

COMMODITIES EXPORT MARKETING AUTHORITY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012



Commodities Export Marketing Authority

Financial Statements for year ended 31 December 2012

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**Commodities Export Marketing Authority
Financial Statements for year ended 31 December 2012
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 2012
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 2012 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	01/07/2009	
Alpha Kimata - Chairman	20/11/2008	
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	

Principal activities

The principal activity of the Authority during the course of the financial year ended 31 December 2012 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 \$370,074 (2011 - net loss of \$351,154).

Events Subsequent to reporting date

There has risen few events subsequent to the date of this report that will impact the operation of the Authority. Significant one as follows:

- A) RAMP Project under European Union has been renting CEMA head office for years has vacate the office at the end of 2013 due to closure of the project. The authority has received \$360,000 on rental during the year from the project.
- B) There is an increase of companies in 2013 who processed coconut oil locally and export as finished products. This has adversely affected the authority income on copra management fee. The Authority has been working to regulate this product.

Commodities Export Marketing Authority
Financial Statements for year ended 31 December 2012
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 Authority to perform a community service obligation (Section 8, 1);
- The accountable Ministers can determine the amount of any dividend payable by Authority (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: RAVSTINK ROSE
Director


Name: DUDDLEY LONGAME
Director

Dated at Honiara this 2nd day of April 2014.



INDEPENDENT AUDITOR'S REPORT

To the Board of the Commodities Export Marketing Authority

Report on the Financial Statement

I was engaged to audit the accompanying financial statements of the Commodities Export Marketing Authority ("the Authority"), which comprise the statement of financial position as at 31 December 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes 10 to 18.

Directors' Responsibility for the Financial Statements

Directors and 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 the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

Because of the matters described within the Basis for Disclaimer of the Opinion paragraphs, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Revenue

I was unable to obtain sufficient appropriate audit evidence regarding the completeness and accuracy of revenue totalling \$72,240 as a result of missing receipt books. Accordingly I am not able to ascertain what adjustments, if any, might be necessary to the amounts recorded in the financial statements.

As a result of these matters, I was unable to determine whether any adjustments might have been necessary in respect to the loss 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 was not able to verify the completeness, occurrence and accuracy of operational expenditure totalling \$457,886.35 due to the absence of sufficient appropriate supporting documentation. Further, payroll transaction reports were not able to be located for employee expenditure totalling \$199,955.70.

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 2012 and determine whether any adjustments might be necessary to the amounts and disclosures in the financial statements.

Opening Balances

A disclaimer of opinion was issued on the 2011 financial statements. I therefore could not determine the accuracy of the opening balances as at 1 January 2012, 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 2012.

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.

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 2012 and determine whether any adjustments might be necessary to the amounts disclosed in the financial statements, to ensure land and buildings were recognised at fair value and the asset revaluation reserve was fairly stated as at balance date. Consequently, I was also unable to rely on the balance reported for depreciation expenses. Finally, the Accounts Payable ledger not reconciling to General ledger at 31 December 2012.

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 financial position, 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 financial position, statement of changes in equity and cash flow statement for the year ended 31 December 2012.

Emphasis of matter


Going concern

Without qualifying my opinion, I draw your attention to note 1(c) to the financial statements and that the Authority's continuation as a going concern is dependent on its ability to obtain appropriate financing and on the ongoing support of the Solomon Islands Government in order to meet its obligations. Current liabilities are exceeding Current assets resulting in a working capital loss of \$423,429. The directors believe that the going concern basis is appropriate as the Authority is a state owned enterprise and the single provider who help to maximise resource owners in the Solomon Islands.

Report on Other legal and Regulatory Requirements

Lack of compliance with Public Finance and Audit Act and State Owned Enterprises Act

The Authority has not complied with the requirements of the *Public Finance and Audit Act [CAP 120]* and the *State Owned Enterprises Act 2007* which requires the audited financial statements to be submitted to the responsible Minister before 31 March of the following year to which the financial statements relate.



Robert Cohen
Acting Auditor-General

Office of the Auditor-General
Solomon Islands

7th April 2014

**Commodities Export Marketing Authority
Financial Statements for year ended 31 December 2012
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 2012 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: AUGUSTINE ROSE
Director




Name: DUDLEY LONGAME
Director

Dated at Honiara this

2nd day of

April

2014.

Commodities Export Marketing Authority
Profit and Loss Statement for the year ended 31 December 2012

	Note	<u>2012</u> \$	<u>2011</u> \$
Revenue			
Rents		910,075	900,900
Copra management fee		839,950	1,093,180
Cocoa management fee		178,340	273,050
Other Revenues		80,636	298,175
Project clips		74,698	217,595
Cocoa licence		51,177	57,887
Copra licence		38,918	38,774
Oil palm licence		20,176	35,000
Spice licence		<u>3,754</u>	<u></u>
Total revenue		<u>2,197,724</u>	<u>2,914,561</u>
Expenses			
Administrative expenses		476,130	799,762
Depreciation expense	6	177,408	150,513
Development and training		24,486	340,385
Director costs		220,387	187,785
Employee costs		1,024,521	947,845
Loss on disposal of property, plant and equipment		-	1,149
Other operating expenses	15	343,913	756,030
Repairs and maintenance		<u>300,953</u>	<u>82,246</u>
Total expenses		<u>2,567,798</u>	<u>3,265,715</u>
Net Profit/(Loss) for the year	2	<u>(370,074)</u>	<u>(351,154)</u>

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
Statement of Changes in Equity for year ended 31 December 2012

<u>Note</u>	<u>Shareholder Contributions/ Equity \$</u>	<u>Accumulated Funds \$</u>	<u>Total \$</u>
Balance as at 1 January 2011	10,000	1,827,684	1,837,684
Net Profit / (Loss) for the year	-	(351,154)	(351,154)
Balance as at 31 December 2011	<u>10,000</u>	<u>1,476,530</u>	<u>1,486,530</u>
Balance as at 1 January 2012	10,000	1,476,530	1,486,530
Net Profit / (Loss) for the year	-	(192,666)	(192,666)
Balance as at 31 December 2012	<u>10,000</u>	<u>1,283,864</u>	<u>1,293,864</u>

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


**Commodities Export Marketing Authority
Balance Sheet as at 31 December 2012**

	Note	2012 \$	2011 \$
CURRENT ASSETS			
Cash and Cash Equivalents	3	8059	28923
Receivables and Prepayments	4	<u>32637</u>	<u>475236</u>
TOTAL CURRENT ASSETS		<u>40696</u>	<u>504159</u>
NON-CURRENT ASSETS			
Investments	5	0	0
Property, Plant and Equipment	6	<u>1718404</u>	<u>1550037</u>
TOTAL NON-CURRENT ASSETS		<u>1718404</u>	<u>1550037</u>
TOTAL ASSETS		<u>1759100</u>	<u>2054196</u>
CURRENT LIABILITIES			
Trade and other payables	7	250239	421907
Deferred income	8	159971	38240
Employee Benefits	9	<u>53915</u>	<u>105504</u>
TOTAL CURRENT LIABILITIES		<u>464125</u>	<u>565651</u>
NON - CURRENT LIABILITIES			
Employee Benefits	9	19852	2015
Deferred income		<u>158667</u>	
TOTAL NON-CURRENT LIABILITIES		<u>178519</u>	<u>2015</u>
TOTAL LIABILITIES		<u>642644</u>	<u>567666</u>
NET ASSETS		<u>1116456</u>	<u>1486530</u>
EQUITY			
Shareholder contributions / equity		10000	10000
Accumulated funds		<u>1106456</u>	<u>1476530</u>
TOTAL EQUITY		<u>1116456</u>	<u>1486530</u>

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

Commodities Export Marketing Authority
Cash Flow Statement for the year ended 31 December 2012
Cash Flow Statement

	Note	2012 \$	2011 \$
Cash Flows From Operating Activities			
Cash receipts from customers		2,178,122	3,117,482
Cash payments to suppliers and employees		<u>(2,153,211)</u>	<u>(3,117,574)</u>
Cash generated from operations		24,911	(92)
Interest received		-	63
		<u>24,911</u>	<u>(29)</u>
Net cash provided by / (used in) operating activities		<u>24,911</u>	<u>(29)</u>
Cash Flows From Investing Activities			
Proceeds from sale of property, plant and equipment		-	-
Acquisition of property, plant and equipment		<u>(45,775)</u>	<u>(40,081)</u>
Net cash provided by / (used in) investing activities		<u>(45,775)</u>	<u>(40,081)</u>
Cash Flows From Financing Activities			
Net cash provided by / (used in) financing activities		<u>-</u>	<u>-</u>
Net increase / (decrease) in cash and cash equivalents		(20,864)	(40,110)
Cash and cash equivalents at the beginning of the financial year		<u>28,923</u>	<u>69,033</u>
Cash and cash equivalents at the end of the financial year	3	<u><u>8,059</u></u>	<u><u>28,923</u></u>

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

**Commodities Export Marketing Authority
Financial Statements for year ended 31 December 2012
Notes to and forming part of the Financial Statements**

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 Laurus 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 2012
Notes to and forming part of the Financial Statements (Cont)

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 in 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%
• Furnitures & Fittings	10 - 50%
• Office Equipments	20-33%
• Motor Vehicles	20-33%

(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 recognised 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 2012
Notes to and forming part of the Financial Statement (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 policies 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 2012
Notes to and forming part of the Financial Statement (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) 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.

(r) 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.

Commodities Export Marketing Authority
Financial Statements for year ended 31 December 2012
Notes to and forming part of the Financial Statements (continued)

	<u>2012</u> \$	<u>2011</u> \$
2. EMPLOYEES		
The number of employees at year end 2012 is 13 (2011: 14).		
3. CASH AND CASH EQUIVALENTS		
For the purpose of the cash flow statement, 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:		
Cash on hand and at bank	<u>8,059</u>	<u>28,923</u>
	<u>8,059</u>	<u>28,923</u>
4. RECEIVABLES		
Amounts owed by subsidiaries	2,263,271	2,263,271
Less: Provision for doubtful debts	<u>2,263,271</u>	<u>2,263,271</u>
	-	-
Other debtors and prepayments	266,091	475,236
Less: Provision for doubtful debts	<u>233,454</u>	<u>-</u>
	<u>32,637</u>	<u>475,236</u>

Commodities Export Marketing Authority
Financial Statements for year ended 31 December 2012
Notes to and forming part of the Financial Statements (continued)

5. INVESTMENTS

	Ownership	Opening balance	Prior year		Closing balance
	Interest	1 Jan 2012	impairments	Dividends	31 December 2012
<u>Portfolio Companies</u>	%	\$	\$	\$	\$
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)	-	-
		<u>1,840,000</u>	<u>(1,840,000)</u>	<u>-</u>	<u>-</u>

6. PROPERTY, PLANT AND EQUIPMENT

		<u>Buildings</u>	<u>Plant and Equipment</u>	<u>Furnitures and Fixtures</u>	<u>Office Equipments</u>	<u>Motor Vehicle Equipments</u>	<u>Total</u>
<u>Cost</u>	Note	\$	\$	\$	\$	\$	\$
At 1 January 2011		3,100,383	229,646	-	-	-	3,330,029
Additions during the year		-	-	12,517	27,564	0	40,081
Disposals during the year		-	(48,180)	-	-	-	(48,180)
Prior year error	17	260,019	-	-	-	-	260,019
At 31 December 2011		<u>3,360,402</u>	<u>181,466</u>	<u>12,517</u>	<u>27,564</u>	<u>-</u>	<u>3,581,949</u>
Balance at 1 January 2012		3,360,402	181,466	12,517	27,564	-	3,581,949
Addition during the year		-	-	17,275	28,500	300,000	345,775
Disposal during the year		-	-	-	-	-	-
Balance as at 31 December 2012		<u>3,360,402</u>	<u>181,466</u>	<u>29,792</u>	<u>56,064</u>	<u>300,000</u>	<u>3,927,724</u>
<u>Accumulated depreciation</u>							
At 1 January 2011		1,447,282	160,859	-	-	-	1,608,141
Depreciation for the year		129,110	16,345	1,512	3,546	-	150,513
Disposals during the year		-	(47,030)	-	-	-	(47,030)
Prior year error	17	299,704	20,584	-	-	-	320,288
Balance as at 31 December 2011		<u>1,876,096</u>	<u>150,758</u>	<u>1,512</u>	<u>3,546</u>	<u>-</u>	<u>2,031,912</u>
Balance 1 January 2012		1,876,096	150,758	1,512	3,546	-	2,031,912
Depreciation for the year		67,110	15,597	5,159	16,542	73,000	177,408
Disposal during the year		-	-	-	-	-	-
Balance as at 31 December 2012		<u>1,943,206</u>	<u>166,355</u>	<u>6,671</u>	<u>20,088</u>	<u>73,000</u>	<u>2,209,320</u>
<u>Carrying Amount</u>							
At 31 December 2011		<u>1,484,306</u>	<u>30,708</u>	<u>11,005</u>	<u>24,018</u>	<u>-</u>	<u>1,550,037</u>
At 31 December 2012		<u>1,417,196</u>	<u>15,111</u>	<u>23,121</u>	<u>35,976</u>	<u>227,000</u>	<u>1,718,404</u>

Commodities Export Marketing Authority
Financial Statements for year ended 31 December 2012
Notes to and forming part of the Financial Statements (continued)

	<u>2012</u>	<u>2011</u>
	\$	\$
7. TRADE AND OTHER PAYABLES		
Trade creditors	183,814	318,714
Other creditors and accrued expenses	66,425	103,193
	<u>250,239</u>	<u>421,907</u>
8. DEFERRED INCOME		
Current		
Unexpended Property, Plant & Equipment	76,135	-
Licence fees received in advance	83,836	38,240
	<u>159,971</u>	<u>38,240</u>
Non-current		
Unexpended Property, Plant & Equipment	158,667	-
	<u>158,667</u>	<u>-</u>
9. EMPLOYEE BENEFITS		
Current		
Annual leave	21,675	24,093
Gratuity	19,961	81,411
Long service leave	12,279	-
	<u>53,915</u>	<u>105,504</u>
Non-current		
Long service leave	3,457	2,015
Gratuity	16,395	-
	<u>19,852</u>	<u>2,015</u>

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.

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10. 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 2012 the Authority expensed \$56,152 in contributions payable (2011: \$49,471).

11. CONTINGENCIES

The Authority has a number of contingent liabilities estimated at an aggregate value of \$435,000 (2011: 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. As of 2013 the matter become a legal case between CEMA and RIPEL and outcome of the court case was yet to be available and cannot be predicted

12. FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, currency risks & interest rate risk 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.

Exposure to credit risk

At the balance date there were no significant concentrations of credit risk. The maximum exposure to credit at the reporting date was as follows.

	<u>2012</u>	<u>2011</u>
	\$	\$
Cash at bank	8,059	28,923
Trade Receivables	-	-
Deposits	-	-
Other receivables(excluding prepayments)	249,398	460,585
Investments	-	-
	<u>257,457</u>	<u>489,508</u>

The authority does not involve in trading but exist as a body to oversee and regulate agricultural products, thus all receivables treated as other receivables as opposed to trade receivable.

Impairment Losses

The ageing of trade & other receivables (excluding prepayments) at reporting date that were not impaired was as follows:

	14,613	351,705
Not past due	-	16,525
Past Due 31-60 days	-	90,000
Past Due 61-90 days	1,331	2,355
Past Due more than 90 days	<u>15,944</u>	<u>460,585</u>

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 manage liquidity risk is to ensure as far as possible, that it will always have sufficient liquidity to meet its liabilities when they fall due.

The following are the contractual maturity of financial liabilities:

31 December 2012

Financial Liabilities	Carrving	0-30 Days	30-60 Days	60-90 days	90+ Days
Borrowings	-	-	-	-	-
Trade payables	183,814	183,814	-	-	-
Accrued & Other creditors	66,425	66,425	-	-	-
	<u>250,239</u>	<u>250,239</u>	<u>0</u>	<u>0</u>	<u>0</u>

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31 December 2011

Financial Liabilities	Carrying	0-30 Days	30-60 Days	60-90 days	90+ Days
Borrowings	-	-	-	-	-
Trade payables	318,714	318,714	-	-	-
Accrued & Other creditors	103,193	103,193	-	-	-
	<u>421,907</u>	<u>421,907</u>	<u>0</u>	<u>0</u>	<u>0</u>

Currency risk

The authority is occasionally exposed to foreign currency risk on purchases denominated in currencies other than the Solomon Islands dollar. However, these purchases are infrequent and usually paid for in advance of receipt of the goods, limiting the Authority's exposure to foreign exchange risk.

As at year end, there are no assets, liabilities dominated in foreign currency in the Authority financial statements.

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	3	0.5%	8,059	8,059	-

Fair values

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

13. RELATED PARTIES

a. Controlled entities

CEMA has the following controlled entities:

	2012	2011
	\$	\$
Makira Coconut Products Limited	750,000	750,000
Temotu Coconut Products Limited	80,000	80,000
Isabel Coconut Products Limited	200,000	200,000
Western Coconut Products Limited	400,000	400,000
North Malaita Coconut Products Limited	200,000	200,000
Commodities Shipping Line Limited	10,000	10,000
Lauru Coconut Products Limited	200,000	200,000
	<u>1,840,000</u>	<u>1,840,000</u>

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

b. Key Management Compensation

Key management includes, Board of directors, General Manager, Finance & Administration manager, Chief Produce Inspector and Commodities Development and Extension Manager.

The compensation paid or payable to key management for their service rendered to the corporation are as follows:

	2012	2011
	\$	\$
Wages & salaries	282,559	194,469
Other employment benefits	373,981	277,233
Termination benefit	-	-
Post employment benefits	-	-
Other long term benefit	36,355	11,489
	<u>692,895</u>	<u>483,190</u>

14. OTHER OPERATING EXPENSES

2012 other operating expenses relates primarily to electricity expense of \$48,984 (2011: \$277,769) and bad debts write off of \$62,138 (2011: \$416,107)

15. SHARED ACCOUNTING EXPENSE

The cost of shared accounting service funded by the Asian Development Bank (ADB) during 2012 financial year amounting to \$86,411 (\$2011: \$94,524) is included under other revenue and administrative expenses.