

COMMODITIES EXPORT MARKETING AUTHORITY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

Commodities Export Marketing Authority

Financial Statements for the year ended 31 December 2010

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**Commodities Export Marketing Authority
Financial Statements for the year ended 31 December 2010
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 the year ended 31 December 2010
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 2010 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 | 22/04/2009 |
| Alpha Kimata - Vice Chairman | 20/11/2009 | |
| Barnabas Anga - PS | 01/09/2008 | |
| Alfred Ramo - GM | 01/07/2009 | |
| Atapan 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 2010 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 \$734,711 (2009: net profit of \$431,564).

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.

**Commodities Export Marketing Authority
Financial Statements for the year ended 31 December 2010
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: AUGUSTINE ROSE
Director

Name: JEFFREY ARTHUR
Director

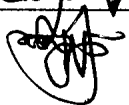
Dated at Honiara this 23rd day of January 2012.

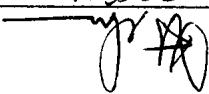
**Commodities Export Marketing Authority
Financial Statements for the year ended 31 December 2010
Statement by Directors**

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 2010 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: Augustine Rose
Director


Name: Jeffrey Atkinson
Director

Dated at Honiara this 23rd day of January 2012.

**Commodities Export Marketing Authority
Financial Statements for the year ended 31 December 2010
Profit and Loss Statement**

| | 2010 | 2009 |
|---|------|------------------|
| | Note | |
| | | \$ |
| Revenue | | |
| Rents | | 994,354 |
| Copra management fee | | 732,119 |
| Cocoa management fee | | 216,502 |
| Other revenue | | 545,160 |
| Project clips | | - |
| Copra licence | | 21,050 |
| Cocoa licence | | 41,200 |
| Oil palm licence | | 35,450 |
| Spice licence | | 5,000 |
| Grants | | 346,123 |
| Gain on sale of property, plant and equipment | | 2,000 |
| Total revenue | | <u>2,938,958</u> |
| Expenses | | |
| Administrative expenses | 8 | 336,248 |
| Depreciation expense | | 129,387 |
| Development and training | | 285,701 |
| Director costs | | 269,167 |
| Employee costs | | 787,197 |
| Loss on sale of property, plant and equipment | 6 | - |
| Other operating expenses | | 567,880 |
| Repairs and maintenance | | 131,814 |
| Total expenses | | <u>2,507,394</u> |
| Net profit/(loss) for the year | 2 | <u>431,564</u> |
| | | <u>(734,711)</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
Financial Statements for the year ended 31 December 2010
Statement of Changes in Equity**

| | Retained Earnings/ (Accumulated) Losses | Reserves | Shareholder Contributions/ Equity | |
|--------------------------------|--|----------|---|--|
| | \$ | \$ | \$ | |
| | Total | | | |
| Balance at 1 January 2009 | 652,689 | - | 10,000 | |
| Net profit for the year | 431,564 | - | - | |
| Balance at 31 December 2009 | 1,084,253 | - | 10,000 | |
| Net profit/(loss) for the year | (734,711) | - | - | |
| Balance at 31 December 2010 | 349,542 | - | 10,000 | |

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
Financial Statements for the year ended 31 December 2010
Balance Sheet**

| | 2010 | 2009 | |
|--|------------------|------------------|----|
| CURRENT ASSETS | | | |
| Cash on hand and at bank | 69,032 | 231,329 | |
| Trade and other receivables | 1,155,410 | 1,124,071 | |
| Non-current assets classified as held for sale | - | 740,021 | |
| TOTAL CURRENT ASSETS | <u>1,224,442</u> | <u>2,095,421</u> | |
| NON-CURRENT ASSETS | | | |
| Other investments | - | - | 7 |
| Property, plant and equipment | 1,721,888 | 1,807,975 | 8 |
| TOTAL NON-CURRENT ASSETS | <u>1,721,888</u> | <u>1,807,975</u> | |
| TOTAL ASSETS | <u>2,946,330</u> | <u>3,903,396</u> | |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 1,018,550 | 973,405 | 9 |
| Deferred income | 17,800 | 17,800 | 10 |
| Interest bearing loans and borrowings | 1,488,142 | 1,755,642 | 11 |
| Employee provisions | 21,650 | 21,650 | 12 |
| TOTAL CURRENT LIABILITIES | <u>2,546,142</u> | <u>2,768,497</u> | |
| NON - CURRENT LIABILITIES | | | |
| Employee provisions | 50,646 | 50,646 | 12 |
| TOTAL NON-CURRENT LIABILITIES | <u>50,646</u> | <u>50,646</u> | |
| TOTAL LIABILITIES | <u>2,596,788</u> | <u>2,819,143</u> | |
| NET ASSETS / (LIABILITIES) | <u>349,542</u> | <u>1,084,253</u> | |
| SHAREHOLDERS' EQUITY | | | |
| Shareholder contributions / equity | 10,000 | 10,000 | |
| Retained earnings / (Accumulated losses) | 339,542 | 1,074,253 | |
| TOTAL SHAREHOLDERS' EQUITY | <u>349,542</u> | <u>1,084,253</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
Financial Statements for the year ended 31 December 2010
Cash Flow Statement**

| | 2010 | 2009 |
|---|------------------|------------------|
| | \$ | \$ |
| Cash Flows From Operating Activities | | |
| Cash receipts from customers | 1,792,926 | 2,162,447 |
| Cash payments to suppliers and employees | (1,966,358) | (2,398,843) |
| Cash generated from operations | (173,432) | (236,396) |
| Interest paid | (7,995) | (23,943) |
| Net cash provided by / (used in) operating activities | (181,427) | (260,339) |
| Cash Flows From Investing Activities | | |
| Proceeds from sale of property, plant and equipment | 323,000 | 2,000 |
| Acquisition of property, plant and equipment | (36,370) | (16,299) |
| Net cash provided by / (used in) investing activities | 286,630 | (14,299) |
| Cash Flows From Financing Activities | | |
| Repayment of borrowings | (267,500) | (287,074) |
| Net cash provided by / (used in) financing activities | (267,500) | (287,074) |
| Net increase / (decrease) in cash and cash equivalents | (162,297) | (561,712) |
| Cash and cash equivalents at the beginning of the financial year | 231,329 | 793,041 |
| Cash and cash equivalents at the end of the financial year | 69,032 | 231,329 |

Note

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 the year ended 31 December 2010
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 Laru 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 the year ended 31 December 2010
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 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% |
- (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 the year ended 31 December 2010
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 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 the year ended 31 December 2010
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 recognized in the Profit and Loss Statement as it accrues, using the effective interest method. Dividend income is recognized 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 the year ended 31 December 2010
Notes to and forming part of the accounts (continued)**

| | | | | |
|----|--|---|-----------|-----------|
| 2. | NET PROFIT/LOSS | Net profit/loss for the year is stated after crediting and charging the following items: | 2010 | 2009 |
| | Crediting | | 5,000 | 5,000 |
| | Grant revenue | | - | 2,000 |
| | Charging | | | |
| | Gain on sale of property, plant and equipment | | 12,170 | 25,400 |
| | Audit fees | | 122,457 | 129,387 |
| | Depreciation of fixed assets | | 7,995 | 23,943 |
| | Interest on loans | | 417,021 | - |
| | Loss on sale of property, plant and equipment | | - | - |
| 3. | EMPLOYEES | | | |
| | The number of employees at year end 2010 is 15 (2009: 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: | | |
| | TRADE AND OTHER RECEIVABLES | Cash on hand and at bank | 69,032 | 231,329 |
| | | Trade debtors | 493,144 | 493,144 |
| | | Less: Provision for doubtful debts | 310,600 | 310,600 |
| | | | 182,544 | 182,544 |
| | | Amounts owed by subsidiaries | 2,263,271 | 2,263,271 |
| | | Less: Provision for doubtful debts | - | - |
| | | Other debtors and prepayments | 972,866 | 941,527 |
| 6. | NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE | | 1,155,410 | 1,124,071 |
| | | Items of property, plant, and equipment are presented as assets held for sale following the commitment of the Authority's management, in December 2005 to a plan to sell facilities due to the Authority's change in function. These assets comprise 26 properties and 2 items of plant and equipment and were sold during the year ended 31st December 2010 for \$323,000. | \$ 2010 | \$ 2009 |
| | | Property, plant and equipment | - | 740,021 |
| | | | - | 740,021 |

**Commodities Export Marketing Authority
Financial Statements for the year ended 31 December 2010
Notes to and forming part of the accounts (continued)**

7. OTHER INVESTMENTS

| Portfolio Companies | Ownership Interest | Opening balance 1 Jan 2010 | Prior year impairments | Dividends | Closing balance 31 Dec 2010 |
|--|-----------------------|----------------------------------|---------------------------|-----------|-----------------------------------|
| | % | \$ | \$ | \$ | \$ |
| 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) | - | - |

8. PROPERTY, PLANT AND EQUIPMENT

| Cost | At 1 January 2010 | Additions during the year | Disposals during the year | At 31 December 2010 |
|--------------------------|---------------------|---------------------------|---------------------------|---------------------|
| \$ | \$ | \$ | \$ | \$ |
| Leasehold | 3,100,383 | - | - | 3,100,383 |
| Land & Bldg | 3,100,383 | - | - | 3,100,383 |
| Plant and Equipment | 193,276 | 36,370 | - | 229,646 |
| Total | 3,293,659 | 36,370 | - | 3,330,029 |
| Accumulated depreciation | At 1 January 2010 | Charge for the year | Disposals during the year | At 31 December 2010 |
| | 1,341,722 | 105,560 | - | 1,447,282 |
| | 143,962 | 16,897 | - | 160,859 |
| | 1,485,684 | 122,457 | - | 1,608,141 |
| Book value | At 1 January 2010 | | | At 31 December 2010 |
| | 1,758,661 | | | 1,758,661 |
| | 49,314 | | | 49,314 |
| | 1,807,975 | | | 1,807,975 |
| | At 31 December 2010 | | | At 31 December 2010 |
| | 1,653,101 | | | 1,653,101 |
| | 68,787 | | | 68,787 |
| | 1,721,888 | | | 1,721,888 |

**Commodities Export Marketing Authority
Financial Statements for the year ended 31 December 2010
Notes to and forming part of the accounts (continued)**

| | | | | |
|------------|---|------------------|------------------|------------------|
| 9. | TRADE AND OTHER PAYABLES | | | |
| | Trade creditors | 844,036 | 844,036 | |
| | Amounts owed to related entities | 129,369 | 129,369 | |
| | Other creditors and accrued expenses | 45,145 | 45,145 | |
| | | <u>1,018,550</u> | <u>1,018,550</u> | |
| | | | | <u>973,405</u> |
| | | | | <u>\$</u> |
| | | | | <u>2010</u> |
| | | | | <u>\$</u> |
| | | | | <u>2009</u> |
| 10. | DEFERRED INCOME | | | |
| | Current | | | |
| | Unexpended grants | - | - | |
| | Licence fees received in advance | 17,800 | 17,800 | |
| | | <u>17,800</u> | <u>17,800</u> | |
| | | | | <u>17,800</u> |
| 11. | INTEREST BEARING LOANS AND BORROWINGS | | | |
| | Current | | | |
| | Loan from Central Bank of Solomon Islands | 1,488,142 | 1,488,142 | |
| | Loan from Agricom Pte Ltd | - | - | |
| | | <u>1,488,142</u> | <u>1,488,142</u> | |
| | | | | <u>1,755,642</u> |
| | Loan facilities and security | | | |
| | Bank loans | | | |
| | The Central Bank of Solomon Islands loan is denominated in Solomon Islands dollars. The loan is interest free, unsecured and has no set repayment terms. | | | |
| | Other loans | | | |
| | The Agricom Pte Ltd loan is denominated in US Dollars with interest at a rate of 6% per annum and was fully repaid during the year. | | | |
| 12. | EMPLOYEE PROVISIONS | | | |
| | Current | | | |
| | Provision for gratuities | 21,650 | 21,650 | |
| | Opening balance | - | - | |
| | Provisions made during the year | - | - | |
| | Provisions utilised during the year | (10,000) | (10,000) | |
| | Closing balance | <u>21,650</u> | <u>21,650</u> | |
| | Non-current | | | |
| | Long service leave benefit | 50,646 | 50,646 | |
| | Opening balance | - | - | |
| | Provisions made during the year | - | - | |
| | Provisions utilised during the year | - | - | |
| | Closing balance | <u>50,646</u> | <u>50,646</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. | | | |

**Commodities Export Marketing Authority
Financial Statements for the year ended 31 December 2010
Notes to and forming part of the accounts (continued)**

13. 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 2010 the Authority expensed \$46,888 in contributions payable (2009: \$61,384).

14. CONTINGENCIES

The Authority has a number of contingent liabilities estimated at an aggregate value of \$435,000 (2009: 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.

15. 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 equivalent | 4 | 0% | 69,032 | 69,032 | - |
| Loans: | | | | | |
| CBSI | 11 | 0% | 1,488,142 | 1,488,142 | - |

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.

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15. 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 2010, it is estimated that a general increase of one percentage in interest rates would decrease the Authority's profit by approximately \$1,333 (2009: \$5,546).

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 2010 (2009: \$2,016).

Fair values

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

16. 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, 7 and 9 for amounts to/by CEEMA from/to related parties and the related provisions.