

SOLOMON ISLANDS BROADCASTING CORPORATION
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

Solomon Islands Broadcasting Corporation

Financial Statements for the year ended 31 December 2012

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**Solomon Islands Broadcasting Corporation
Financial Statements for the year ended 31 December 2012
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
Financial Statements for the year ended 31 December 2012
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 2012 and the Independent Audit Report thereon.

Directors

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

Mr. Augustine Taneko
Mr Christopher Hunupauro
Mr Badley Alaha
Mr George Palua
Fr Peter Noel
Madam Christina Vunagi
Ms Nanette Tutua
Mr David Palapu

Principal activities

The principal activity of the Corporation during the course of the financial year ended 31 December 2012 was the provision of radio services in Solomon Islands.

Operating and financial review

The Corporation recorded a net profit for the year amounting to \$445,808 (2011 : restated loss of \$3,159,160).

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.

**Solomon Islands Broadcasting Corporation
Financial Statements for the 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 Solomon Islands Broadcasting Corporation as a State Owned Enterprise under the jurisdiction of the Act.

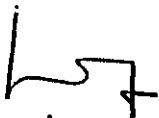
Compliance with the Act could impact on the future operations of the Corporation.
Significant impact could include:

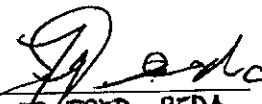
- The Minister of Finance and the Responsible Minister (the "accountable Ministers") can direct the Corporation to perform a community service obligation (Section 8, 1);
- The accountable Ministers can determine the amount of any dividend payable by the Corporation (Section 12, 1b);
- The requirement 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: **LOYLEY NGIRA**
Director


Name: **FR FRED SEDA**
Director

Dated at Honiara this **3rd** day of **April**

2014.

**Solomon Islands Office
of the Auditor-General**



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 the Solomon Islands Broadcasting Corporation ("SIBC"), which comprise the balance sheet as at 31 December 2012, and the profit and loss statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Board of Director's responsibility for the financial statements

The Board of Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

My responsibility is to express an opinion on the financial statements based on conducting the 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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Because of the matters discussed in the basis for disclaimer opinion paragraph, however, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion in accordance with International Auditing Standards.

Basis for disclaimer of opinion

The basis for disclaimer of opinion on the 2012 financial statements is attributed to the following:

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 cash flow statement 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 cash flow statement.

Unsupported adjusting entries in bank reconciliations

There were unsupported adjusting entries recorded within the cash at bank reconciliations for the financial years 2008, 2009, 2010 and 2011 carried forward to 31 December 2012. As a result, I was unable to verify the accuracy, completeness, occurrence and propriety of these adjusting entries to obtain reasonable assurance over the validity of the reported bank balance as at 31 December 2012.

Revenue and Receivables

There were missing invoice books covering the period from 30 July 2012 to 12 September 2012 totaling \$215,738. Deposit books for the period of 1 January to 29 February, 4 July to 16 July and from 25 September to 17 October 2012 were also unable to be located. Audit identified a misposting of invoices totaling \$7,542 relating to 2012 which were recorded in the 2013 financial year. As a result I am unable to verify the accuracy and completeness of revenue collected for the year ended and the accuracy of the receivables balances as at 31 December 2012. I was unable to determine whether any adjustments might be necessary to the amounts and disclosures in the financial statements.

Bad Debt Provision

Due to missing invoices and insufficient supporting documentation, as well as the lack of a current special imprest and advance I was unable to verify the completeness, existence and accuracy of the bad debt provision totalling \$917,032. This provision comprised of balances reported over the period 2008 to 2012. Further, a journal entry totalling \$832,446 was misposted against this account understating the provision for doubtful debts. As a result I am unable to confirm or verify by alternative means the bad debt provision included in the financial statements as at 31 December 2012. Accordingly, I am not able to determine whether any adjustments might be necessary to the amounts and disclosures in the financial statements.

Misstatement of Finance Expenses and Bad Debts Expense

The reported balance for finance expenses disclosed within the profit and loss statement was understated by \$832,446. This resulted from a journal entry misposting, the balance for also incorrectly included expenses for bad debts and bad debts commission. These balances should not be categorised as finance expenses as they do not meet the definition of borrowing costs under IAS 23 "*Borrowing Costs*". In addition, the balance for the bad debt provision was incorrectly offset against the accounts receivable balance which is also misstated. These balances remain unadjusted and are incorrect. As a result these line items do not give a true and fair view of finance expenses or bad debts expense reported within the profit and loss statement for the year ended 31 December, 2012.

Trade and Other Payables

Due to the absence of sufficient supporting invoices and confirmation documentation. I was unable to verify the completeness, existence and accuracy of the trade payables balances totaling \$32,925.84. Due to the absence of sufficient and appropriate supporting documentation. I was unable to verify the completeness, existence and accuracy of the NPF payable balance totaling \$556,247. As a result I am unable to confirm or verify by alternative means the carrying amount of trade and other payables 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.

Property, Plant and Equipment

The last independent valuation of property plant and equipment was undertaken as at 1 January 2010. SIBC also did not review the useful lives and residual value of the property, plant and equipment as at reporting date. I was therefore unable to satisfy myself as to the fair value of property plant and equipment and I was also unable to determine whether adjustments to property, plant and equipment and associated depreciation expense within the financial statements were necessary. As a result I am unable to confirm or verify by alternative means the carrying amount of property plant and equipment 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.

Disclaimer of opinion

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 to provide a basis for an audit opinion. Accordingly, I do not express an opinion on the financial statements of the SIBC for the financial year ended 31 December 2012.

Emphasis of Matter

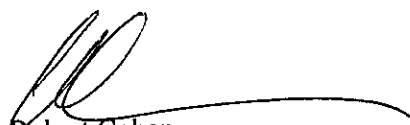
Going concern

I draw attention to Note 1 (c) of the financial statements. SIBC's current liabilities exceed its current assets by \$4,693,548. As a going concern, SIBC is dependent upon the continuing support of the Solomon Islands Government, its bankers and creditors.

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 17 March 2014.



Robert Cohen
Acting Auditor-General
22 April, 2014

Office of the Auditor-General
Solomon Islands

Independent Auditor Report

Solomon Islands Broadcasting Corporation
Financial Statements for the year ended 31 December 2012
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 9 to 22:
 - (i) give a true and fair view of the Corporation'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 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: LOYLEY NGIA
Director

Name: FR FRED SEDA
Director

Dated at Honiara this 3rd day of April 2014.

Solomon Islands Broadcasting Corporation Financial Statements
Profit and Loss Statement for the year ended 31 December 2012.

	<u>2012</u> \$	<u>2011</u> \$ (Restated)
REVENUE		
Program sponsorship and advertising	3,164,437	3,162,978
Broadcasts	1,585,334	483,248
Service messages	1,287,862	884,210
Grant revenue	646,152	526,000
Other revenue	276,171	1,198,251
Rental income	200,568	181,795
Subscription fees	<u>12,722</u>	<u>7,553</u>
Total revenue	<u>7,173,246</u>	<u>6,444,035</u>
EXPENSE		
Administrative expenses	3,329,463	3,619,271
Depreciation expense	710,823	848,980
Director costs	117,741	76,446
Employee costs	3,075,630	3,037,609
Finance expenses	(756,827)	1,738,907
Repairs and maintenance	<u>250,608</u>	<u>281,982</u>
Total expenses	<u>6,727,438</u>	<u>9,603,195</u>
Net profit / (loss) for the year	<u>445,808</u>	<u>(3,159,160)</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 13 to 22.

**Solomon Islands Broadcasting Corporation Financial Statement
Statement of Changes in Equity for the year ended 31 December 2012**

	<u>Note</u>	Shareholder Contributions/ <u>Equity</u> \$	Asset Revaluation <u>Reserve</u> \$	Retained Earnings/ (Accumulated) <u>Losses</u> \$	<u>Total</u> \$
Balance at 1 January 2011		981,948	8,790,056	(3,845,981)	5,926,023
Net profit / (loss) for the year, as previously reported		<u>-</u>	<u>-</u>	<u>(4,534,155)</u>	<u>(4,534,155)</u>
Balance at 31 December 2011, as previously reported		981,948	8,790,056	(8,380,136)	1,391,868
Correction of prior year error	13	<u>-</u>	<u>-</u>	<u>1,374,995</u>	<u>1,374,995</u>
Balance at as at 1 January 2012,		981,948	8,790,056	(7,005,141)	2,766,863
Net profit / (loss) for the year	4	<u>-</u>	<u>-</u>	<u>445,808</u>	<u>445,808</u>
Balance at 31 December 2012		<u>981,948</u>	<u>8,790,056</u>	<u>(6,559,333)</u>	<u>3,212,671</u>

The Directors have not declared dividend in respect of the 2012 net profit as the corporation has started to make profit after years of accumulated losses.

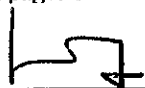
Asset revaluation reserve relates to land and building which was revalued by Isaac Lae in 2009, a registered independent valuer at the request of directors. The value of land and building as stated in the books does not reflect the market value of the corporation land and building, thus a revaluation was needed.

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 13 to 22.


Solomon Islands Broadcasting Corporation Financial Statements
Balance Sheet as at 31 December 2012

	Note	2012 \$	2011 \$ (Restated)
CURRENT ASSETS			
Cash & Cash on hand	3	394,175	252,861
Trade and other receivables	4	<u>2,014,480</u>	<u>776,009</u>
TOTAL CURRENT ASSETS		<u>2,408,655</u>	<u>1,028,870</u>
NON-CURRENT ASSETS			
Property, plant and equipment	5	<u>8,105,003</u>	<u>8,430,428</u>
TOTAL NON-CURRENT ASSETS		<u>8,105,003</u>	<u>8,430,428</u>
TOTAL ASSETS		<u>10,513,658</u>	<u>9,459,298</u>
CURRENT LIABILITIES			
Bank overdraft	3	-	-
Trade and other payables	6	6,853,871	6,172,025
Deferred income	7	114,439	92,703
Interest bearing loans and borrowings	8	5,931	71,175
Employee Benefits	9	<u>127,962</u>	<u>114,924</u>
TOTAL CURRENT LIABILITIES		<u>7,102,203</u>	<u>6,450,827</u>
NON - CURRENT LIABILITIES			
Deferred income	7	62,155	79,988
Interest bearing loans and borrowings	8	-	5,931
Employee Benefits	9	<u>136,629</u>	<u>155,689</u>
TOTAL NON-CURRENT LIABILITIES		<u>198,784</u>	<u>241,608</u>
TOTAL LIABILITIES		<u>7,300,987</u>	<u>6,692,435</u>
NET ASSETS		<u>3,212,671</u>	<u>2,766,863</u>
SHAREHOLDERS' EQUITY			
Shareholder contributions / equity		981,948	981,948
Asset revaluation reserve	10	8,790,056	8,790,056
Retained earnings / (Accumulated losses)		<u>(6,559,333)</u>	<u>(7,005,141)</u>
TOTAL SHAREHOLDERS' EQUITY		<u>3,212,671</u>	<u>2,766,863</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 13 to 22.



 DIRECTOR



 DIRECTOR

Solomon Islands Broadcasting Corporation Financial Statements
Cash Flow Statement for the year ended 31 December 2012

	Note	2012 \$	2011 \$
Cash Flows From Operating Activities			
Cash receipts from customers		6,655,721	5,851,866
Cash payments to suppliers and employees		<u>(6,147,233)</u>	<u>(6,347,577)</u>
Cash generated from / (used in) operations		508,488	(495,711)
Interest received		348	1,169
Interest paid		<u>(26,007)</u>	<u>(23,488)</u>
Net cash provided by / (used in) operating activities		<u>482,829</u>	<u>(518,030)</u>
Cash Flows From Investing Activities			
Proceeds from sale of property, plant and equipment		-	48,500
Acquisition of property, plant and equipment		<u>(270,340)</u>	<u>(260,366)</u>
Net cash provided by / (used in) investing activities		<u>(270,340)</u>	<u>(211,866)</u>
Cash Flows From Financing Activities			
Proceeds of borrowings		-	142,350
Repayment of borrowings		<u>(71,175)</u>	<u>(117,680)</u>
Net cash provided by / (used in) financing activities		<u>(71,175)</u>	<u>24,670</u>
Net increase / (decrease) in cash and cash equivalents		141,314	(705,226)
Cash and cash equivalents at the beginning of the financial year		<u>252,861</u>	<u>958,087</u>
Cash and cash equivalents at the end of the financial year	3	<u>394,175</u>	<u>252,861</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 13 to 22.

Solomon Islands Broadcasting Corporation Financial Statements
Notes to and forming part of the Financial Statements
31 December 2012

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 liabilities exceed its current assets. 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 Financial Statements
Notes to and forming part of the Financial Statements
31 December 2012

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 Financial Statements
Notes to and forming part of the Financial Statements
31 December 2012

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 were 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 were 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 Financial Statements
Notes to and forming part of the Financial Statements
31 December 2012

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 Financial Statements
Notes to and forming part of the Financial Statements
31 December 2012

2. EMPLOYEES

The number of employees at 31 December 2012 is 51 (2011: 51).

3. CASH AND CASH EQUIVALENTS

	<u>2012</u>	<u>2011</u>
	\$	\$
Cash on hand and at bank	394,175	252,861
Less: Bank overdraft	-	-
	394,175	252,861

Interest on bank overdraft is charged at prevailing market rates.

4. TRADE AND OTHER RECEIVABLES

Trade and other debtors	1,416,456	1,435,447
Amounts owed by related entities	1,515,056	1,090,040
	2,931,512	2,525,487
Less: Provision for doubtful debts	917,032	1,749,478
	2,014,480	776,009

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
<u>Cost</u>	\$	\$	\$	\$	\$	\$	\$
At 1 January 2011	515,000	8,248,119	1,920,180	1,777,783	745,973	145,193	13,352,248
Additions during the year	-	-	-	18,242	232,724	9,400	280,366
Disposals during the year	-	(205,865)	-	(101,306)	(231,500)	-	(538,671)
At 31 December 2011	515,000	8,042,254	1,920,180	1,694,719	747,197	154,593	13,073,943
Balance 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	-	-	-	-	-	-	-
Balance as at 31 December 2012	515,000	8,042,254	2,042,680	1,788,548	916,263	154,593	13,459,338

Accumulated depreciation

At 1 January 2011	-	817,597	1,472,389	1,239,080	423,007	73,346	4,025,419
Depreciation	-	402,113	192,018	168,426	71,433	14,990	848,980
Disposals during the year	-	(20,586)	-	(53,461)	(156,837)	-	(230,884)
At 31 December 2011	-	1,199,124	1,664,407	1,354,045	337,603	88,336	4,643,515
Balance at 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	-	-	-	-	-	-	-
Balance at 31 December 2012	-	1,601,237	1,789,385	1,457,311	402,607	103,795	5,354,335

Carrying Amounts

At 31 December 2011	515,000	6,843,130	255,773	340,674	409,594	66,257	8,430,428
At 31 December 2012	515,000	6,441,017	253,295	331,237	513,656	50,798	8,105,003

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

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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:

	2012	2011
	\$	\$
<u>Building</u>	110,981	145,304
<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 unkown value.

6. TRADE AND OTHER PAYABLES

Trade creditors	4,442,241	3,735,737
Other creditors and accrued expenses	<u>2,411,630</u>	<u>3,811,283</u>
	<u>6,853,871</u>	<u>7,547,020</u>

7. DEFERRED INCOME

Current

Program sponsorship and advertising revenue received in advance	98,210	78,078
Unexpended property, plant and equipment grants	<u>16,229</u>	<u>14,625</u>
	<u>114,439</u>	<u>92,703</u>

Non-current

Unexpended property, plant and equipment grants	<u>62,155</u>	<u>79,988</u>
	<u>176,594</u>	<u>172,691</u>

8. INTEREST BEARING LOANS AND BORROWINGS

Current

Loan from Credit Corporation (SI) Limited	<u>5,931</u>	<u>71,175</u>
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Non-current

Loan from Credit Corporation (SI) Limited	<u>-</u>	<u>5,931</u>
	<u>5,931</u>	<u>77,106</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.

9. EMPLOYEE BENEFITS

	2012	2011
	\$	\$
Annual leave	61,446	84,770
Long service leave	<u>66,516</u>	<u>30,154</u>
	<u>127,962</u>	<u>114,924</u>
Non-current		
Long service leave	<u>136,629</u>	<u>155,689</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.

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10. ASSET REVALUATION RESERVE	<u>2012</u> \$	<u>2011</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>2012</u> \$	<u>2011</u> \$
Cash at bank	394,175	220,861
Trade and receivables	2,840,340	2,411,992
Deposits	-	-
Other receivables	91,172	113,495
Investments	-	-
	<u>3,325,687</u>	<u>2,746,348</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	459,995	-
Past due 31-60 days	233,421	-
Past due 61-90 days	217,798	-
Past due more than 90 days	1,012,093	-
	<u>1,923,307</u>	<u>-</u>

2011 trade debtors data not available for comparative figures

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.

(ii) Interest Risk

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

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FINANCIAL INSTRUMENTS (Continued)

(ii) Interest Risk (Continued)

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%	394,175	-
Loan - Credit Corporation (SI) Limited	8	18.00%	5,931	5,931

(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-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
31-Dec-11					
Financial Liabilities	Carrying amount	0-30 Days	30-60 Days	60-90 days	90+ Days
Borrowings	77,106	5,931	11,863	17,794	41,519
Trade payables	3,735,737	365,163	-35,656	172,849	3,233,381
Accrued & Other creditors	3,811,283	3,811,283			
	7,624,126	4,182,377	-23,793	190,643	3,274,900

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.

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	<u>2012</u>	<u>2011</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	52,881	62,476
Ministry of Commerce and Employment	65,267	38,447
Ministry of Commerce and Industries	681	681
Ministry of Culture and Tourism	20,961	20,889
Ministry of Economic Reform Unit	60	60
Ministry of Education - Curriculum Development	825	825
Ministry of Education and Human Resources	156,138	65,580
Ministry of Environment, Conservation and Meteorology	29,457	26,564
Ministry of Finance and Treasury	-	1,799
Ministry of Foreign Affairs and Trade	4,812	4,192
Ministry of Forest and Research	-	15,342
Ministry of Fisheries and Marine resource	-	5,063
Ministry of Health, Disease Prevention and Control	48,423	44,913
Ministry of Health - Head Quarters and Ministry Office	2,885	3,355
Ministry of Health - Health Education Department	167,145	235,359
Ministry of Home Affairs	14,679	34,991
Ministry of Infrastructure Development	11,219	8,880
Ministry of Justice and Legal Affairs	-	5,817
Ministry Lands, Housing and Survey	54,276	54,276
Ministry of Mines Energy & Rural electrification	22,139	13,014
Ministry of National Unity, Reconciliation and Peace	30,108	28,004
Ministry of Natural Resources - Dept of Fisheries and Marine	12,194	12,194
Ministry of Planning and Aid Co-ordination	2,338	19,579
Ministry of Public Service	2,690	1,652
Ministry of Rural Development and Indigenous Business	24,588	4,925
Ministry of Youth Sports and Women Development	-	2,412
Ministry of Transport, Works and Utilities	1,646	1,646
National Disaster Management Office	14,698	2,198
National Parliament Office	341,270	74,519
National Judiciary	2,151	2,151
Ministry of Police and National security	10,425	13,225
National Population Census Office	10,045	11,497
Office of Ombudsman of Solomon Islands	4,625	4,625
Office of the Prime Minister - Constitution Reform Unit	30,266	536
Office of the Prime Minister - General Administration	260,600	80,584
Opposition Office	8,437	3,828
Ministry of Provincial Governments	5,730	1,442
Solomon Islands Electricity Authority	101,397	182,500
	<u>1,515,056</u>	<u>1,090,040</u>

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(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:

	2012	2011
	\$	\$
Wages & salaries	232,230	151,898
Other employment benefits	204,474	201,627
Termination benefit	-	-
Post employment benefits	-	-
Other long term benefit	-	-

The finance manager position post was vacant in 2011 and was filled around Mid 2012.

13. PRIOR YEAR ERROR

During the year under review, it was discovered that the amount owing to Inland Revenue in the 2011 accounts was overstated by \$1,374,995, resulting in a \$1,374,995 overstatement of net loss for that year. The error has been corrected by re-stating the 2011 comparative figures.

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

Profit and Loss Statement	<u>Impact of changes in prior year error</u>		
	As previously reported	Changes	As restated
Total Revenue	6,444,035	-	6,444,035
Administrative expense	(4,994,266)	1,374,995	(3,619,271)
Depreciation	(848,980)		(848,980)
Direcots cost	(76,446)		(76,446)
Employee cost	(3,037,609)		(3,037,609)
Fiancne expense	(1,738,907)		(1,738,907)
Repair & maintenance	(281,982)		(281,982)
Net profit/(Loss)	(4,534,155)	1,374,995	(3,159,160)
Statement of financial Position:			
Total Asset	9,459,298	-	9,459,298
Trade and other payables	(7,547,020)	1,374,995	(6,172,025)
Deffered income	(172,691)	-	(172,691)
Interest bearing loan(current & non current	(77,106)	-	(77,106)
Employee benefits (current & non current)	(270,613)	-	(270,613)
Net Assets	1,391,868	1,374,995	2,766,863

14. DIVIDEND

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