

Qualified of Opinion on the Balance Sheet

In my opinion, except for the possible effects of the matters described in the basis for qualified opinion paragraph, the balance sheet presents fairly in all material respects as at 31 December 2011 in accordance with International Financial Reporting Standards.

Emphasis of matter

Lack of compliance with the State Owned Enterprises Act

Without qualifying my opinion, I draw your attention to the fact that CEMA has not complied with Section 14 (1) (b) and (c) of the *State Owned Enterprises Act* which require audited consolidated financial statements and the auditor's report thereon to be presented to the accountable minister within three months of the end of the financial year.

Edward Ronia
Auditor-General

Office of the Auditor-General
Solomon Islands

18 October 2012

Commodities Export Marketing Authority
Financial Statements for year ended 31 December 2011
Statement by Directors

In accordance with the resolution of the Board of Directors of Commodities Export Marketing Authority, we state that in the opinion of the Directors:

(a) the financial statements and notes set out on pages 6 to 18:

(i) give a true and fair view of the Authority's financial position as at 31 December 2011 and of its performance for the financial year ended on that date; and

(ii) comply with International Financial Reporting Standards;

(b) there are reasonable grounds to believe that the authority will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors.

Name: ALPHA KIMATA
Director

Name: AUGUSTINE ROSE
Director

Common Seal

Dated at Honiara this first day of October. 2012.

Commodities Export Marketing Authority
Financial Statements for year ended 31 December 2011
Profit and Loss Statement

	Note	Year ended 31 December 2011 $	Year ended 31 December 2010 $ (Restated)
Revenue			
Copra management fee		1,093,180	530,912
Rents		900,900	749,003
Cocoa management fee		273,050	238,270
Project clips		217,595	76,547
Other revenue		298,175	79,779
Cocoa licence		57,887	41,050
Copra licence		38,774	56,199
Oil palm licence		35,000	35,450
Spice licence		-	5,000
Gain on forgiveness of CBSI loan		-	1,488,142
Total revenue		2,914,561	3,300,352
Expenses			
Administrative expenses		799,762	470,988
Depreciation expense	7	150,513	122,457
Development and training		340,385	46,617
Director costs		187,785	215,113
Employee costs		947,845	821,742
Loss on disposal of property, plant and equipment		1,149	417,021
Other operating expenses	15	756,030	367,427
Repairs and maintenance		82,246	85,556
Total expenses		3,265,715	2,546,921
Net profit for the year	2	(351,154)	753,431

The profit and loss statement is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 10 to 18.

Commodities Export Marketing Authority
Financial Statements for year ended 31 December 2011
Statement of Changes in Equity

	Note	Shareholder Contributions/ Equity $	Reserve $	Retained Earnings/ (Accumulated) Losses) $	Total $
Balance at 1 January 2010		10,000	-	1,074,253	1,084,253
Net profit / (loss) for the year, as previously reported		-	-	(734,711)	(734,711)
Balance at 31 December 2010, as previously reported		10,000	-	339,542	349,542
Correction of prior year erro	17	-	-	1,488,142	1,488,142
Balance at 31 December 2010, as restated		10,000	-	1,827,684	1,837,684
Net profit / (loss) for the year		-	-	(351,154)	(351,154)
Balance at 31 December 2011		10,000	-	1,476,530	1,486,530

Commodities Export Marketing Authority
Financial Statements for year ended 31 December 2011
Balance Sheet

	Note	Year ended 31 December 2011 $	Year ended 31 December 2010 $ (Restated)
CURRENT ASSETS			
Cash on hand and at bank	4	28,923	69,033
Receivables	5	475,236	1,155,410
TOTAL CURRENT ASSETS		504,159	1,224,443
NON-CURRENT ASSETS			
Investments	6	-	-
Property, plant and equipment	7	1,550,037	1,721,888
TOTAL NON-CURRENT ASSETS		1,550,037	1,721,888
TOTAL ASSETS		2,054,196	2,946,331
CURRENT LIABILITIES			
Trade and other payables	8	421,907	1,018,551
Deferred income	9	38,240	17,800
Employee provisions	10	105,504	21,650
TOTAL CURRENT LIABILITIES		565,651	1,058,001
NON - CURRENT LIABILITIES			
Employee provisions	10	2,015	50,646
TOTAL NON-CURRENT LIABILITIES		2,015	50,646
TOTAL LIABILITIES		567,666	1,108,647
NET ASSETS		1,486,530	1,837,684
EQUITY			
Shareholder contributions / equity		10,000	10,000
Accumulated funds		1,476,530	1,827,684
TOTAL EQUITY		1,486,530	1,837,684

The balance sheet is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 10 to 18.

DIRECTOR

DIRECTOR

Common Seal

Commodities Export Marketing Authority
Financial Statements for year ended 31 December 2011
Cash Flow Statement

	Note	Year Ended 31 December 2011 $	Year ended 31 December 2010 $
Cash Flows From Operating Activities			
Cash receipts from customers		3,117,482	1,792,926
Cash payments to suppliers and employees		(3,117,574)	(1,966,358)
Cash generated from operations		(92)	(173,432)
Interest received		63	-
Interest paid		-	(7,995)
Net cash provided by / (used in) operating activities		(29)	(181,427)
Cash Flows From Investing Activities			
Proceeds from sale of property, plant and equipment		-	323,000
Acquisition of property, plant and equipment		(40,081)	(36,370)
Net cash provided by / (used in) investing activities		(40,081)	286,630
Cash Flows From Financing Activities			
Repayment of borrowings		-	(267,500)
Net cash provided by / (used in) financing activities		-	(267,500)
Net increase / (decrease) in cash and cash equivalents		(40,110)	(162,297)
Cash and cash equivalents at the beginning of the financial year		69,033	231,330
Cash and cash equivalents at the end of the financial year	4	28,923	69,033

The statement of cash flows is to be read in conjunction with the notes to and forming part of the financial statement set out on pages 10 to 18.

Commodities Export Marketing Authority
Financial Statements for year ended 31 December 2011
Notes to and forming part of the accounts

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of Compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') and interpretations adopted by the International Accounting Standards Board as adopted by the Institute of Solomon Islands Accountants.

(b) Basis of Preparation

The financial statements have been prepared primarily on the historical cost basis except that investment properties and financial instruments classified as available for sale have been stated at their fair value.

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

The preparation of a financial report in conformity with International Financial Reporting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods.

The accounting policies have been consistently applied by the Authority and they are consistent with those of the previous year.

The financial statements are presented in Solomon Islands currency, the Solomon Islands dollar ($).

Consolidation

The Authority holds majority shares in a number of entities (Makira Coconut Products Limited, Temotu Coconut Products Limited; Isabel Coconut Products Limited; Western Coconut Products Limited, North Malaita Coconut Products Limited, Commodities Shipping Line Limited, and Lauru Coconut Products Limited. Many of those entities in recent years have ceased operations or are not trading to a significant extent. In addition, those entities have not prepared financial statements for a number of years. For these reasons, the Authority has not prepared consolidated financial statements.

(c) Going Concern

The financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The Authority's current liabilities exceed its current assets. As a going concern, the Authority is dependent upon the continuing support of the Solomon Islands Government, its bankers and creditors.

The Directors have concluded that the going concern basis is appropriate as the Solomon Islands Government has indicated that it will provide the Authority with financial support to enable it to pay its debts as and when they fall due for a period of 12 months from the date the Directors approved these financial statements.

Commodities Export Marketing Authority
Financial Statements for year ended 31 December 2011
Notes to and forming part of the accounts (continued)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Foreign Currency

The functional currency adopted in the preparation of the financial statements is the Solomon Islands currency, the Solomon Islands dollar ($). Transactions in foreign currencies are recorded at the exchange rate at the date of the transaction. Foreign exchange differences arising on translation are recognised in the profit and loss statement. Foreign currency monetary assets and liabilities are translated at the exchange rate at the balance sheet date. Resulting exchange differences are recognised in the profit and loss account for the year. Non-monetary assets and liabilities denominated in foreign currency are recorded at the exchange rate at the date of the transaction.

(e) Property, plant and equipment

Items of property, plant and equipment are stated at original cost, deemed cost or valuation less accumulated depreciation and impairment losses. Construction cost for self-constructed assets includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads.

Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment and stated at cost until construction or development is complete, at which time it is reclassified as investment property. When the construction or development of a self-constructed investment property is completed and will be carried at fair value, any difference between the fair value of the property at that date and its previous carrying amount is recognised in profit and loss. Depreciation is charged to the Profit and loss Statement on a straight line basis over the estimated useful lives of each part of an item of property, plant and equipment. Fixed assets are first depreciated n the year of acquisition, or, in the case of construction, in the year of substantial completion of the asset. The rates of depreciation current and comparative periods are as follows:

• leasehold land and buildings	2 - 7%
• plant and equipment	10 - 50%

(f) Impairment

The carrying amounts of all assets carried at cost are reviewed at each balance sheet date to determine whether there is any indication of impairment.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(g) Non-current assets held for sale

Non-current assets that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets are measured in accordance with the Authority's accounting policies. Thereafter generally the assets are measured at the lower of their carrying amount and fair value less cost to sell. Impairment losses on initial classification as held for sale and subsequent gains or losses on re-measurement are recognized in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Commodities Export Marketing Authority
Financial Statements for year ended 31 December 2011
Notes to and forming part of the accounts (continued)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Trade and other receivables

Trade and other receivables are stated at their cost less impairment losses.

(i) Interest bearing loans and borrowings

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

If debt is repurchased or settled before maturity, any difference between the amount repaid and the carrying amount is recognised immediately in the profit and loss account.

(j) Provisions

Provisions are recognised when the Authority has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

(k) Revenue

Revenue from the sale of goods is recognised in the Profit and Loss Statement when the significant risks and rewards of ownership have been transferred to the buyer.

Revenue from services rendered is recognised in the Profit and Loss Statement in proportion to the stage of completion of the transaction at the balance sheet date.

No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, the costs incurred or to be incurred cannot be measured reliably, there is a risk of return of goods or there is continuing management involvement with the goods.

Rental income from investment property is recognized in profit and loss on a straight line basis over the term of the lease.

(l) Trade and other payables

Trade and other payables are stated cost.

(m) Taxation

The Authority is exempt from income tax in terms of Section 28 of the Commodities Exports Marketing Authority Act.

(n) Investments

Subsidiaries

Subsidiaries are entities controlled by the Authority. Control exists when the Authority has the power to govern the financial and operating polices of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable are taken into account.

In the Authority's financial statements, investments in subsidiaries are carried at cost.

Commodities Export Marketing Authority
Financial Statements for year ended 31 December 2011
Notes to and forming part of the accounts (continued)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and an integral part of the Authority's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(p) Employee benefits

The Authority's obligation in respect of long-term service benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods.

Liabilities for employee benefits for wages, salaries, annual leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to reporting date, are calculated at amounts based on remuneration wage and salary rates that the Authority expects to pay as at reporting date including related on-costs.

(q) Segment reporting

A segment is a distinguishable component of the Authority that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

The Authority provides licence services to agricultural commodity producers in the Solomon Islands.

(r) Expenses

Operating lease payments

Payments made under operating leases are recognized in the Profit and Loss Statement on a straight-line basis over the term of the lease.

Financial costs

Financial costs comprise interest payable on borrowings calculated using the effective interest method, dividends on redeemable preference shares, interest receivable on funds invested, dividend income, foreign exchange gains and losses.

(s) Financial income

Interest income is recognised in the Profit and Loss Statement as it accrues, using the effective interest method. Dividend income is recognised in the Profit and Loss Statement on the date the entity's right to receive payments is established which in the case of quoted securities is ex-dividend date.

(t) Reclassification

Prior year balances have been reclassified to correspond to current year presentation where considered necessary.

Commodities Export Marketing Authority
Financial Statements for year ended 31 December 2011
Notes to and forming part of the accounts (continued)

	Year Ended 31 December 2011 $	Year ended 31 December 2010 $
2. NET PROFIT/LOSS		
Net profit/loss for the year is stated after crediting and charging the following items:		
Crediting		
Grant revenue	-	5,000
Gain on forgiveness of CBSI loan	-	1,488,142
Charging		
Accounting fees	16,500	12,170
Depreciation of fixed assets	150,513	122,457
Interest on loans	-	7,995
Loss on disposal of property, plant and equipment	1,149	417,021

3. EMPLOYEES

The number of employees at year end 2011 is 14 (2010: 15).

4. CASH AND CASH EQUIVALENTS

For the purpose of the Statement of Cash Flows, cash includes cash on hand and at bank and short-term deposits at call, net of outstanding bank overdrafts. Cash as at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the balance sheets as follows:

	2011 $	2010 $
Cash on hand and at bank	28,923	69,033
	28,923	69,033

5. RECEIVABLES

	2011 $	2010 $
Trade debtors	-	493,144
Less: Provision for doubtful debts	-	310,600
	-	182,544
Amounts owed by subsidiaries	2,263,271	2,263,271
Less: Provision for doubtful debts	2,263,271	2,263,271
	-	-
Other debtors and prepayments	475,236	972,866
Less: Provision for doubtful debts	-	-
	475,236	972,866
	475,236	1,155,410

Commodities Export Marketing Authority
Financial Statements for year ended 31 December 2011
Notes to and forming part of the accounts (continued)

6. INVESTMENTS

Portfolio Companies	Ownership Interest %	Opening balance 1 Jan 2011 $	Prior year impairments $	Dividends $	Closing balance 31 December 201 $
Makira Coconut Products Limited	79	750,000	(750,000)	-	-
Temotu Coconut Products Limited	100	80,000	(80,000)	-	-
Isabel Coconut Products Limited	100	200,000	(200,000)	-	-
Western Coconut Products Limited	89	400,000	(400,000)	-	-
North Malaita Coconut Products Limited	100	200,000	(200,000)	-	-
Commodities Shipping Line Limited	100	10,000	(10,000)	-	-
Lauru Coconut Products Limited	100	200,000	(200,000)	-	-
		1,840,000	(1,840,000)	-	-

7. PROPERTY, PLANT AND EQUIPMENT

	Land & Buildings $	Plant and Equipment $	Furnitures and Fixtures $	Office Equipments $	Total $
Cost or Valuation					
At 1 January 2011	3,100,383	229,646	-	-	3,330,029
Additions during the year	-	-	12,517	27,564	40,081
Disposals during the year	-	(48,180)	-	-	(48,180)
Prior year error (refer to note 17)	260,019	-	-	-	260,019
At 31 December 2011	3,360,402	181,466	12,517	27,564	3,581,949
Accumulated depreciation					
At 1 January 2011	1,447,282	160,859	-	-	1,608,141
Charge for the period	129,110	16,345	1,512	3,546	150,513
Disposals during the period	-	(47,030)	-	-	(47,030)
Prior year error (refer to note 17)	299,704	20,584	-	-	320,288
At 31 December 2011	1,876,096	150,758	1,512	3,546	2,031,912
Book value					
At 1 January 2011	1,653,101	68,787	-	-	1,721,888
At 31 December 2011	1,484,306	30,708	11,005	24,018	1,550,037

Commodities Export Marketing Authority
Financial Statements for year ended 31 December 2011
Notes to and forming part of the accounts (continued)

	Year Ended 31 December 2011 $	Year ended 31 December 2010 $
8. TRADE AND OTHER PAYABLES		
Trade creditors	318,714	844,036
Amounts owed to related entities	-	129,369
Other creditors and accrued expenses	103,193	45,146
	421,907	1,018,551
9. DEFERRED INCOME		
Current		
Unexpended grants	-	-
Licence fees received in advance	38,240	17,800
	38,240	17,800
10. EMPLOYEE PROVISIONS		
Current		
Annual leave	24,093	-
Gratuity	81,411	21,650
	105,504	21,650
Non-current		
Long service leave	2,015	50,646
	2,015	50,646

Gratuities

The Authority has provided for gratuities payable to contract staff as per the terms of the agreement with those employees. The provision has been classified as current.

Long service leave benefit

The Authority has provided for long service leave benefits which entitles employees with eight years or more service a fortnight's pay for every year of service. The provision has been classified as non-current.

Commodities Export Marketing Authority
Financial Statements for year ended 31 December 2011
Notes to and forming part of the accounts (continued)

11. EMPLOYEE BENEFIT PLANS

The Authority contributes to the National Provident Fund, whereby the Authority deducts and pays 5% of the employee's gross salary and contributes 7.5% of the employees' gross salary. During 2011 the Authority expensed $49,471 in contributions payable (2010: $61,384).

12. CONTINGENCIES

The Authority has a number of contingent liabilities estimated at an aggregate value of $435,000 (2010: 435,000) which have not otherwise been provided for in the financial statements as at the financial year end.

The contingent liabilities relate to two matters:

- Sale of properties to third parties where title to those properties was not transferred to the purchasers; and
- The Authority acted as an agent on behalf of a third party to sell properties. The third party did not transfer title to the sold properties to the purchasers. The purchasers are claiming recompense from the Authority.

The Directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

In the opinion of the Directors, disclosure of any further information would be prejudicial to the interests of the Authority.

13. FINANCIAL INSTRUMENTS

Exposure to credit, interest rate and currency risks arise in the normal course of the Authority's business.

Credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The Authority does not require collateral in respect of financial assets.

Investments are allowed only in liquid securities and only with counterparties that have a credit rating equal to or better than the Authority.

At the balance sheet date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

Interest rate risk

The Authority's bank accounts are non-interest bearing, unless they are temporarily invested in short-term deposits.

	Note	Effective interest rate	Total	Due within 1 year	More than 1 year
Cash and cash equivalents	4	0.5%	28,923	28,923	-

Foreign currency risk

The Authority is exposed to foreign currency risk on borrowings that are denominated in a currency other than the Solomon Islands Dollar. The currencies giving rise to this risk are primarily the US Dollar and Australian Dollar.

Commodities Export Marketing Authority
Financial Statements for year ended 31 December 2011
Notes to and forming part of the accounts (continued)

13. FINANCIAL INSTRUMENTS - cont'd

Sensitivity analysis

In managing interest rate and currency risks the Authority aims to reduce the impact of short-term fluctuations on the authority's earnings. Over the longer–term, however, permanent changes in foreign exchange and interest rates would have an impact on Authority's earnings.

At 31st December 2011, it is estimated that a general increase of one percentage in interest rates would decrease the Authority's profit by approximately $nil (2010: $1,333).

It is estimated that a general decrease of 10 basis points in the value of the SBD against other foreign currencies would have decreased CEMA's profit by approximately $nil for the year ended 31 December 2011 (2010: $nil).

Fair values

The carrying amounts of assets and liabilities shown in the balance sheet approximates their fair value.

14. RELATED PARTIES

Controlled entities

CEMA has the following controlled entities:

Makira Coconut Products Limited
Temotu Coconut Products Limited
Isabel Coconut Products Limited
Western Coconut Products Limited
North Malaita Coconut Products Limited
Commodities Shipping Line Limited
Lauru Coconut Products Limited

Refer to notes 5,6 and 8 for amounts to/by CEMA from/to related parties and the related provisions.

15. OTHER OPERATING EXPENSES

2011 other operating expenses relates primarily to electricity expense of $277,769 and bad debts write off of $416,107, of which, $387,938 relates to write off of amounts receivable from WCPL prior to October 2011. This relates to loan owed by WCPL to Agricom and paid by CEMA on behalf of WCPL.

16. SHARED ACCOUNTING EXPENSE

The cost of shared accounting service funded by the Asian Development Bank (ADB) during 2011 financial year amounting to $94,524 is included under other revenue and administrative expenses.

17. PRIOR YEAR ERRORS

Cenral Bank Loan

During the year under review, it was discovered that the $1,488,142 loan from the Central Bank of Solomon Islands was forgiven by the bank on 30 June 2010 but this was not reflected in the 2010 accounts due to late conformation, resulting in a $1,488,142 understatement of the net profit for that year.

The error has been corrected by re-stating the 2010 comparative figures.

Property, plant and equipment

During the year under review, it was discovered that two sheds in buala had previously been sold in 2010 however, negative balances of $260,000 for cost and accumulated depreciation were brought forward at 1 January 201 In addition, errors in accumulated depreciation amounting to $60,093 were discovered during the process of updating the fixed assets register which were also brought forward at 1 January 2011.

The above errors were corrected in 2011.