

COMMUNICATIONS (FIJI) LIMITED and Subsidiary company

CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017

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*Contents*

Directors' report.....	2 - 3
Directors declaration.....	4
Auditor's independence declaration.....	5
Independent audit report.....	6 - 8
Consolidated statement of comprehensive income.....	9
Consolidated statement of financial position.....	10
Consolidated statement of cash flows.....	11
Consolidated statement of changes in equity.....	12
Notes to the consolidated financial statements.....	13 - 36

# COMMUNICATIONS (FIJI) LIMITED and Subsidiary company

## DIRECTORS' REPORT

### FOR THE YEAR ENDED 31 DECEMBER 2017

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In accordance with a resolution of the Board of Directors of Communications (Fiji) Limited ("the Company"), the directors herewith submit the Consolidated Statement of Financial Position of the company and its subsidiary (collectively as "the group") as at 31 December 2017, the related Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows for the year then ended on that date and report as follows:

#### Directors

Directors at the date of this report are:

Matthew Wilson	Sufinaaz Dean
William Parkinson	Vilash Chand
Pramesh Sharma	Thelma Savua (Appointed 22 February 2017)

#### Principal activity

The principal business activity of the company and the subsidiary company in the course of the year was the operation of commercial radio stations and there has been no significant change in this activity during the year. The associate companies provide cinema entertainment and renting of a property respectively.

#### Results

The operating group profit for the year was \$2,922,934 (2016: loss of 1,335,445) after providing \$488,249 (2016: \$1,090,933 tax expense) for income tax expense.

#### Dividends

The dividends declared during the year was \$1,885,740 (2016: \$284,640).

#### Reserves

To comply with the requirements of the Fiji Companies Act 2015, the directors transferred the balance of the Share Premium Account to Issued Capital.

#### Bad and doubtful debts

Prior to the completion of the group's financial statements, the directors took reasonable steps to ascertain that action had been taken in relation to writing off bad debts and the provision for doubtful debts. In the opinion of the directors, adequate provision has been made for doubtful debts.

As at the date of this report, the directors are not aware of any circumstances which would render the amount written off for bad debts, or the provision for doubtful debts in the group, inadequate to any substantial extent.

#### Non-current assets

Prior to the completion of the financial statements of the group, the directors took reasonable steps to ascertain whether any non-current assets were unlikely to be realized in the ordinary course of business as compared to their values as shown in the accounting records of the group. Where necessary these assets have been written down or adequate provision has been made to bring the values of such assets to an amount that they might be expected to realize.

As at the date of this report, the directors are not aware of any circumstances which would render the values attributed to non-current assets in the group's financial statements misleading.

#### Unusual transactions

In the opinion of the directors, the results of the operations of the group during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the group in the current financial year, other than those reflected in the financial statements.

COMMUNICATIONS (FIJI) LIMITED and Subsidiary company  
DIRECTORS' REPORT *continued*  
FOR THE YEAR ENDED 31 DECEMBER 2017

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Significant events

During the year the company sold its shares in i-Pac Communications Limited and recorded a gain of \$659,371.

Events subsequent to balance date

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the group, the results of those operations, or the state of affairs of the group as reported in these financial statements.

Other circumstances

As at the date of this report :

- (i) no charge on the assets of the group has been given since the end of the financial year to secure the liabilities of any other person;
- (ii) no contingent liabilities have arisen since the end of the financial year for which the group could become liable; and
- (iii) no contingent liabilities or other liabilities of the group have become or are likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the group to meet its obligations as and when they fall due.

As at the date of this report, the directors are not aware of any circumstances that have arisen, not otherwise dealt with in this report or the company's and its group's financial statements, which would make adherence to the existing method of valuation of assets or liabilities of the company and its subsidiary misleading or inappropriate.

Directors' benefits

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than those included in the aggregate amount of emoluments received or due and receivable by directors shown in the financial statements or received as the fixed salary of a full-time employee of the company or of a related corporation) by reason of a contract made by the company or by a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

Directors' interests

Particulars of directors' interests in the ordinary shares of the company during the year are as follows:

	Direct interest	Indirect interest
Sufinaaz Dean	2,000	Nil
William Parkinson	Nil	1,881,341

Auditor independence

The directors have obtained an independence declaration from the group's auditor, Ernst & Young. A copy of the auditor's independence declaration is set out in the Auditor's Independence Declaration to the Directors of the company on page 5.

Signed on behalf of the Board of Directors in accordance with a resolution of the directors.

Dated this 6th day of March 2018.

Director: .....

Director: .....

COMMUNICATIONS (FIJI) LIMITED and Subsidiary company  
DIRECTORS' DECLARATION  
FOR THE YEAR ENDED 31 DECEMBER 2017

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This Directors' Declaration is required by the Companies Act, 2015 ("the Act").

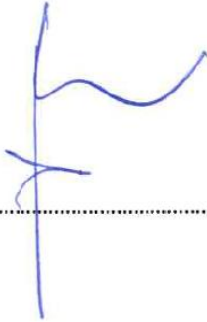
The Directors of Communications (Fiji) Limited ("the company") have made a resolution that declared:

- (i) In the Directors' opinion, the financial statements and notes of the company and the its subsidiary (together as "the Group") for
  - a) give a true and fair view of the financial position of the Group as at 31 December 2017 and of the performance of the Group for the year ended 31 December 2017;
  - b) have been made out in accordance with the Act.
- (ii) they have received declarations as required by Section 395 of the Act;
- (iii) At the date of this declaration, in the Directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed on behalf of the Board of Directors in accordance with a resolution of the directors.

Dated this 6th day of March 2018.

Director: .....



Director: .....





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As lead auditor for the audit of Communications (Fiji) Limited and its subsidiary for the financial year ended 31 December 2017, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the Companies Act 2015 in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Communications (Fiji) Limited and the entity it controlled during the financial year.

Ernst & Young  
Chartered Accountants  
6 March 2018  
Suva, Fiji

Steven Pickering  
Audit Engagement Partner



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## INDEPENDENT AUDIT REPORT

To the Shareholders of Communications (Fiji) Limited

Report on the Audit of the Consolidated Financial Statements

### Opinion

We have audited the financial report of Communications (Fiji) Limited (“the Company”) and its subsidiary (collectively as “the Group”), which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies, other explanatory information and the Directors’ Declaration.

In our opinion, the accompanying financial report of the Group give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance, changes in equity and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRS”).

### *Basis for Opinion*

We conducted our audit in accordance with International Standards on Auditing (“ISAs”). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the International Ethics Standards board for Accountants’ Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Other Matters*

Other than the provision of assurance services in our capacity as auditor, we have no relationship with, or interest in the Company or its subsidiary. Partners and employees of our firm deal with the Company and the Group on normal terms within the ordinary course of trading activities of the business of the Group.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor’s Responsibilities for the Audit of the Financial Report section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying financial report.

Key audit matters	How our audit addressed the matter
Impairment of goodwill:	
Given the write downs by the subsidiary (PNG FM Limited) on its investment in the Paradise Cinemas joint venture, there is a risk that there could be a material impairment to goodwill.	We evaluated the impairment calculations including assessing the recoverable amount of the CGU. We reviewed the valuation of the CGU as determined by an independent valuer. We assessed the key assumptions including the future maintainable earnings, forecast growth assumptions and price earnings multiples.



INDEPENDENT AUDIT REPORT (continued)

Key Audit Matters (continued)

Key audit matters	How our audit addressed the matter
Impairment of goodwill (continued):	
As disclosed in Note 2.4(c) to the financial report, the Directors' assessment of impairment for goodwill and other assets within the relevant cash generating unit ("CGU") involves critical accounting estimates and assumptions, specifically concerning assumptions about the future, including future cash flows. Further disclosure around the Group's goodwill impairment assessment is included in Note 15.	We performed sensitivity analysis around the key drivers of the cash flow projections and the independent valuation report. Having determined the change in assumptions (individually and collectively) that would be required for the CGU to be impaired, we considered the likelihood of such a movement in those key assumptions arising. We also evaluated the adequacy of the disclosure included in Note 15.

Information Other than the Financial Statements and Auditor's Report

The directors and management are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 31 December 2017, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained during the audit, or otherwise appears to be materially misstated. If, based upon the work performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors and management for the Consolidated Financial Statements

The directors and management are responsible for the preparation and fair presentation of the financial report in accordance with IFRS and for such internal control as management and the directors determine is necessary to enable the preparation of financial report that are free from material misstatement, whether due to fraud or error.

In preparing the financial report, the management and directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management and the directors either intend to liquidate the Group to cease operations, or have no realistic alternative but to do so.

The management and directors are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial report as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatement can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial report.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

INDEPENDENT AUDIT REPORT (continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management and directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors and management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We are also required to provide the directors and management with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with management and the directors, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2015, in our opinion:

- a) Proper books of account have been kept by the group, so far as it appears from our examination of those books; and
- b) the accompanying financial statements:
  - i) are in agreement with the books of account; and
  - ii) to the best of our information and according to the explanations given to us, give the information required by the Companies Act, 2015 in the manner so required.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Ernst & Young  
Chartered Accountants  
6 March 2018  
Suva, Fiji



Steven Pickering  
Audit Engagement Partner



COMMUNICATIONS (FIJI) LIMITED and Subsidiary company  
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 \$	2016 \$
Radio income	4.1	11,609,894	11,281,534
Other revenue	4.2	1,397,361	1,226,324
Salaries and employee benefits	4.3	(3,647,622)	(3,351,727)
Depreciation and amortization	4.4	(1,098,119)	(1,063,236)
Other expenses	4.5	(5,494,056)	(6,202,124)
Profit from operations		2,767,458	1,890,771
Finance costs	4.6	(143,660)	(95,727)
Share of profit/(loss) of associate or joint venture	4.7	128,014	(511,996)
Impairment loss on joint venture	12 (b)	-	(1,527,560)
Gain on sale of shares in associate company		659,371	-
Profit/(loss) before income tax		3,411,183	(244,512)
Income tax (expense)	5	(488,249)	(1,090,933)
Net profit/(loss) for the year		2,922,934	(1,335,445)
Other comprehensive income/(expense)			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>			
Exchange differences on translation of foreign operation	20	(210,140)	(217,827)
Other comprehensive (expense)/income for the year		(210,140)	(217,827)
Total comprehensive income/(expense) for the year		2,712,794	(1,553,272)
Earnings per share (cents)			
- Basic, profit for the year attributable to ordinary equity holders of the parent	6	82.15	(37.53)
- Diluted, profit for the year attributable to ordinary equity holders of the parent	6	82.15	(37.53)

The accompanying notes form an integral part of this Consolidated Statement of Comprehensive Income.

COMMUNICATIONS (FIJI) LIMITED and Subsidiary company  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AT 31 DECEMBER 2017

	Notes	2017	2016
Current assets		\$	\$
Cash and cash equivalents	9(a)	2,055,770	1,405,902
Trade receivables	8	2,200,227	2,076,779
Inventories	10	7,805	-
Prepayments and other assets	11	382,553	364,785
Income tax receivable		68,668	294,139
		<u>4,715,023</u>	<u>4,141,605</u>
Non-current assets			
Investment in associates and joint ventures	12	2,039,643	2,036,629
Financial assets	13	-	591,884
Intangible assets	14	1,418,142	1,469,767
Property, plant and equipment	15	5,961,133	5,957,360
Deferred tax assets	5(b)	95,916	73,856
		<u>9,514,834</u>	<u>10,129,496</u>
Total assets		<u>14,229,857</u>	<u>14,271,101</u>
Current liabilities			
Trade and other payables	16	2,114,849	1,183,840
Employee benefit liabilities	17	148,658	156,183
Interest-bearing borrowings	18	607,453	973,215
		<u>2,870,960</u>	<u>2,313,238</u>
Non-current liabilities			
Interest-bearing borrowings	18	253,732	1,683,550
Employee benefit liabilities	17	114,663	113,964
Deferred tax liability	5(b)	137,704	134,605
		<u>506,099</u>	<u>1,932,119</u>
Total liabilities		<u>3,377,059</u>	<u>4,245,357</u>
Net assets		<u>10,852,798</u>	<u>10,025,744</u>
Shareholders' equity			
Share capital	19	3,619,500	3,558,000
Reserves	20	(515,814)	(244,174)
Retained earnings		7,749,112	6,711,918
Total equity		<u>10,852,798</u>	<u>10,025,744</u>

The accompanying notes form an integral part of this Consolidated Statement of Financial Position.

COMMUNICATIONS (FIJI) LIMITED and Subsidiary company  
CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 \$	2016 \$
<b>Operating activities</b>			
Receipts from customers		12,746,834	12,534,273
Payments to suppliers and employees		(9,510,766)	(9,281,459)
Interest and bank charges paid		(143,660)	(95,727)
Income tax paid		(270,644)	(494,238)
Net cash provided by Operating Activities		<u>2,821,764</u>	<u>2,662,849</u>
<b>Investing activities</b>			
Proceeds from sale of plant and equipment		28,370	103,830
Acquisition of plant, equipment and intangibles		(1,198,763)	(1,147,236)
Proceeds from sale of shares in associate entity		1,251,255	-
Investment in joint venture		-	(2,055,076)
Dividends received		125,000	75,000
Net cash flows provided by/(used) in Investing Activities		<u>205,862</u>	<u>(3,023,482)</u>
<b>Financing activities</b>			
Dividends paid to equity holders of the parent		(711,600)	(284,640)
Proceeds from loan		-	2,055,076
Prepayment of secured loan		(808,800)	-
Repayment of secured loan principal		(811,735)	(440,145)
Repayment of lease principal		(64,082)	(23,464)
Net cash flows (used)/provided by in Financing Activities		<u>(2,396,217)</u>	<u>1,306,827</u>
Net increase in cash held		631,409	946,194
Cash and cash equivalents at the beginning of year		1,405,902	432,845
Effects of exchange rate changes on opening cash balances		18,459	26,863
Cash and cash equivalents at the end of year	9(a)	<u>2,055,770</u>	<u>1,405,902</u>

The accompanying notes form an integral part of this Consolidated Statement of Cash Flows.

COMMUNICATIONS (FIJI) LIMITED and Subsidiary company  
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 \$	2016 \$
<b>Retained earnings</b>			
Balance at the beginning of the year		6,711,918	8,332,003
Operating profit/(loss) after tax		2,922,934	(1,335,445)
Dividends paid/proposed	7	<u>(1,885,740)</u>	<u>(284,640)</u>
Balance at the end of the year		<u>7,749,112</u>	<u>6,711,918</u>
<b>Reserves</b>			
<i>Foreign currency translation reserve</i>			
Balance at the beginning of the year		(305,674)	(87,847)
Movement arising on translation of the financial statements of foreign subsidiary		<u>(210,140)</u>	<u>(217,827)</u>
Balance at the end of the year	20	<u>(515,814)</u>	<u>(305,674)</u>
<i>Share premium reserve</i>			
Balance at the beginning of the year		61,500	61,500
Transfer to Share Capital		<u>(61,500)</u>	<u>-</u>
Balance at the end of the year	20	<u>-</u>	<u>61,500</u>
<b>Share capital</b>			
Balance at the beginning of the year		3,558,000	3,558,000
Transfer from Share Premium Reserve		<u>61,500</u>	<u>-</u>
Balance at the end of the year	19	<u>3,619,500</u>	<u>3,558,000</u>
<b>Total equity</b>		<u>10,852,798</u>	<u>10,025,744</u>

The accompanying notes form an integral part of this Consolidated Statement of Changes in Equity.

# COMMUNICATIONS (FIJI) LIMITED and Subsidiary company

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2017

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#### 1. Corporate information

The consolidated financial statements of Communications (Fiji) Limited and its subsidiary company (together as "the Group") for the year ended 31 December 2017 were authorized for issue with a resolution of the directors on 6 March 2018. Communications (Fiji) Limited ("the Company") is a limited liability company incorporated and domiciled in Fiji whose shares are publicly traded on the South Pacific Stock Exchange.

#### 2.1 Basis of preparation

The consolidated financial statements are presented in Fiji dollars and all values are rounded to the nearest dollar except when otherwise indicated.

##### Statement of compliance

The consolidated financial statements of the group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The consolidated financial statements provide comparative information in respect of the previous period.

##### Basis of consolidation

The consolidated financial statements comprise the financial statements of the group and its subsidiary as at 31 December 2017. Control is achieved when the group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the group controls an investee if and only if the group has:

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

When the group has less than a majority of the voting or similar rights of an investee, the group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the group's voting rights and potential voting rights.

The group re-assesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the group obtains control over the subsidiary and ceases when the group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the Statement of Comprehensive Income from the date the group gains control until the date the group ceases to control the subsidiary.

A change in ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the group loses control over a subsidiary, it:

- derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- derecognizes the cumulative translation differences recorded in equity;
- recognizes the fair value of the consideration received;
- recognizes the fair value of any investment retained;
- recognizes any surplus or deficit in profit or loss; and
- reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the group had directly disposed of the related assets or liabilities.

The financial statements of the subsidiary is prepared for the same reporting period as the parent company, using consistent accounting policies.

COMMUNICATIONS (FIJI) LIMITED and Subsidiary company  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*  
FOR THE YEAR ENDED 31 DECEMBER 2017

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2.1 Basis of preparation (continued)

Basis of consolidation (continued)

All intra-group balances, income and expenses and unrealized gains and losses resulting from intra-group transactions are On consolidation, the subsidiary company PNG FM's assets and liabilities has been translated at the rate of exchange ruling at balance date. Revenue and expense accounts have been translated using the average of the exchange rates ruling at the end of each month during the current financial year. The rate used to translate the assets and liabilities of PNG FM was 1.5455:1 (2016: 1.4598:1) while the average rate used to translate revenue and expense accounts was 1.431:1 (2016:1.376:1).

2.2 Significant accounting judgments, estimates and assumptions

The preparation of the group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the assets or liabilities affected in future periods.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the group. Such changes are reflected in the assumptions when they occur.

*Impairment of non-financial assets*

Impairment exists when the carrying value of an asset or cash generating unit ("CGU") exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on valuation by an external valuer.

*Taxes*

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. The group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable and the responsible tax authority. Such differences in interpretation may arise for a wide variety of issues depending on the conditions prevailing in the respective domicile of the group companies.

COMMUNICATIONS (FIJI) LIMITED and Subsidiary company  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*  
FOR THE YEAR ENDED 31 DECEMBER 2017

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2.3 Changes in accounting policy and disclosures

i) *New and amended standards and interpretations*

The following standards, amendments and interpretations to existing standards were published and are mandatory for the annual periods beginning on or after 1 January 2017 or later periods:

*IFRS 9 Financial Instruments*

IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018. The Group has adopted the new standard on the required effective date of 1 January 2018 and will not restate comparative information. Overall, the Group expects no significant impact on its statement of financial position and equity.

*IFRS 15 Revenue from Contracts with Customers*

IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. IFRS 15 is effective for annual periods beginning on or after 1 January 2018.

The Group plans to adopt the new standard on the required effective date using the full retrospective method. During the year, the Group performed a preliminary assessment of IFRS 15, which was continued with a more detailed analysis which is tabulated below. The Group is in the business of radio broadcasting service. The services are sold both on their own in separate identified contracts with customers and together as a bundled package of services.

a) Sales of goods and services

For contracts with customers in which the sale is generally expected to be the only performance obligation, adoption of IFRS 15 is not expected to have any impact on the Group's revenue and profit or loss. The Group expects the revenue recognition to occur at a point in time when control of the asset and benefit is transferred to the customer, generally on delivery of the goods and services. The Group expects no significant impact on its statement of financial position and equity.

(b) *Presentation and disclosure requirements*

The presentation and disclosure requirements in IFRS 15 are more detailed than under current IFRS. The presentation requirements represent a significant change from current practice and significantly increases the volume of disclosures required in the Group's financial statements. Many of the disclosure requirements in IFRS 15 are new and the Group has assessed that the impact of some of these disclosures requirements will not be significant. In particular, the Group expects that the notes to the financial statements will be expanded because of the disclosure of significant judgements made: when determining the transaction price of those contracts that include variable consideration, how the transaction price has been allocated to the performance obligations, and the assumptions made to estimate the stand-alone selling prices of each performance obligation. In addition, as required by IFRS 15, the Group will disaggregate revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. It will also disclose information about the relationship between the disclosure of disaggregated revenue and revenue information disclosed for each reportable segment. In 2017 the Group continued testing of appropriate systems, internal controls, policies and procedures necessary to collect and disclose the required information.

*IFRS 16 Leases*

IFRS 16 was issued in January 2016 and sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The Group expects significant changes its accounting processes and reporting due to this standard.

In 2018, the Group will continue to assess the potential effect of IFRS 16 on its consolidated financial statements and report the analysed impact of this standard in its next financial statements before the mandatory application date.

COMMUNICATIONS (FIJI) LIMITED and Subsidiary company  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*  
FOR THE YEAR ENDED 31 DECEMBER 2017

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2.4 Summary of significant accounting policies

(a) *Intangible assets*

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the Statement of Comprehensive Income in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as a change in accounting estimate. The amortization expense on intangible assets with finite lives is recognized in the Statement of Comprehensive Income in the expense category consistent with the function of intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit level. Such intangibles are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognizing of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the Statement of Comprehensive Income when the asset is derecognized.

(b) *Investment in associate or joint venture*

An associate is an entity over which the group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Under the equity method, the investment in an associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The statement of profit or loss reflects the group's share of the results of operations of the associate or joint venture. Any change in other comprehensive income of those investees is presented as part of the group's other comprehensive income. In addition, when there has been a change recognized directly in the equity of the associate or joint venture, the group recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealized gains or losses resulting from transactions between the group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the group's share of profit or loss of an associate or joint venture is shown on the face of the Statement of Comprehensive Income and represents profit or loss after tax.

The financial statements of the associate or joint venture are prepared for the same reporting period as the group. Where necessary, adjustments are made to bring the accounting policies in line with those of the group.



COMMUNICATIONS (FIJI) LIMITED and Subsidiary company  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*  
FOR THE YEAR ENDED 31 DECEMBER 2017

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2.4 Summary of significant accounting policies *continued*

(b) *Investment in associate or joint venture continued*

After application of the equity method, the group determines whether it is necessary to recognize an impairment loss on its investment in its associate or joint venture. At each reporting date, the group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, then recognizes the loss as 'Share of profit of associate or joint venture' in the Statement of Comprehensive Income.

Upon loss of significant influence over the associate or joint control over the joint venture, the group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

(c) *Impairment of non-financial assets*

The group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or other groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiary or other available fair value indicators.

Impairment losses of continuing operations are recognized in the Statement of Comprehensive Income in those expense categories consistent with the function of the impaired assets, except for property previously revalued where the revaluation was taken to equity. In this case, the impairment is also recognized in equity up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the Statement of Comprehensive Income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

The following criteria are also applied in assessing impairment of specific assets:

*Goodwill*

The group assesses whether there are any indication that goodwill is impaired at each reporting date. Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating units, to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than their carrying amount an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods. The group performs its annual impairment test of goodwill as at 31 December.

COMMUNICATIONS (FIJI) LIMITED and Subsidiary company  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*  
FOR THE YEAR ENDED 31 DECEMBER 2017

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2.4 Summary of significant accounting policies *continued*

(c) *Impairment of non-financial assets continued*

*Intangible assets*

Intangible assets with indefinite useful lives are tested for impairment annually as at 31 December either individually or at the cash generating unit level, as appropriate.

*Associate and joint venture*

After application of the equity method, the group determines whether it is necessary to recognize an additional impairment loss of the group's investment in its associate or joint venture. The group determines at each balance date whether there is any objective evidence that the investment in associate or joint venture and the acquisition cost requires impairment and recognizes the amount in the Statement of Comprehensive Income.

(d) *Investments and other financial assets*

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held to maturity investments or available-for-sale financial assets, as appropriate. When financial assets are recognized initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transactions costs.

The group determines the classification of its financial assets on initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end.

All regular way purchases and sales of financial assets are recognized on the trade date, which is the date that the group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement loans and receivables are carried at amortized cost using the effective interest method less any allowance for impairment. Gains and losses are recognized in the Statement of Comprehensive Income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

*Fair value*

The fair value of investments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business at balance date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transaction; reference to the current market value of another instrument which is substantially the same; discounted cash flow analysis or other valuation models.

*Amortized cost*

Loans and receivables are measured at amortized cost. This is computed using the effective interest method less any allowance for impairment. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

(e) *Impairment of financial*

The Group assess at each balance date whether a financial asset or group of financial assets is impaired.

*Assets carried at amortized cost*

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss shall be recognized in Statement of Comprehensive Income.

COMMUNICATIONS (FIJI) LIMITED and Subsidiary company  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*  
FOR THE YEAR ENDED 31 DECEMBER 2017

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2.4 Summary of significant accounting policies *continued*

(e) *Impairment of financial assets continued*

*Assets carried at amortized cost*

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date. Any subsequent reversal of an impairment loss is recognized in the Statement of Comprehensive Income.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognized when they are assessed as uncollectible.

(f) *Inventories*

Inventories are valued at the lower of cost and net realizable value. Costs includes invoice value plus associated costs incurred in bringing each product to its present location and condition.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(g) *Cash and cash equivalents*

Cash and cash equivalents comprise cash at bank and on hand. For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(h) *Trade and other receivables*

Trade receivables are recognized at original invoice amount (inclusive of VAT) less any provision for uncollectible debts. Bad debts are written off during the year in which they become known. A specific provision is raised for any doubtful debts.

(i) *Trade and other payables*

Liabilities for trade payables and other amounts are carried at cost (inclusive of VAT where applicable) which is the fair value of the consideration to be paid in the future for goods and services received whether or not billed to the entity.

(j) *Financial liabilities*

*Interest-bearing loans and borrowings*

All loans and borrowings are initially recognized at fair value less directly attributable transaction costs, and have not been designated "as at fair value through profit or loss". After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the comprehensive income when the liabilities are derecognized as well as through the amortization process.

(k) *Borrowing costs*

Borrowing costs are recognized as an expense when incurred.

COMMUNICATIONS (FIJI) LIMITED and Subsidiary company  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*  
FOR THE YEAR ENDED 31 DECEMBER 2017

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2.4 Summary of significant accounting policies *continued*

(l) *Property, plant and equipment*

Property, plant and equipment are stated at deemed cost less accumulated depreciation and any impairment in value. The principal depreciation rates in use are:

Buildings	2%
Plant and equipment	5% - 30%
Motor vehicles	15% - 18%

Profit and loss on disposal of property, plant and equipment are taken into account in determining profit or loss for the year.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of property, plant and equipment is greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs. Impairment losses are recognized in the Statement of Comprehensive Income.

(m) *Leases*

Finance leases, which transfer to the group substantially all the risks and benefits incidental to the ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Capitalized leased assets are depreciated over the period the benefit is expected to be realized from their use.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the Statement of Comprehensive Income on a straight line basis over the lease term.

(n) *Revenue*

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

*Rendering of services*

Radio revenue is recognized when commercials are played or service is delivered. Proceeds from advance deposits are not recognized as revenue until the subsequent playing of commercials or delivery of service is performed.

*Dividends*

Revenue is recognized when the shareholders' right to receive the payment is established.

*Rental income*

Rental income is accounted for on a straight line basis over the lease term on ongoing leases.

(o) *Employee benefits*

*Annual leave*

Provision is made for annual leave to be payable to employees on the basis of statutory requirement on employment contract.

COMMUNICATIONS (FIJI) LIMITED and Subsidiary company  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*  
FOR THE YEAR ENDED 31 DECEMBER 2017

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2.4 Summary of significant accounting policies *continued*

(o) *Employee benefits*

*Long service leave*

The liability for employees' entitlements to long service leave represents the amount payable to employees, based on current wage and salary rates, for services provided up to balance date. The liability for long service leave increases according to the number of years of service completed by the employee.

(p) *Foreign currencies*

The consolidated financial statements are presented in Fiji dollars, which is the holding company's functional and presentation currency. Each entity in the group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at balance date. All differences are taken to profit or loss with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognized in comprehensive income. Tax charges and credits attributable to exchange differences on those borrowings are also dealt with in equity.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value is determined.

The assets and liabilities of foreign operations are translated into Fiji dollars at the rate of exchange ruling at balance date and its income statement is translated at the weighted average exchange rate for the year. The exchange difference arising on translation are taken directly to a separate component of equity. On disposal of the foreign entity, the deferred cumulative amount recognized in equity relating to that particular foreign operation is recognized in the Statement of Comprehensive Income.

(q) *Business combinations and goodwill*

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss. It is then considered in the determination of goodwill.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

COMMUNICATIONS (FIJI) LIMITED and Subsidiary company  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*  
FOR THE YEAR ENDED 31 DECEMBER 2017

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2.4 Summary of significant accounting policies *continued*

(q) *Business combinations and goodwill continued*

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

(r) *Taxes*

*Current income tax*

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at balance date.

Current income tax relating to items recognized directly in equity is recognized in equity and not in comprehensive income.

*Deferred tax*

Deferred income tax is provided using the liability method on temporary differences at balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from goodwill amortization or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiary, associates and interest in joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that it is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiary, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each balance date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date. Deferred tax relating to items recognized directly in equity is recognized in equity and not in profit or loss.

COMMUNICATIONS (FIJI) LIMITED and Subsidiary company  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*  
 FOR THE YEAR ENDED 31 DECEMBER 2017

2.4 Summary of significant accounting policies *continued*

(r) *Taxes continued*

*Deferred tax continued*

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes related to the same taxable entity and the same taxation authority.

*Sales tax*

Revenue, expenses and assets are recognized net of the amount of sales tax except:

- where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognized as part of the acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of sales tax included.

The net amount of sales taxes recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

(s) *Comparatives*

Where necessary, amounts relating to prior year have been reclassified to conform with presentation in the current year.

3. SEGMENT INFORMATION

The company and its subsidiary operate predominantly in radio broadcasting services industry. The holding company operates in Fiji while its subsidiary operates in Papua New Guinea.

Business segments

The following tables present revenue and profit information and certain asset and liability information regarding geographical segments for the years ended 31 December 2017 and 2016.

<u>Year ended 31 December 2017</u>	PNG	Fiji	Eliminations	Total
	\$	\$	\$	\$
<u>Revenue</u>				
External sales	6,125,647	5,484,247	-	11,609,894
	<u>6,125,647</u>	<u>5,484,247</u>	<u>-</u>	<u>11,609,894</u>
<u>Results</u>				
Segment result	1,005,448	1,759,629	2,381	2,767,458
Net finance costs	(123,439)	(20,221)	-	(143,660)
Impairment loss	-	-	-	-
Share of profit of joint venture	-	128,014	-	128,014
Profit (loss) before income tax	882,009	1,867,422	2,381	2,751,812
Income (expense)/tax benefit	(269,584)	(218,665)	-	(488,249)
Net profit/(loss)	<u>612,425</u>	<u>1,648,757</u>	<u>2,381</u>	<u>2,263,563</u>

COMMUNICATIONS (FIJI) LIMITED and Subsidiary company  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*  
 FOR THE YEAR ENDED 31 DECEMBER 2017

3. SEGMENT INFORMATION *continued*

<u>Year ended 31 December 2017</u>	PNG	Fiji	Eliminations	Total
	\$	\$	\$	\$
<u>Assets and liabilities</u>				
Segment assets	3,923,806	9,484,788	(1,218,380)	12,190,214
Investment in joint venture	-	2,039,643	-	2,039,643
Total assets	<u>3,923,806</u>	<u>11,524,431</u>	<u>(1,218,380)</u>	<u>14,229,857</u>
Segment liabilities	<u>2,024,697</u>	<u>1,844,907</u>	<u>(492,545)</u>	<u>3,377,059</u>
Total liabilities	<u>2,024,697</u>	<u>1,844,907</u>	<u>(492,545)</u>	<u>3,377,059</u>
<u>Other segment information</u>				
Capital expenditure:				
- tangible fixed assets	294,147	906,681	-	1,200,828
- intangible assets	-	49,335	-	49,335
Amortization of intangible assets	5,959	40,938	-	46,897
Depreciation	449,331	601,891	-	1,051,222
Doubtful and bad debts	83,847	-	-	83,847
<u>Cash flows</u>				
Operating activities	746,421	2,075,343		
Investing activities	(221,377)	427,239		
Financing activities	(1,194,454)	(1,201,763)		
<u>Year ended 31 December 2016</u>				
	PNG	Fiji	Eliminations	Total
	\$	\$	\$	\$
<u>Revenue</u>				
External sales	5,759,983	5,521,551	-	11,281,534
	<u>5,759,983</u>	<u>5,521,551</u>	<u>-</u>	<u>11,281,534</u>
<u>Result</u>				
Segment result	162,158	1,714,468	14,145	1,890,771
Net finance costs	(56,197)	(39,530)	-	(95,727)
Impairment loss	(1,527,560)	-	-	(1,527,560)
Share of (loss)/profit of joint venture	(652,672)	140,676	-	(511,996)
Profit before income tax	(2,074,271)	1,815,614	14,145	(244,512)
Income tax expense	(933,085)	(157,848)	-	(1,090,933)
Net(loss)/ profit	<u>(3,007,356)</u>	<u>1,657,766</u>	<u>14,145</u>	<u>(1,335,445)</u>
<u>Assets and liabilities</u>				
Segment assets	5,050,195	8,571,841	(1,387,564)	12,234,472
Investment in joint venture	-	2,036,629	-	2,036,629
Total assets	<u>5,050,195</u>	<u>10,608,470</u>	<u>(1,387,564)</u>	<u>14,271,101</u>
Segment liabilities	<u>3,640,011</u>	<u>1,351,334</u>	<u>(745,988)</u>	<u>4,245,357</u>
Total liabilities	<u>3,640,011</u>	<u>1,351,334</u>	<u>(745,988)</u>	<u>4,245,357</u>



COMMUNICATIONS (FIJI) LIMITED and Subsidiary company  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*  
 FOR THE YEAR ENDED 31 DECEMBER 2017

3. SEGMENT INFORMATION *continued*

Business segments *continued*

<u>Year ended 31 December 2016 <i>continued</i></u>	PNG	Fiji	Eliminations	Total
	\$	\$	\$	\$
<u>Other segment information</u>				
Capital expenditure:				
- tangible fixed assets	240,401	905,680	-	1,146,081
- intangible assets	-	1,155	-	1,155
Amortization of intangible assets	6,198	82,645	-	88,843
Depreciation	465,312	509,081	-	974,393
Doubtful and bad debts	242,354	-	-	242,354

Inter-segment revenues are eliminated upon consolidation and reflected in the 'adjustments and eliminations' column.

4. REVENUE AND EXPENSES

2017  
\$

2016  
\$

Revenue, expenses and finance costs for the year include the following:

4.1 Radio income

Advertising income	10,647,890	10,521,827
Total Event Company Limited income and other commercial income	962,004	759,707
	<u>11,609,894</u>	<u>11,281,534</u>

4.2 Other revenue

Other income	410,124	383,003
Gain on disposal of assets	15,255	26,738
Cinema advertising	954,783	816,583
Interest income	17,199	-
	<u>1,397,361</u>	<u>1,226,324</u>

4.3 Salaries and employee benefits

Superannuation and FNU levy	313,091	296,948
Salaries and wages	2,798,545	2,672,695
Staff commission and bonus	495,812	339,447
Staff training	40,174	42,637
	<u>3,647,622</u>	<u>3,351,727</u>

4.4 Depreciation and amortization

Depreciation	1,051,222	974,393
Amortization of intangible assets	46,897	88,843
	<u>1,098,119</u>	<u>1,063,236</u>

COMMUNICATIONS (FIJI) LIMITED and Subsidiary company  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*  
 FOR THE YEAR ENDED 31 DECEMBER 2017

4. REVENUE AND EXPENSES <i>continued</i>	2017	2016
	\$	\$
4.5 <u>Other expenses</u>		
Auditors remuneration - audit fees	34,900	34,900
- other services	5,250	1,750
Directors' remuneration	198,107	265,191
Doubtful debts	83,847	242,354
Operating lease rentals	744,842	769,675
Other operating expenses	4,427,110	4,888,254
	<u>5,494,056</u>	<u>6,202,124</u>
4.6 <u>Finance costs</u>		
Bank loans	143,660	95,727
	<u>143,660</u>	<u>95,727</u>
4.7 <u>Share of (loss)/profit of associate or joint venture</u>		
Share of profit from 231 Waimanu Rd Holdings Limited	128,014	140,676
Share of loss from Paradise Cinemas (PNG) Limited	-	(652,672)
	<u>128,014</u>	<u>(511,996)</u>
5. INCOME TAX	\$	\$
The major components of income tax expense for the years ended 31 December 2017 and 2016 are:		
A reconciliation between tax expense and the product of accounting profit/(loss) multiplied by Fiji's domestic tax rate for the years ended 31 December 2017 and 2016 is as follows:		
Accounting profit/(loss) before income tax	3,411,183	(244,512)
Prima facie tax thereon at the Fiji rate of 10%	341,118	(24,451)
Effect of higher tax rates in PNG	176,869	(412,027)
Reversal/(recognition) of previously unrecognised tax losses	(713)	(4,244)
Tax effect of non-deductible items	(68,750)	652,769
Share of loss of associate or joint venture non-deductible/non-taxable	12,801	14,068
Reversal of deferred tax assets	-	936,410
Other	29,949	(34,368)
Under/(over) provision from prior year	(3,025)	(37,224)
Income tax expense attributable to operating profit	<u>488,249</u>	<u>1,090,933</u>
(a) <u>Consolidated income statement</u>		
<i>Current income tax:</i>		
Current income tax charge	487,902	227,713
Adjustments in respect of previous year	(3,025)	(37,224)
Origination and reversal of temporary differences	(18,961)	916,233
Translation adjustment	22,333	(15,789)
Income tax expense	<u>488,249</u>	<u>1,090,933</u>

COMMUNICATIONS (FIJI) LIMITED and Subsidiary company  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*  
 FOR THE YEAR ENDED 31 DECEMBER 2017

5. INCOME TAX <i>continued</i>	2017	2016
	\$	\$
(b) <u>Deferred tax</u>		
Deferred tax assets/liabilities at 31 December relates to the following:		
Provision for doubtful debts	75,862	59,248
Employee entitlements	57,816	59,176
Accelerated depreciation for tax purposes and	(239,650)	(226,635)
Accruals and prepayments	64,184	47,462
Net deferred tax liability	<u>(41,788)</u>	<u>(60,749)</u>
Represented on the consolidated Statement of Financial Position as:		
Deferred tax asset	95,916	73,856
Deferred tax liability	(137,704)	(134,605)
	<u>(41,788)</u>	<u>(60,749)</u>
6. EARNINGS PER SHARE	\$	\$
Basic earnings per share is calculated by dividing the net profit for the year attributable to ordinary shareholders by the weighted average number of shares outstanding during the year.		
Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders of the parent (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.		
There are no convertible redeemable preference shares for the group. There have been no transaction involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.		
Operating profit after income tax	2,922,934	(1,335,445)
Weighted average number of shares outstanding	3,558,000	3,558,000
Basic/Diluted earnings per share (cents)	<u>82.15</u>	<u>(37.53)</u>
7. DIVIDENDS PAID AND PROPOSED	\$	\$
<i>Declared and paid in year:</i>		
Interim dividend for 2015: 8 cents	-	284,640
Final dividend for 2016: 12 cents	426,960	-
Interim dividend for 2017: 8 cents	284,640	-
Dividends declared and paid	<u>711,600</u>	<u>284,640</u>
<i>Declared but not paid:</i>		
Special dividend for 2017: 33 cents	1,174,140	-
Total dividend declared	<u>1,885,740</u>	<u>284,640</u>
8. TRADE RECEIVABLES	\$	\$
Trade receivables	2,402,725	2,219,149
Provision for doubtful debts	(202,498)	(142,370)
	<u>2,200,227</u>	<u>2,076,779</u>
	<u>2,200,227</u>	<u>2,076,779</u>

Trade receivables are non-interest bearing and are generally on 30-90 day terms. At 31 December 2017, trade receivables of the group at nominal value of \$202,498 (2016: \$142,370) were impaired and fully provided for. Movements in the provision for impairment of receivables were as follows:

COMMUNICATIONS (FIJI) LIMITED and Subsidiary company  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*  
 FOR THE YEAR ENDED 31 DECEMBER 2017

8. TRADE RECEIVABLES <i>continued</i>	2017	2016
	\$	\$
At 1 January	142,370	192,228
Charge for the year	83,847	242,354
Utilized	(13,130)	(192,802)
Translation adjustment	(10,589)	(99,410)
At 31 December	<u>202,498</u>	<u>142,370</u>

At 31 December, the ageing analysis of trade receivables for the group is as follows:

	Total	< 30 days	Past due but not impaired		
			30 - 60 days	60 - 90 days	> 90 days
2017	2,200,227	1,420,529	554,679	148,944	76,075
2016	2,076,779	1,474,069	502,866	68,606	31,238

9. CASH AND CASH EQUIVALENTS	\$	\$
(a) For the purpose of the consolidated Statement of Cash Flows, cash and cash equivalents comprise the following at 31 December:		
Cash at bank	855,770	1,405,902
Short term deposit	1,200,000	-
	<u>2,055,770</u>	<u>1,405,902</u>

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate requirements of the group, and earn interest at the respective short-term deposit rates.

10. INVENTORIES	\$	\$
Merchandise	<u>7,805</u>	<u>-</u>

The amount of write-down of inventories recognized as an expense was Nil (2016: 4,734).

11. PREPAYMENTS AND OTHER ASSETS	\$	\$
<u>Current</u>		
Refundable deposits	178,413	137,175
Prepayments	139,127	130,709
Other receivables	65,013	96,901
	<u>382,553</u>	<u>364,785</u>

12. INVESTMENT IN JOINT VENTURE		
(a) <u>Investment in 231 Waimanu Rd Holdings Limited</u>		
The holding company has a shareholding of 50% interest in 231 Waimanu Rd Holdings Limited, a company involved in property management. The company's investment in 231 Waimanu Rd Holdings Limited is accounted for using the equity method. Summarized financial information of 231 Waimanu Rd Holdings Limited, based on its financial statements, and reconciliation with the carrying amount of the investment are set out below:		

COMMUNICATIONS (FIJI) LIMITED and Subsidiary company  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*  
 FOR THE YEAR ENDED 31 DECEMBER 2017

12. INVESTMENT IN JOINT VENTURE <i>continued</i>	2017	2016
	\$	\$
(a) <u>Investment in 231 Waimanu Rd Holdings Limited (continued)</u>		
Current assets, including cash and cash equivalents and prepayments	82,296	98,991
Non-current assets	4,684,671	4,640,812
Current liabilities, including tax payable	(31,592)	(11,840)
Non-current liabilities, including deferred tax liabilities	(656,090)	(654,705)
Net assets	<u>4,079,285</u>	<u>4,073,258</u>
Proportion of the group's ownership	50%	50%
Carrying amount of investment - 231 Waimanu Rd Holdings Limited	<u>2,039,643</u>	<u>2,036,629</u>
<i>Summarized statement of profit or loss of 231 Waimanu Rd Holdings Limited:</i>		
Revenue	409,332	413,332
Expenses	(87,946)	(61,604)
Profit before tax	321,386	351,728
Income tax expense	(63,215)	(70,376)
Profit for the year	<u>258,171</u>	<u>281,352</u>
Group's share of profit for the year	<u>128,014</u>	<u>140,676</u>
231 Waimanu Rd Holdings Limited had no contingent liabilities or capital commitments as at 31 December 2017 and 2016.		
(b) <u>Investment in Paradise Cinemas (PNG) Limited</u>		
The subsidiary, PNG FM Limited has a 43.87% (2016: 43.87%) shareholding in Paradise Cinemas (PNG) Limited, a company involved in cinema entertainment in Papua New Guinea. The group's investment in Paradise Cinemas (PNG) Limited is accounted for using the equity method in the consolidated financial statements. Summarized financial information of Paradise Cinemas (PNG) Limited, based on its unaudited financial statements and reconciliation with the carrying amount of the investment are set out below:		
Current assets, including cash and cash equivalents and prepayments	387,480	418,747
Non-current assets	6,435,777	6,955,098
Current liabilities, including tax payable	(2,035,060)	(2,199,275)
Non-current liabilities, including deferred tax liabilities	(448,024)	(484,176)
Net assets	<u>4,340,173</u>	<u>4,690,394</u>
Original investment - Paradise Cinemas (PNG) Limited		
- At 1 January	4,997,260	3,179,597
- Additional investments	-	2,055,076
- Translation adjustments	(277,105)	(237,413)
	<u>4,720,155</u>	<u>4,997,260</u>
Less: Cumulative share of losses		
- At 1 January	(2,604,865)	(2,150,211)
- Current year share of losses **	-	(615,206)
- Translation adjustments	144,443	160,552
	<u>(2,460,422)</u>	<u>(2,604,865)</u>
Less: Impairment loss		
- At 1 January	(2,392,395)	(1,147,715)
- Additional impairment loss	-	(1,527,560)
- Translation adjustments	132,662	282,880
	<u>(2,259,733)</u>	<u>(2,392,395)</u>
Net Carrying amount of investment - Paradise Cinemas (PNG) Limited	<u>-</u>	<u>-</u>

COMMUNICATIONS (FIJI) LIMITED and Subsidiary company  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*  
 FOR THE YEAR ENDED 31 DECEMBER 2017

12. INVESTMENT IN JOINT VENTURE <i>continued</i>	2017	2016
(b) <u>Investment in Paradise Cinemas (PNG) Limited <i>continued</i></u>	\$	\$
<i>Summarized statement of profit or loss of Paradise Cinemas (PNG) Limited:</i>		
Revenue	5,555,287	5,892,576
Expenses	(6,280,961)	(7,380,274)
Loss for the year	<u>(725,674)</u>	<u>(1,487,698)</u>
Unrecognised Group's share of loss for the year	<u>(318,363)</u>	<u>(652,672)</u>

PNG FM Limited had written down its investment in PCL to Nil and had settled all guarantees and legal obligations in regards to this investment. Therefore, the Group have not recorded any further share of loss resulting from the operations of PCL. Total share of losses not recorded at 31 December 2017 was K455,634 (2016: Nil).

Total investment in joint venture	<u>2,039,643</u>	<u>2,036,629</u>
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231 Waimanu Rd Holdings Limited and PNG FM Limited are not listed on any stock exchange.

13. FINANCIAL ASSETS	\$	\$
Shares in i-Pac Communications Limited	<u>-</u>	<u>591,884</u>

During the year the company sold its share in i-Pac Communications Limited and recorded a gain of \$659,371.

14. INTANGIBLE ASSETS

<u>Group</u>	Goodwill	Software	Total
Cost:	\$	\$	\$
At 1 January 2017	1,507,569	975,973	2,483,542
Additions	-	49,335	49,335
Disposal	-	(500,924)	(500,924)
Transfer	-	(30,090)	(30,090)
Translation adjustment	-	(3,268)	(3,268)
At 31 December 2017	<u>1,507,569</u>	<u>491,026</u>	<u>1,998,595</u>
<i>Depreciation and impairment:</i>			
At 1 January 2017	370,569	643,206	1,013,775
Depreciation charge for the year	-	46,897	46,897
Disposal	-	(478,729)	(478,729)
Translation adjustment	-	(1,490)	(1,490)
At 31 December 2017	<u>370,569</u>	<u>209,884</u>	<u>580,453</u>
Net written down value:			
At 31 December 2017	<u>1,137,000</u>	<u>281,142</u>	<u>1,418,142</u>
At 1 January 2017	<u>1,137,000</u>	<u>332,767</u>	<u>1,469,767</u>

(a) Impairment testing of goodwill and intangibles with indefinite useful lives

Goodwill acquired through business combination with indefinite life has been allocated to the subsidiary acquired which is an individual Cash Generating Unit ("CGU") and also a reportable segment, for impairment testing as follows:

	\$	\$
Carrying amount of goodwill	<u>1,137,000</u>	<u>1,137,000</u>

The recoverable amount of the goodwill has been determined based on an independent valuation provided to the company. The independent valuation used the future maintainable earnings method to value the relevant CGU (subsidiary). Based on the valuation which determined the value in use of the CGU, the Group concluded that the associated Goodwill is not impaired.

COMMUNICATIONS (FIJI) LIMITED and Subsidiary company  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*  
 FOR THE YEAR ENDED 31 DECEMBER 2017

15. PROPERTY, PLANT AND EQUIPMENT	Land and buildings	Plant and equipment	Motor vehicles	Total
Group	\$	\$	\$	\$
<i>Cost:</i>				
At 1 January 2017	522,340	11,991,627	1,132,778	13,646,745
Additions	-	1,071,777	129,051	1,200,828
Disposals	(7,157)	(825,716)	(196,105)	(1,028,978)
Transfer	-	(8,719)	-	(8,719)
Translation adjustment	(2,015)	(316,836)	(40,100)	(358,951)
At 31 December 2017	513,168	11,912,133	1,025,624	13,450,925
<i>Depreciation and impairment:</i>				
At 1 January 2017	324,213	6,709,563	655,609	7,689,385
Depreciation charge for the year	16,486	868,018	166,718	1,051,222
Disposals	(7,157)	(814,869)	(184,465)	(1,006,491)
Translation adjustment	(788)	(209,555)	(33,981)	(244,324)
At 31 December 2017	332,754	6,553,157	603,881	7,489,792
Net written down value:				
At 31 December 2017	180,414	5,358,976	421,743	5,961,133
At 1 January 2017	198,127	5,282,064	477,169	5,957,360

Total non-cash addition during the year amounted to Nil (2016:Nil).

As at 31 December 2017, the gross carrying amount of fully depreciated property, plant and equipment that is still in use is \$3,168,151 (2016: \$3,790,404).

16. TRADE AND OTHER PAYABLES	2017	2016
	\$	\$
Trade payables	114,761	166,001
Other payables	825,948	1,017,839
Dividends payable	1,174,140	-
	2,114,849	1,183,840

Terms and conditions of the above financial liabilities:

- Trade payables are non-interest bearing and are normally settled on 30 to 60-day terms.
- Other payables are non-interest bearing and have an average term of six months.

17. EMPLOYEE BENEFIT LIABILITIES	\$	\$
i) <u>Current liability</u>		
Annual leave		
At 1 January	156,183	134,555
Movement during the year	(7,525)	21,628
At 31 December	148,658	156,183
ii) <u>Non-current liability</u>		
Long service leave		
At 1 January	113,964	101,879
Movement during the year	699	12,085
At 31 December	114,663	113,964
Total employee benefit liabilities	263,321	270,147

COMMUNICATIONS (FIJI) LIMITED and Subsidiary company  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*  
 FOR THE YEAR ENDED 31 DECEMBER 2017

18. INTEREST-BEARING BORROWINGS		2017	2016
<u>Current</u>	Effective interest	\$	\$
Secured loan	4%	607,453	925,609
Lease liabilities	4%	-	47,606
		<u>607,453</u>	<u>973,215</u>
<u>Non-current</u>	Effective interest	\$	\$
Secured loan	4%	253,732	1,667,074
Lease liability	4%	-	16,476
		<u>253,732</u>	<u>1,683,550</u>

Details of interest bearing borrowings are:

(a) *Bank overdraft and secured loan are secured as follows:*

Holding company

The loan from Westpac Banking Corporation is secured by a first registered mortgage debenture over the assets of the company and undertakings including its uncalled and called but unpaid capital. Interest on loan accounts are charged at the rate of 4.00% per annum.

PNG FM Limited

PNG FM Limited's loan is secured by all PNG FM Limited assets and undertaking including its called and uncalled capital. Interest on loan accounts are charged at the rate of 9.5% per annum.

19. SHARE CAPITAL

As at the end of the financial year, the number of fully paid ordinary shares was 3,558,000. Ordinary shares entitle the holder to participate in dividends and the proceeds on winding-up of the Company in proportion to the number of shares held. Every ordinary shareholder present at a meeting of the Company, in person or by proxy, is entitled to one vote, and upon a poll each ordinary share is entitled to one vote. Ordinary shares have no par value.

Issued and paid up capital

	\$	\$
3,558,000 ordinary shares	3,558,000	3,558,000
Transfer from Share Premium Reserve	61,500	-
	<u>3,619,500</u>	<u>3,558,000</u>

The group's capital comprises ordinary shares only and these carry the same rights, preferences and restrictions. Under the provisions of the sec 194 and sec 735 of the Fiji Companies Act 2015, the authorised capital concept has been abolished. In addition, under the provisions of the sec 196 (a) and sec 737 of the same, the Share Premium Reserve has been reclassified as part of the Company's existing total issued share capital.

20. RESERVES

Foreign currency translation reserve

	\$	\$
At 1 January	(305,674)	(87,847)
Currency translation differences	(210,140)	(217,827)
At 31 December	<u>(515,814)</u>	<u>(305,674)</u>

Share premium reserve

At 1 January	61,500	61,500
Transfer to share capital	(61,500)	-
At 31 December	<u>-</u>	<u>61,500</u>
Total reserves	<u>(515,814)</u>	<u>(244,174)</u>

*Foreign currency translation reserve*

Foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiary. It is also used to record the effect of hedging net investment in foreign operation outside Fiji.

*Share premium reserve*

Under the provisions of the sec 196 (a) and sec 737 of the Fiji Companies Act 2015, the share premium reserve has been reclassified as part of the Company's existing total issued share capital.



COMMUNICATIONS (FIJI) LIMITED and Subsidiary company  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*  
 FOR THE YEAR ENDED 31 DECEMBER 2017

21. EXPENDITURE COMMITMENTS	2017 \$	2016 \$
(a) Capital expenditure commitments - Nil (2016: Nil)		-
(b) Finance lease commitments		
Future commitments in respect of finance lease are as follows:		
Within one year	-	49,063
Total minimum lease payments	-	49,063
Deduct future finance charges	-	(1,456)
Present value of minimum lease payments	-	47,606
Analyzed as:		
Current	-	47,606
Non-current	-	16,476
	-	64,082
(c) Operating lease commitments		
Future commitments in respect of operating lease are as follows:		
Within one year	153,465	153,465
After one year but not more than five years	621,764	610,920
More than five years	-	155,441
Minimum lease payments	775,229	919,826
The group has lease agreements for office space. The annual lease rentals are recognized as an expense in the current year.		
22. CONTINGENT LIABILITIES	\$	\$
Guarantees	17,227	17,227
23. RELATED PARTY DISCLOSURES	\$	\$
(a) Directors		
Directors at anytime during the year were as follows:		
Matthew Wilson, William Parkinson, Pramesh Sharma, Sufinaaz Dean, Vilash Chand and Thelma Savua (Appointed 22 February 2017).		
(b) Ownership interest in related parties		Ownership interest
PNG FM Limited	100%	100%
Total Event Company Limited	100%	100%
231 Waimanu Holdings Limited	50%	50%
Paradise Cinemas (PNG) Limited	43.9%	43.9%
i-Pac Communications Limited	-	12.5%
(c) The following related party transactions occurred during the financial year:		
(i) <i>Transactions with consolidated subsidiary - PNG FM Limited</i>	\$	\$
Costs incurred on behalf of the subsidiary and recovered	8,044	19,813
Management and administrative fees	285,420	285,420
(ii) <i>Transactions with 231 Waimanu Rd Holdings Limited</i>	\$	\$
Rental of office and studio space	144,597	144,597
Dividends received	125,000	75,000
Management and administrative fees	6,684	4,587
Related party transactions are at normal commercial terms and conditions.		

COMMUNICATIONS (FIJI) LIMITED and Subsidiary company  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*  
 FOR THE YEAR ENDED 31 DECEMBER 2017

23. RELATED PARTY DISCLOSURES <i>continued</i>	2017	2016
	\$	\$
(d) Compensation of key management personnel		
Short-term employee benefits	662,779	545,747
Superannuation contribution	66,278	54,575
	<u>729,057</u>	<u>600,322</u>
(e) Receivables from related entities	\$	\$
Paradise Cinemas (PNG) Limited	80,880	85,628
	<u>80,880</u>	<u>85,628</u>
(g) Directors' interests in an employee-share incentive plan		
No share options have been granted to staff, executives and the non-executive members of the Board of Directors under this scheme.		

24. COMPANY DETAILS

(a) Company incorporation

The legal form of the Company is a public company, domiciled and incorporated in the Republic of Fiji under the Fiji Companies Act.

(b) Registered office/Company operation

The company's operations and registered office is located at 231 Waimanu Road, Suva while the subsidiary is in Papua New Guinea. The Joint Venture Entity namely 231 Waimanu Rd Holdings Limited operate from 231 Waimanu Road, Suva.

(c) Number of employees

As at balance date, the group employed a total of 195 employees (2016: 160 employees).

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The group's principal financial liabilities comprises bank overdrafts, finance leases, hire purchase contracts, trade payables and loans. The main purpose of these financial liabilities is to raise finance for the group's operations. The group has various financial assets such as cash, trade receivables, held to maturity investments, inventory and other assets, which arise directly from its operations.

a) Financial assets		\$	\$
Cash	Note 9	855,769	1,405,902
Trade and other receivables	Note 8	2,200,227	2,076,779
Held to maturity investments	Note 9	1,200,000	-
Inventories	Note 10	7,805	-
Other assets	Note 11	382,553	364,785
Total financial assets		<u>4,646,354</u>	<u>3,847,466</u>

Held to maturity investments includes 3 months Term deposit with Kontiki Finance Limited at an interest rate of 3.75%.

Trade and other receivables are non-derivative financial assets carried at amortised cost which generate a fixed or variable interest income for the Group. The carrying value may be affected by changes in the credit risk of the counterparties.

COMMUNICATIONS (FIJI) LIMITED and Subsidiary company  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*  
 FOR THE YEAR ENDED 31 DECEMBER 2017

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *continued*

b) Financial liabilities		2017	2016
<i>Interest-bearing borrowings:</i>		\$	\$
Secured bank loan	Note 18	861,185	2,656,765
Finance lease	Note 18	-	64,082
<i>Other financial liabilities at amortised cost, other than interest bearing borrowings:</i>			
Trade and other payables	Note 16	2,114,849	1,183,840
Total financial liabilities		<u>2,976,034</u>	<u>3,904,687</u>

c) Financial risk management objective and policies

The main risk arising from the company's financial statements are interest rate and credit risk. The Board of Directors reviews and agrees policies for managing each of these risks which are summarized below.

Interest rate risk

The group's exposure to the risk of changes in market interest rates relates primarily to the group's long-term debt obligations with floating interest rates. The group's policy is to manage its interest cost using a mix of fixed and variable rate debts.

The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance date:

	Increase / (decrease) in interest rate	Effect on profit before tax \$
2017	-100bp	(13,767)
	+100bp	13,767
2016	-100bp	(8,548)
	+100bp	8,548

Foreign currency risk

The group has an investment in Papua New Guinea. The movement in the Kina/Fiji dollar exchange rates are recorded in equity and will be realized on disposal of the investment.

The group has transactional currency exposures. Such exposures arises from purchases by the group in currencies other than Fijian dollars.

Credit risk

It is the group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the group's exposure to bad debts is not significant. There are no significant concentrations of credit risk within the Group.

Liquidity risk

The table below summarizes the maturity profile of the Group's liabilities at 31 December based on contractual undiscounted payments:

	\$ Total	\$ On demand	\$ < 1 year	\$ 1 - 5 years	\$ > 5 years
<i>31 December 2017</i>					
Interest-bearing borrowings	861,185	-	607,453	253,732	-
Trade and other payables	2,114,849	114,761	2,000,088	-	-
	<u>2,976,034</u>	<u>114,761</u>	<u>2,607,541</u>	<u>253,732</u>	<u>-</u>
<i>31 December 2016</i>					
Total					
Interest-bearing borrowings	2,656,765	-	973,215	1,683,550	-
Trade and other payables	1,183,840	166,001	1,017,839	-	-
	<u>3,840,605</u>	<u>166,001</u>	<u>1,991,054</u>	<u>1,683,550</u>	<u>-</u>

COMMUNICATIONS (FIJI) LIMITED and Subsidiary company  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*  
 FOR THE YEAR ENDED 31 DECEMBER 2017

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *continued*

d) Changes in liabilities arising from financing activities

	1 January 2017 \$	Change in fair value \$	Cash flows \$	Other \$	31 December 2017 \$
Interest-bearing borrowings	2,592,683	-	(811,735)	-	1,780,948
Obligation under finance leases	64,082	-	(64,082)	-	-
Dividend payables	-	-	-	1,174,140	1,174,140
Total liabilities arising from financing activities	<u>2,656,765</u>	<u>-</u>	<u>(875,817)</u>	<u>1,174,140</u>	<u>2,955,088</u>

The 'Other' column includes the accrual of special dividend that were not yet paid at year end and the effect (if any) of accrued but not yet paid interest on interest-bearing borrowings. The Group classifies interest paid as cash flows from operating activities.

Capital management

The primary objective of the group's capital management is to ensure that it maintains a strong credit rating and a healthy capital ratio in order to support its business and maximize shareholder value.

The group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the year 31 December 2017 and 31 December 2016.

The group monitors capital using a gearing ratio, which is net debt divided by total capital plus debt. The group's policy is to keep the gearing ratio below 40%. The group includes net debt, interest-bearing borrowings, trade and other payables less cash and cash equivalents, excluding discounted operations. Capital includes any preference shares, equity attributable to equity holders of the parent less any unrealized gains reserve.

	2017 \$	2016 \$
Interest-bearing borrowings	861,185	2,656,765
Trade and other payables	2,114,849	1,183,840
Less: cash and short term deposits	<u>(855,770)</u>	<u>(1,405,902)</u>
Net debt	2,120,264	2,434,703
Equity	10,852,798	10,025,744
Total capital	<u>10,852,798</u>	<u>10,025,744</u>
Capital and net debt	12,973,062	12,460,447
Gearing ratio	<u>16%</u>	<u>20%</u>

26. SIGNIFICANT EVENTS

During the year the company sold its shares in i-Pac Communications Limited and recorded a profit of \$659,371.

27. SUBSEQUENT EVENTS

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the group, the results of those operations, or the state of affairs of the group as reported in these financial statements.