

SOLOMON ISLANDS BROADCASTING CORPORATION

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

Solomon Islands Broadcasting Corporation

Financial Statements for the year ended 31 December 2013

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Solomon Islands Broadcasting Corporation

State Owned Enterprise Information

The Solomon Islands Broadcasting Corporation ('the Corporation') is a State Owned Enterprise domiciled in Solomon Islands.

Registered Office

PO Box 654
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.

Solomon Islands Broadcasting Corporation

Directors' Report

The Directors present their report together with the financial statements of Solomon Islands Broadcasting Corporation ('the Corporation') for the year ended 31 December 2013 and the Independent Audit Report thereon.

Directors

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

	Date of appointment	Position	Date of Revocation
2013			
Mr. Loyley Ngira	3/05/2013	Chairperson	
Mr. Robert Iroga	3/05/2013	Duty Chairperson	
Mr David Palapu	3/05/2013	Member	
Mr Austin Holmes	3/05/2013	Member	
Mr Phil Bradford	3/05/2013	Member	
Ms Cathy Nori	3/05/2013	Member	
Fr Fred Seda	3/05/2013	Member	
2012			
Mr. Augustine Taneko	1/01/2008	Chairperson	
Mr Christopher Hunupauro	1/01/2008	Member	
Mr Badley Alaha	1/01/2008	Member	
Mr George Palua	1/01/2008	Member	
Fr Peter Noel	1/01/2008	Member	
Madam Christina Vunagi	1/01/2008	Member	
Ms Nanette Tutua	1/01/2008	Member	
Mr David Palapu	1/01/2008	Member	

Principal activities

The principal activity of the Corporation during the course of the financial year ended 31 December 2013 was the provision of radio services in Solomon Islands.

Operating and financial review

The Corporation recorded a net profit for the year amounting to \$1,183,020 (2012 restated : \$1,002,055).

Dividends

No dividends have been paid or declared since the end of the previous financial year, and the Directors do not recommend the declaration of a dividend, since the Corporation major financial support still comes from the government.

Solomon Islands Broadcasting Corporation

Directors' Report - cont'd

Significant Changes in the State of Affairs

In July 2007 the Solomon Island Government passed the State Owned Enterprises Act 2007 and listed Solomon Islands Broadcasting Corporation as a State Owned Enterprise under the jurisdiction of the Act.


Compliance with the Act could impact on the future operations of the Corporation.
Significant impact could include:

- The Minister of Finance and the Responsible Minister (the "accountable Ministers") can direct the Corporation to perform a community service obligation (Section 8, 1);
- The accountable Ministers can determine the amount of any dividend payable by the Corporation (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 Broadcasting Act (Section 26, 7 and 8).

There were no other significant changes in the state of affairs of the Corporation 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 Corporation, the results of its operations, or the state of affairs of the Corporation in future financial years.

Signed in accordance with a resolution of the Directors.


Name: MR Loyley Ngila
Director


Name: Fr. Fred Seda
Director

Dated at Honiara this 5TH day of NOVEMBER 2014.



INDEPENDENT AUDITOR'S REPORT

To the Board of the Solomon Islands Broadcasting Corporation

Report on the Financial Statements

I was engaged to audit the accompanying financial statements of Solomon Islands Broadcasting Corporation ("the Corporation"), which comprise the statement of financial position as at 31 December 2013, 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 set out on pages 10 to 19.

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.

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

Basis for Qualified Opinion

Property, plant and equipment

The last independent valuation of land and buildings was undertaken in 2010. I was therefore unable to satisfy myself as to the carrying value of land and buildings at 31 December 2013 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. I was also unable to rely on the balance reported for depreciation expenses. Accordingly, I am not able to ascertain what adjustments, if any, might be necessary to the amounts and disclosures in the financial statements.


Qualified Opinion

In my opinion, except for the effect if any, of the matters described in the Basis for Qualified paragraphs above, the financial statements give a true and fair view of the financial position of the Corporation as at 31st December 2013 and of its financial performance, changes in equity and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other legal and Regulatory Requirements

Lack of compliance with the State Owned Enterprises Act 2007

I draw your attention to the fact that SIBC has not complied with Section 14 (1) (b) and (c) of the *State Owned Enterprises Act 2007* 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. The management signed financial statements were not presented to me until 5 November 2014.


Robert Cohen

Acting Auditor-General

12th November 2014

Office of the Auditor-General
Solomon Islands


Solomon Islands Broadcasting Corporation

Statement by Directors

In accordance with the resolution of the Board of Directors of Solomon Islands Broadcasting Corporation, we state that in the opinion of the Directors:

- (a) the financial statements and notes set out on pages 6 to 19:
 - (i) give a true and fair view of the Corporation's financial position as at 31 December 2013 and of its performance for the financial year ended on that date; and
 - (ii) comply with International Financial Reporting Standards;
- (b) there are reasonable grounds to believe that the corporation will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors.



Name: Mr Loyley Ngira
Director



Name: Fr Fred Seda
Director

Dated at Honiara this 5TH day of NOVEMBER 2014.

Solomon Islands Broadcasting Corporation

Statement of profit or loss and other comprehensive income for the year ended 31 December 2013

	2013 \$	2012 \$ (Restated)
Revenue from continuing operation		
Program sponsorship and advertising	2,969,338	3,164,437
Broadcasts	1,034,596	1,585,334
Service messages	1,687,955	1,287,862
Other revenue	97,640	276,171
Rental income	98,272	200,568
Subscription fees	-	12,722
Total revenue from continuing operation	<u>5,887,801</u>	<u>6,527,094</u>
Expenses from continuing operation		
Administrative expenses	2,049,386	3,329,463
Depreciation expense	636,487	710,823
Director costs	49,797	117,741
Employee costs	3,245,249	2,519,383
Finance expenses	9,876	(756,827)
Repairs and maintenance	275,014	250,608
Total expenses from continuing operation	<u>6,265,809</u>	<u>6,171,191</u>
Net profit / (loss) from continuing operation	<u>(378,008)</u>	<u>355,903</u>
Other comprehensive income		
Grants (SIG)	561,028	646,152
Community service obligation (SIG - CSO)	1,000,000	-
Total other comprehensive income	<u>1,561,028</u>	<u>646,152</u>
Profit for the year	<u><u>1,183,020</u></u>	<u><u>1,002,055</u></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 19.

Solomon Islands Broadcasting Corporation

Statement of Changes in Equity for the year ended 31 December 2013

	Note	Shareholder Contributions/ Equity \$	Asset Revaluation Reserve \$	Retained Earnings/ (Accumulated Losses) \$	Total \$
Balance at 1 January 2012		981,948	8,790,056	(7,005,141)	2,766,863
Profit/(Loss) as preciously reported		-	-	445,808	445,808
Prior year error	13	-	-	556,247	556,247
Balance at 31 December 2012 as restated		981,948	8,790,056	(6,003,086)	3,768,918
Restated balance at 1 January 2013		981,948	8,790,056	(6,003,086)	3,768,918
Profit		-	-	(378,008)	(378,008)
Other comprehensive income				1,561,028	1,561,028
Total comprehensive income		-	-	1,183,020	1,183,020
Transaction with owners of the corporation					
Dividend		-	-	-	-
Shareholders contribution		1,000,000	-	-	1,000,000
Total contribution and distribution		1,000,000	-	-	1,000,000
Balance at 31 December 2013		1,981,948	8,790,056	(4,820,066)	5,951,938

The Directors have not declared dividend in respect of the 2013 net profit as the corporation has started to make profit after years of accumulated losses, and most of the finacial support still comes from the solomon Islands government.

Asset revaluation reserve relates to land and building which was revalued by Isaac Lae in 2009 , a registered independent valuer at the request of directors.

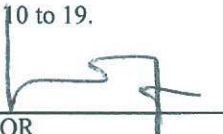
The statement of changes in equity is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 10 to 19.

Solomon Islands Broadcasting Corporation

**Statement of financial position
for the year ended 31 December 2013**

	Note	2013 \$	2012 \$
CURRENT ASSETS			
Cash on hand and at bank	3	1,112,665	394,175
Trade and other receivables	4	<u>1,250,961</u>	<u>2,014,480</u>
TOTAL CURRENT ASSETS		<u>2,363,626</u>	<u>2,408,655</u>
NON-CURRENT ASSETS			
Property, plant and equipment	5	<u>8,131,051</u>	<u>8,105,003</u>
TOTAL NON-CURRENT ASSETS		<u>8,131,051</u>	<u>8,105,003</u>
TOTAL ASSETS		<u>10,494,677</u>	<u>10,513,658</u>
CURRENT LIABILITIES			
Bank overdraft	3	-	-
Trade and other payables	6	770,652	6,297,624
Deferred income	7	130,335	114,439
Interest bearing loans and borrowings	8.a	-	5,931
Conversion of outstanding debts to interest free loan	8.b	360,000	
Employee Benefits	9	<u>114,258</u>	<u>127,962</u>
TOTAL CURRENT LIABILITIES		<u>1,375,245</u>	<u>6,545,956</u>
NON - CURRENT LIABILITIES			
Deferred income	7	19,431	62,155
Conversion of outstanding debts to interest free loan	8.b	3,061,381	
Employee Benefits	9	<u>86,682</u>	<u>136,629</u>
TOTAL NON-CURRENT LIABILITIES		<u>3,167,494</u>	<u>198,784</u>
TOTAL LIABILITIES		<u>4,542,739</u>	<u>6,744,740</u>
NET ASSETS		<u>5,951,938</u>	<u>3,768,918</u>
SHAREHOLDERS' EQUITY			
Shareholder contributions / equity		1,981,948	981,948
Asset revaluation reserve	10	8,790,056	8,790,056
Retained earnings / (Accumulated losses)		<u>(4,820,066)</u>	<u>(6,003,086)</u>
TOTAL SHAREHOLDERS' EQUITY		<u>5,951,938</u>	<u>3,768,918</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 19.


DIRECTOR


DIRECTOR

Solomon Islands Broadcasting Corporation

**Statement of cash flow
for the year ended 31 December 2013**

	Note	2013 \$	2012 \$
Cash Flows From Operating Activities			
Cash receipts from customers		8,216,763	6,655,721
Cash payments to suppliers and employees		<u>(6,577,014)</u>	<u>(6,147,230)</u>
Cash generated from / (used in) operations		1,639,749	508,491
Interest received		-	348
Interest paid		<u>(2,135)</u>	<u>(26,007)</u>
Net cash provided by / (used in) operating activities		<u>1,637,614</u>	<u>482,832</u>
Cash Flows From Investing Activities			
Proceeds from sale of property, plant and equipment		45,000	-
Acquisition of property, plant and equipment		<u>(718,193)</u>	<u>(270,343)</u>
Net cash provided by / (used in) investing activities		<u>(673,193)</u>	<u>(270,343)</u>
Cash Flows From Financing Activities			
Contribution by SIG		1,000,000	-
Repayment of borrowings		<u>(1,245,931)</u>	<u>(71,175)</u>
Net cash provided by / (used in) financing activities		<u>(245,931)</u>	<u>(71,175)</u>
Net increase / (decrease) in cash and cash equivalents		718,490	141,314
Cash and cash equivalents at the beginning of the financial year		<u>394,175</u>	<u>252,861</u>
Cash and cash equivalents at the end of the financial year	3	<u><u>1,112,665</u></u>	<u><u>394,175</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 19.

Solomon Islands Broadcasting Corporation

Notes to the Financial Statements for the year ended 31 December 2013

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 Corporation and they are consistent with those of the previous year.

The financial statements are presented in Solomon Islands currency, the Solomon Islands dollar (\$), and the balances are rounded to the nearest dollar.

(c) Going Concern

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

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

(d) Foreign Currency

The functional currency adopted in the preparation of the financial statements is the Solomon Islands currency, the Solomon Islands dollar (\$). Transactions in foreign currencies are recorded at the exchange rate at the date of the transaction. Foreign exchange differences arising on translation are recognised in the 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 period. Non-monetary assets and liabilities denominated in foreign currency are recorded at the exchange rate at the date of the transaction.

Solomon Islands Broadcasting Corporation

Notes to the Financial Statements for the year ended 31 December 2013

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Property, plant and equipment

Items of property, plant and equipment are stated at original cost, with the exception of land & Buildings which was stated at 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:

• buildings	20 years
• furniture and fittings	10 years
• motor vehicles	10 years
• plant and equipment	10 years
• transmitter plant and equipment	10 years

(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 and 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) Trade and other receivables

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

(h) 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.

Solomon Islands Broadcasting Corporation

Notes to the Financial Statements for the year ended 31 December 2013

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Provisions

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

(j) 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.

The corporation recognises Property, plant and equipment donated by NGO, Donar partners, government and other stakeholders as deferred income. These are recorded at fair value at the time the assets was received by the corporation. They are then recognised in the profit and loss as other income systematically over the useful life of the asset.

Programs and contracts fully paid in advance was initially recognised as deferred income. It was subsequently recognised as Program sponsorship and advertising in the profit and loss Systematically over the contract period.

(k) Trade and other payables

Trade and other payables are stated cost.

(l) Taxation

The Corporation is exempt from income tax for income derived from broadcasting, including the broadcasting of advertisements and messages in terms of paragraph 14 of the Broadcasting Act.

(m) 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 Corporation's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(n) Employee benefits

The Corporation's obligation in respect of long-term service benefits is the amount of future benefit that employees have earned in return for their 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 Corporation expects to pay as at reporting date including related on-costs.

(o) Segment reporting

A segment is a distinguishable component of the Corporation 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 Corporation provides broadcasts radio services to the Solomon Islands.

Solomon Islands Broadcasting Corporation

**Notes to the Financial Statements
for the year ended 31 December 2013**

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) 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.

(q) 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.

(r) Dividend

Dividend distribution to the Corporation's shareholders is recognised as a liability in the Corporation financial statements in the period in which the dividend are declared.

Solomon Islands Broadcasting Corporation

**Notes to the Financial Statements
for the year ended 31 December 2013**

2. EMPLOYEES

The number of employees at 31 December 2012 is 38 (2012: 51).

3. CASH AND CASH EQUIVALENTS

Cash on hand and at bank
Less: Bank overdraft

2013	2,012
\$	\$
1,112,665	394,175
-	-
<u>1,112,665</u>	<u>394,175</u>

Interest on bank overdraft is charged at prevailing market rates.

4. TRADE AND OTHER RECEIVABLES

Trade and other debtors
Amounts owed by related entities

1,564,081	1,416,456
599,167	1,515,056
<u>2,163,248</u>	<u>2,931,512</u>
912,284	917,032
<u>1,250,961</u>	<u>2,014,480</u>

Less: Provision for doubtful debts

5. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land at Revalued amount	Buildings at Revalued amount	Transmitter plant and Equipment	Plant and Equipment	Motor Vehicles	Furniture and Fittings	Total
Cost	\$	\$	\$	\$	\$	\$	\$
At 1 January 2012	515,000	8,042,254	1,920,180	1,694,719	747,197	154,593	13,073,943
Additions during the year	-	-	122,500	93,829	169,066	-	385,395
Disposals during the year	-	-	-	-	-	-	-
At 31 December 2012	515,000	8,042,254	2,042,680	1,788,548	916,263	154,593	13,459,338
Balance at 1 January 2013	515,000	8,042,254	2,042,680	1,788,548	916,263	154,593	13,459,338
Additions during the year	-	-	272,340	211,063	230,018	4,772	718,193
Disposals during the year	-	-	-	-	(330,878)	-	(330,878)
Balance as at 31 December 2013	515,000	8,042,254	2,315,020	1,999,611	815,403	159,365	13,846,653

Accumulated depreciation

At 1 January 2012	-	1,199,124	1,664,407	1,354,045	337,603	88,336	4,643,515
Depreciation	-	402,113	124,978	103,266	65,004	15,459	710,820
Disposals during the year	-	-	-	-	-	-	-
At 31 December 2012	-	1,601,237	1,789,385	1,457,311	402,607	103,795	5,354,335
Balance at January 2013	-	1,601,237	1,789,385	1,457,311	402,607	103,795	5,354,335
Depreciation	-	402,113	61,392	84,845	72,370	15,763	636,483
Disposals	-	-	-	-	(275,222)	-	(275,222)
Balance at 31 December 2013	-	2,003,350	1,850,777	1,542,156	199,755	119,558	5,715,596

Carrying Amounts

At 31 December 2012	<u>515,000</u>	<u>6,441,017</u>	<u>253,295</u>	<u>331,237</u>	<u>513,656</u>	<u>50,798</u>	<u>8,105,003</u>
At 31 December 2013	<u>515,000</u>	<u>6,038,904</u>	<u>464,243</u>	<u>457,455</u>	<u>615,648</u>	<u>39,807</u>	<u>8,131,051</u>

The valuation of land and Buildings was done by Isaac lae (Registered Valuer, MBA, BALMD) from Mwane Real Estate Brokers in January 2009. The valuer adopted open market valuation

Solomon Islands Broadcasting Corporation

Notes to the Financial Statements for the year ended 31 December 2013

5. PROPERTY, PLANT AND EQUIPMENT (Continued)

whereby the main assumption was that recent sales represent current market trends hence market value (Direct comparison approach). The basis for market value was recent sales evidence whereby recent property sales were compared to draw reasonable value for subject property.

Had the corporation land and building been measured on historical cost basis, their carrying amount would be as follows:

	2013	2,012
	\$	\$
<u>Building</u>	76,659	110,981
<u>Leasehold land</u>	1	1

There is no value of tandai land prior to valuation. \$1 appear against the property in the fix asset registrar to indicate that an asset do exist but with unknown value.

6. TRADE AND OTHER PAYABLES

Trade creditors	549,114	4,442,241
Other creditors and accrued expenses	221,538	2,411,630
	<u>770,652</u>	<u>6,853,871</u>

7. DEFERRED INCOME

Current

Program sponsorship and advertising revenue received in advance	114,106	98,210
Unexpended property, plant and equipment grants	16,229	16,229
	<u>130,335</u>	<u>114,439</u>

Non-current

Unexpended property, plant and equipment grants	19,431	62,155
	<u>149,766</u>	<u>176,594</u>

8. LOANS & BORROWINGS

A. Interest Bearing Loans and Borrowings

Current

Loan from Credit Corporation (SI) Limited	-	5,931
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Non-current

Loan from Credit Corporation (SI) Limited	-	-
	<u>-</u>	<u>5,931</u>

B. Conversion of long outstanding debt to interest free loan

Current

Conversion of SIEA Debts to interest free loan	360,000	5,931
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Non-current

Conversion of SIEA Debts to interest free loan	3,061,381	-
	<u>3,421,381</u>	<u>5,931</u>

Credit Corporation (SI) Limited loan

The loan is denominated in Solomon Island Dollars, attracts interest at a rate of 18% per annum and is repayable over 24 months. The Loan was fully repaid on January 2013.

Solomon Islands Electricity Authority (SIEA) Interest free loan

An Agreement was entered between SIEA and SIBC on the 8th of May 2013, Indicating that SIEA will advance a loan to SIBC for its outstanding debts in 60 monthly instalment over 5 year at \$30,000 per month.

Solomon Islands Broadcasting Corporation

**Notes to the Financial Statements
for the year ended 31 December 2013**

9. EMPLOYEE BENEFITS	<u>2013</u> \$	<u>2012</u> \$
Current		
Annual leave	53,828	61,446
Long service leave	60,430	66,516
	<u>114,258</u>	<u>127,962</u>
Non-current		
Long service leave	<u>86,682</u>	<u>136,629</u>
Long service benefit		

The Corporation has provided for long service benefits which entitles employees who have completed ten years service to six months pay. The portion of the provision with a maturity of less than 1 year has been classified as current. The portion of the provision with an expected maturity of greater than 1 year has been classified as non-current.

10. ASSET REVALUATION RESERVE	<u>2013</u> \$	<u>2012</u> \$
Opening balance	8,790,056	8,790,056
Revaluation increment during the year	-	-
	<u>8,790,056</u>	<u>8,790,056</u>

11. FINANCIAL INSTRUMENTS

Exposure to credit, Market risk (interest rate and currency risks) and Liquidity risk arise in the normal course of the Corporation's business.

(i) Credit risk

Credit risk is the risk of financial loss to the corporation if a customer fails to meet its contractual obligation and arise mainly from the corporation trade receivables. 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 Corporation does not require collateral in respect of financial assets.

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 as follows:

	<u>2013</u> \$	<u>2012</u> \$
Cash at bank	1,112,665	394,175
Trade and receivables	1,889,882	2,840,340
Deposits	-	-
Other receivables	282,022	91,172
Investments	-	-
	<u>3,284,569</u>	<u>3,325,687</u>

Impairment Losses

The ageing of trade receivables at reporting date that were not impaired was as follows:

Not past due		
Past due 0- 30days	257,243	459,995
Past due 31-60 days	209,973	233,421
Past due 61-90 days	268,371	217,798
Past due more than 90 days	309,620	1,012,093
	<u>1,045,207</u>	<u>1,923,307</u>

More than 50% of corporation customer has been transacting with related parties (Ministries, Provinces, other SOES etc). These customers are taking longer than normal customer to pay as most, in particular ministries payments are centralised within the ministry of finance. Management still beleive the unimpaired amount that are past due more than 90 days are still collectable based on historical payment behaviour and detail analysis of customer credit risks.

Solomon Islands Broadcasting Corporation

Notes to the Financial Statements for the year ended 31 December 2013

FINANCIAL INSTRUMENTS (Continued)

(ii) Interest Risk

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

At reporting date the interest rate profile for the corporation interest bearing Financial instrument was as follows:

	<u>Note</u>	<u>Effective interest rate</u>	<u>Total</u>	<u>Due within 1 year</u>
Cash and cash equivalents	3	0%	1,112,665	-
Loan - Credit Corporation (SI) Limited	8	18.00%	-	-

(iii) Foreign currency risk

The corporation 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 Corporation's exposure to foreign exchange risk.

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

(iv) Liquidity Risk

Liquidity risk is the risk that the corporation will face difficulty in meeting its financial obligation when they fall due. The Management attempt in managing the risk is to try as much as possible to have much liquidity to meet its obligation.

The following are the remaining contractual maturity of financial liabilities at the reporting date

31-Dec-13

Financial Liabilities	Carrying amount	0-30 Days	30-60 Days	60-90 days	90+ Days
Interest free loan	3,421,381	30,000	30,000	30,000	3,331,381
Trade payables	549,114	176,141	17,178	12,090	343,705
Accrued & Other creditors	221,538	221,538			
	4,192,033	427,679	47,178	42,090	3,675,086

31-Dec-12

Financial Liabilities	Carrying amount	0-30 Days	30-60 Days	60-90 days	90+ Days
Borrowings	5,931	5,931			
Trade payables	4,442,241	183,421	139,705	104,535	4,014,580
Accrued & Other creditors	2,411,630	2,411,630			
	6,859,802	2,600,982	139,705	104,535	4,014,580

95% of trade payable balance relates to Solomon Islands Electricity Authority (SIEA) accumulated electricity bills from prior years. Management approach the risk by signing an MOU with SIEA on 8th May 2013 to pay its debt \$30,000 each month in addition to their monthly bills. Upon the signing of the MOU the Solomon government paid SIEA \$1M on behalf of SIBC.

Further arrangement was made with the commission of inland revenue to offset Related parties receivables against the corporation Paye tax payables that have been accumulated over the years. The offset take place in 2013.

Sensitivity analysis

The loan held by the Corporation has a fixed interest rate for life of the loan, minimising the exposure to interest rate risk. Due to the low exposures to interest rate risk, it is estimated that a movement of one percentage point in interest rates or in the value of the Solomon Islands dollar against other foreign currencies would not have a significant impact on the Corporation's results for the year.

Fair values

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

Solomon Islands Broadcasting Corporation

**Notes to the Financial Statements
for the year ended 31 December 2013**

	<u>2013</u> \$	<u>2,012</u> \$
12. RELATED PARTY TRANSACTIONS		
(a) Controlled entities		
SIBC does not control any other entities.		
(b) Outstanding balances owing to SIBC:		
Ministry of Agriculture and Livestock	104,318	52,881
Ministry of Commerce and Employment	440	65,267
Ministry of Commerce and Industries	(3,984)	681
Ministry of Culture and Tourism	-	20,961
Ministry of Economic Reform Unit	-	60
Ministry of Education - Curriculum Development	-	825
Ministry of Education and Human Resources	42,897	156,138
Ministry of Environment, Conservation and Meteorology	790	29,457
Ministry of Finance and Treasury	-	-
Ministry of Foreign Affairs and Trade	694	4,812
Ministry of Forest and Research	-	-
Ministry of Fisheries and Marine resource	5,354	-
Ministry of Health, Disease Prevention and Control	30,400	48,423
Ministry of Health - Head Quarters and Ministry Office	-	2,885
Ministry of Health - Health Education Department	76,177	167,145
Ministry of Home Affairs	2,306	14,679
Ministry of Infrastructure Development	-	11,219
Ministry of Justice and Legal Affairs	2,270	-
Ministry Lands, Housing and Survey	-	54,276
Ministry of Mines Energy & Rural electrification	-	22,139
Ministry of National Unity, Reconciliation and Peace	9,100	30,108
Ministry of Natural Resources - Dept of Fisheries and Marine	-	12,194
Ministry of Planning and Aid Co-ordination	960	2,338
Ministry of Public Service	-	2,690
Ministry of Rural Development and Indigenous Business	-	24,588
Ministry of Youth Sports and Women Development	2,000	-
Ministry of Transport, Works and Utilities	-	1,646
National Disaster Management Office	-	14,698
National Parliament Office	11,238	341,270
National Judiciary	-	2,151
Ministry of Police and National security	-	10,425
National Population Census Office	-	10,045
Office of Ombudsman of Solomon Islands	-	4,625
Office of the Prime Minister - Constitution Reform Unit	2,649	30,266
Office of the Prime Minister - General Administration	151,687	260,600
Opposition Office	-	8,437
Ministry of Provincial Governments	3,804	5,730
Radio Happy Lagoon	14,232	-
Solomon Islands Electricity Authority	141,835	101,397
	<u>599,167</u>	<u>1,515,056</u>

There is an agreement made during the year between the corporation and comissioner of inland revenue agreeing to offset ministries long outstanding debtors with the corporation long outstanding PAYE with inland revenue. The agreement was successfully implemented during the year.

Solomon Islands Broadcasting Corporation

Notes to the Financial Statements for the year ended 31 December 2013

(c) Key management Compensation

Key management includes, Board of directors, General manager and Finance manager.
The compensation paid or payable to key management for their service rendered to the corporation are as follows:

	2013 \$	2,012 \$
Wages & salaries	419,905	232,230
Other employment benefits	223,737	204,474
Termination benefit	45,731	-
Post employment benefits	-	-
Other long term benefit	-	-
	<u>689,373</u>	<u>436,704</u>

13. PRIOR YEAR ERROR

During the period under review, it was discovered that the amount owing to National Provident fund as of December 2012 was overstated by \$556,247. This figure was corrected by increasing retained earnings as reflected in the statement of changes in equity and reduce trade and other payables.

(i) Summary Impact of changes on net profit(loss) & Net Assets

Profit and Loss Statement	Impact of changes in prior year error		
	As previously reported	Changes	As restated
Total Revenue	7,173,246	-	7,173,246
Administrative expense	(3,329,463)	-	(3,329,463)
Depreciation	(710,823)	-	(710,823)
Direcots cost	(117,741)	-	(117,741)
Employee cost	(3,075,630)	556,247	(2,519,383)
Fiancne expense	756,827	-	756,827
Repair & maintenance	(250,608)	-	(250,608)
Net profit/(Loss)	445,808	556,247	1,002,055
Statement of financial Position:			
Total Asset	10,513,658	-	10,513,658
Trade and other payables	(6,853,871)	556,247	(6,297,624)
Deffered income	(176,594)	-	(176,594)
Interest bearing loan(current & non current	(5,931)	-	(5,931)
Employee benefits (current & non current)	(264,591)	-	(264,591)
Net Assets	3,212,671	556,247	3,768,918

14. DIVIDEND

During the year under review, no dividend have been paid or declared by the directors.