

COMMUNICATIONS (FIJI) LIMITED and Subsidiary company

CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016

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# COMMUNICATIONS (FIJI) LIMITED and Subsidiary company

## DIRECTORS' REPORT

### FOR THE YEAR ENDED 31 DECEMBER 2016

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In accordance with a resolution of the Board of Directors, the Directors herewith submit the Consolidated Statement of Financial Position of the company and the group as at 31 December 2016, 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  
William Parkinson  
Pramesh Sharma  
Sufinaaz Dean (Appointed 21 March 2016)  
Vilash Chand (Appointed 4 May 2016)  
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 wireless internet services, cinema entertainment and renting of a property respectively.

#### Results

The operating group loss for the year was \$1,335,445 (2015: profit of \$1,455,513) after providing \$1,090,933 (2015: \$645,996 tax benefit) for income tax expense. The operating profit for the holding company for the year was \$1,657,766 (2015: \$1,725,197) after providing \$157,848 (2015: 128,428) for income tax expense.

#### Dividends

The dividends declared and/or paid during the year was \$284,640 (2015: 426,960).

#### Reserves

The directors recommended that no transfer be made to reserves within the meaning of the Seventh Schedule of the Fiji Companies Act, 1983.

#### Bad and doubtful debts

Prior to the completion of the company's and 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 company and the group, inadequate to any substantial extent.

#### Non-current assets

Prior to the completion of the financial statements of the company and 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 company and 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 company's and the group's financial statements misleading.

#### Unusual transactions

In the opinion of the directors, the results of the operations of the company and 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 company and 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 2016

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Significant events

TC Winston caused significant damage to the company's transmitters when it hit Fiji in February 2016. The impact of the cyclone cost the company \$232,551.

The company's subsidiary, PNG FM Limited invested a further PGK 3 million in Paradise Cinemas Limited to enable the entity to settle its bank loan and release PNG FM Limited from its liability as guarantor of the loan.

Events subsequent to balance date

Subsequent to year end, the Directors declared a final dividend of 12 cents per share for the year ended 31 December 2016.

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 company and the group, the results of those operations, or the state of affairs of the company and 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 company and 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 company and the group could become liable; and
- (iii) no contingent liabilities or other liabilities of the company and 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 company and 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

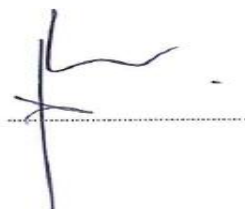
Particulars of directors' interests in the ordinary shares of the company during the year are as follows:

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

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

Dated this 8th day of March 2017.

Director: 

Director: 

COMMUNICATIONS (FIJI) LIMITED and Subsidiary company  
STATEMENT BY DIRECTORS  
FOR THE YEAR ENDED 31 DECEMBER 2016

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In accordance with a resolution of the Board of Directors, we state that in our opinion:

- (i) the accompanying Statement of Comprehensive Income of the company and group is drawn up so as to give a true and fair view of the results of the company and the group for the year ended 31 December 2016;
- (ii) the accompanying Statement of Changes in Equity of the company and the group is drawn up so as to give a true and fair view of the changes in equity of the company and the group for the year ended 31 December 2016;
- (iii) the accompanying Statement of Financial Position of the company and the group is drawn up so as to give a true and fair view of the state of affairs of the company and the group as at 31 December 2016;
- (iv) the accompanying Statement of Cash Flows of the company and the group is drawn up so as to give a true and fair view of the statement of cash flows of the company and the group for the year ended 31 December 2016;
- (v) at the date of this statement there are reasonable grounds to believe the company and the group will be able to pay its debts as and when they fall due; and
- (vi) all related party transactions have been adequately recorded in the books of the company and group.

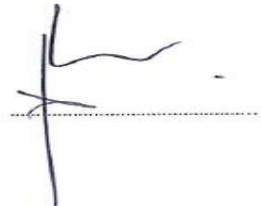
Signed on behalf of the Board of Directors in accordance with a resolution of the directors.

Dated this 8th day of March 2017.

Director:



Director:



## 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 (“the Group”), which comprises the consolidated statement of financial position as at 31 December 2016, 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 and 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 2016, 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. Partners and employees of our firm deal with the Company on normal terms within the ordinary course of trading activities of the business of the Company.

### 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
<p>Impairment of goodwill and investments in associate and joint ventures:</p> <p>Given the significant 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.</p> <p>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.</p>	<p>We evaluated the impairment calculations including assessing the recoverable amount of the CGU. We evaluated the cash flow projections approved by the Board as used in the impairment model. We assessed the key assumptions including the discount rate, terminal growth rate and forecast growth assumptions.</p> <p>We performed sensitivity analysis around the key drivers of the cash flow projections. 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.</p>

#### Information Other than the Financial Statements and Auditor's Report

The management and directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 31 December 2016, 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 management and Directors for the Consolidated Financial Statements

The management and directors 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.
- 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.

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

- 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 management and the Directors 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 management and the Directors 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 1983, in our opinion:

- a) Proper books of account have been kept by the company and 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, 1983 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.

The engagement partner on the audit resulting in this independent auditor's report is Sikeli Tuinamuana.

Suva, Fiji  
8 March 2017

  
Ernst & Young  
Chartered Accountants

COMMUNICATIONS (FIJI) LIMITED and Subsidiary company  
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	Group		Holding Company	
		2016 \$	2015 \$	2016 \$	2015 \$
Radio income	4.1	11,281,534	12,227,176	5,521,551	4,871,660
Other revenue	4.2	1,226,324	1,368,377	1,429,902	1,307,030
Salaries and employee benefits	4.3	(3,351,727)	(3,512,472)	(2,246,690)	(2,137,446)
Depreciation and amortization	4.4	(1,063,236)	(1,069,044)	(591,726)	(552,308)
Other expenses	4.5	(6,202,124)	(6,890,085)	(2,398,569)	(2,338,640)
Profit from operations		1,890,771	2,123,952	1,714,468	1,150,296
Finance costs	4.6	(95,727)	(81,420)	(39,530)	(65,636)
Share of (loss)/profit of associate or joint venture	4.7	(511,996)	(85,300)	140,676	768,965
Impairment loss on joint venture	13	(1,527,560)	(1,147,715)	-	-
Profit/(loss) before income tax		(244,512)	809,517	1,815,614	1,853,625
Income tax benefit/(expense)	5	(1,090,933)	645,996	(157,848)	(128,428)
Net profit/(loss) for the year		(1,335,445)	1,455,513	1,657,766	1,725,197
Other comprehensive income					
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>					
Exchange differences on translation of foreign operation	21	(217,827)	(280,032)	-	-
Other comprehensive income for the year		(217,827)	(280,032)	-	-
Total comprehensive income for the year		(1,553,272)	1,175,481	1,657,766	1,725,197
Earnings per share (cents)	6	(37.53)	40.91		

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



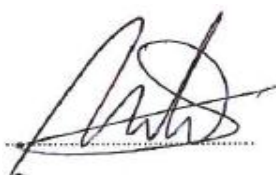
COMMUNICATIONS (FIJI) LIMITED and Subsidiary company  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AT 31 DECEMBER 2016

	Notes	Group		Holding Company	
		2016	2015	2016	2015
Current assets		\$	\$	\$	\$
Cash and cash equivalents	9(a)	1,405,902	432,845	366,623	236,363
Trade receivables	8	2,076,779	2,453,793	2,073,320	1,513,750
Inventories	10	-	4,734	-	4,734
Prepayments and other assets	11	364,785	356,633	131,090	107,984
Income tax receivable		294,139	54,219	23,634	54,219
		<u>4,141,605</u>	<u>3,302,224</u>	<u>2,594,667</u>	<u>1,917,050</u>
Non-current assets					
Investment in subsidiary	12	-	-	1,725,117	1,725,117
Investment in associates and joint ventures	13	2,036,629	1,970,953	2,036,629	1,970,953
Financial assets	14	591,884	591,884	591,884	591,884
Intangible assets	15	1,469,767	1,560,799	292,760	374,250
Property, plant and equipment	16	5,957,360	6,101,226	3,367,413	3,052,781
Deferred tax assets	5(b)	73,856	1,022,826	-	-
		<u>10,129,496</u>	<u>11,247,688</u>	<u>8,013,803</u>	<u>7,714,985</u>
Total assets		<u>14,271,101</u>	<u>14,549,912</u>	<u>10,608,470</u>	<u>9,632,035</u>
Current liabilities					
Trade and other payables	17	1,183,840	1,147,845	451,702	425,363
Employee benefit liabilities	18	156,183	134,555	109,343	90,022
Interest-bearing borrowings	19	973,215	484,274	473,263	476,330
Income tax payable		-	61,393	-	-
		<u>2,313,238</u>	<u>1,828,067</u>	<u>1,034,308</u>	<u>991,715</u>
Non-current liabilities					
Interest-bearing borrowings	19	1,683,550	588,968	182,421	588,968
Employee benefit liabilities	18	113,964	101,879	-	-
Deferred tax liability	5(b)	134,605	167,342	134,605	167,342
		<u>1,932,119</u>	<u>858,189</u>	<u>317,026</u>	<u>756,310</u>
Total liabilities		<u>4,245,357</u>	<u>2,686,256</u>	<u>1,351,334</u>	<u>1,748,025</u>
Net assets		<u>10,025,744</u>	<u>11,863,656</u>	<u>9,257,136</u>	<u>7,884,010</u>
Shareholders' equity					
Share capital	20	3,558,000	3,558,000	3,558,000	3,558,000
Reserves	21	(244,174)	(26,347)	61,500	61,500
Retained earnings		6,711,918	8,332,003	5,637,636	4,264,510
Total equity		<u>10,025,744</u>	<u>11,863,656</u>	<u>9,257,136</u>	<u>7,884,010</u>

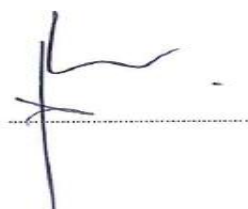
The accompanying notes form an integral part of this Consolidated Statement of Financial Position.

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

Director:



Director:



COMMUNICATIONS (FIJI) LIMITED and Subsidiary company  
CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	Group		Holding Company	
		2016	2015	2016	2015
		\$	\$	\$	\$
Operating activities					
Receipts from customers		12,534,273	13,367,753	6,429,777	6,153,426
Payments to suppliers and employees		(9,281,459)	(10,428,478)	(4,617,971)	(4,444,675)
Interest and bank charges paid		(95,727)	(81,420)	(39,530)	(65,636)
Income tax paid		(494,238)	(38,092)	(160,000)	(100,000)
Net cash provided by Operating Activities		<u>2,662,849</u>	<u>2,819,763</u>	<u>1,612,276</u>	<u>1,543,115</u>
Investing activities					
Proceeds from sale of plant and equipment		103,830	1,739	44,073	1,739
Acquisition of plant, equipment and intangibles		(1,147,236)	(750,111)	(906,835)	(489,267)
Investment in joint venture		(2,055,076)	(1,069,736)	-	-
Dividends received		75,000	250,000	75,000	250,000
Net cash flows used in Investing Activities		<u>(3,023,482)</u>	<u>(1,568,108)</u>	<u>(787,762)</u>	<u>(237,528)</u>
Financing activities					
Dividends paid to equity holders of the parent		(284,640)	(426,960)	(284,640)	(426,960)
Proceeds from loan		2,055,076	-	-	-
Repayment of secured loan principal		(440,145)	(555,699)	(386,150)	(407,612)
Repayment of lease principal		(23,464)	(45,536)	(23,464)	(45,535)
Net cash flows provided by/(used) in Financing Activities		<u>1,306,827</u>	<u>(1,028,195)</u>	<u>(694,254)</u>	<u>(880,107)</u>
Net increase in cash held		946,194	223,460	130,260	425,480
Cash and cash equivalents at the beginning of year		432,845	190,018	236,363	(189,117)
Effects of exchange rate changes on opening cash balances		26,863	19,367	-	-
Cash and cash equivalents at the end of year	9(a)	<u>1,405,902</u>	<u>432,845</u>	<u>366,623</u>	<u>236,363</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 2016

	Notes	Group		Holding Company	
		2016	2015	2016	2015
		\$	\$	\$	\$
<b>Retained earnings</b>					
Balance at the beginning of the year		8,332,003	7,303,450	4,264,510	2,966,273
Operating (loss)/profit after tax		(1,335,445)	1,455,513	1,657,766	1,725,197
Dividends paid/proposed	7	(284,640)	(426,960)	(284,640)	(426,960)
Balance at the end of the year		<u>6,711,918</u>	<u>8,332,003</u>	<u>5,637,636</u>	<u>4,264,510</u>
<b>Reserves</b>					
<i>Foreign currency translation reserve</i>					
Balance at the beginning of the year		(87,847)	192,185	-	-
Movement arising on translation of the financial statements of foreign subsidiary		(217,827)	(280,032)	-	-
Balance at the end of the year	21	<u>(305,674)</u>	<u>(87,847)</u>	<u>-</u>	<u>-</u>
<i>Share premium reserve</i>					
Balance at the beginning of the year		61,500	61,500	61,500	61,500
Movement during the year		-	-	-	-
Balance at the end of the year	21	<u>61,500</u>	<u>61,500</u>	<u>61,500</u>	<u>61,500</u>
<b>Share capital</b>					
Balance at the beginning of the year		3,558,000	3,558,000	3,558,000	3,558,000
Movement during the year		-	-	-	-
Balance at the end of the year	20	<u>3,558,000</u>	<u>3,558,000</u>	<u>3,558,000</u>	<u>3,558,000</u>
<b>Total equity</b>		<u><u>10,025,744</u></u>	<u><u>11,863,656</u></u>	<u><u>9,257,136</u></u>	<u><u>7,884,010</u></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 2016

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#### 1. Corporate information

The consolidated financial statements of Communications (Fiji) Limited and its subsidiary company ("the Group") for the year ended 31 December 2016 were authorized for issue with a resolution of the directors on 22 February 2017. Communications (Fiji) Limited 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 have been prepared on a historical cost basis. 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 2016. 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.

All intra-group balances, income and expenses and unrealized gains and losses resulting from intra-group transactions are eliminated in full.

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 1.4598:1 (2015: 1.3508:1) while the average rate used to translate revenue and expense accounts was 1.3508:1 (2015:1.2115:1).

COMMUNICATIONS (FIJI) LIMITED and Subsidiary company  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*  
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2.2 Significant accounting judgments, estimates and assumptions

The preparation of the company and 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 a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

*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.

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Deferred tax assets are also recognized for all temporary differences that are expected to reverse and reduce taxable profit in the future. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing, the probability that temporary differences will reverse and level of future taxable profits together with future tax planning strategies.

2.3 Changes in accounting policy and disclosures

i) *New and amended standards and interpretations*

The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2016. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet

The nature and effect of these changes are disclosed below. Although these new standards and amendments applied for the first time in 2016, they did not have material impact on the annual consolidated financial statements of the Group. The nature and impact of each new standard or amendment is described below:

*IFRS 14 Regulatory Deferral Accounts*

IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Since the Group is an existing IFRS preparer and is not involved in any rate-regulated activities, this standard did not apply during the year.

*Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests*

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 Business Combinations principles for business combination accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation if joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

COMMUNICATIONS (FIJI) LIMITED and Subsidiary company  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*  
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2.3 Changes in accounting policy and disclosures *continued*

i) *New and amended standards and interpretations continued*

*Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests continued*

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are applied prospectively. While PNG FM Limited invested further in Paradise Cinemas Limited, this did not result in additional interest as the joint venturers also invested further in proportion to their shareholding.

*Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation*

The amendments clarify the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is a part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are applied prospectively and do not have any impact on the Group, given that it has not used a revenue-based method to depreciate its non-current assets.

*Amendments to IAS 27: Equity Method in Separate Financial Statements*

The amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in their separate financial statements have to apply that change retrospectively. These amendments do not have any impact on the Group's consolidated financial statements as no change in policy occurred.

*IAS 19 Employee Benefits*

The amendments to IAS 19 do not have any impact on the Group's consolidated financial statements.

*Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception*

The amendments address issues that have arisen in applying the investment entities exception under IFRS 10 Consolidated Financial Statements. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

These amendments do not have any impact on the Group as the company or any entity in the Group is an investment entity as defined by IFRS 10.

ii) *Standards issued but not effective*

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

*IFRS 9 Financial Instruments*

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. 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, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Group plans to adopt the new standard on the required effective date. The Group plans to assess the potential effect of IFRS 9 on its consolidated financial in 2017.

*IFRS 15 Revenue from Contracts with Customers*

IFRS 15 was issued in May 2014 and 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.

COMMUNICATIONS (FIJI) LIMITED and Subsidiary company  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*  
FOR THE YEAR ENDED 31 DECEMBER 2016

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2.3 Changes in accounting policy and disclosures *continued*

ii) *Standards issued but not effective continued*

*IFRS 15 Revenue from Contracts with Customers continued*

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Group plans to adopt the new standard on the required effective date using the full retrospective method. The Group plans to assess the potential effect of IFRS 9 on its consolidated financial in 2017.

*Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively.

*IAS 7 Disclosure Initiative - Amendments to IAS 7*

The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. These amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted. Application of amendments will result in additional disclosure provided by the Group.

*IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses - Amendments to IAS 12*

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact.

These amendments are effective for annual periods beginning on or after 1 January 2017 with early application permitted. If an entity applies the amendments for an earlier period, it must disclose that fact. These amendments are not expected to have any impact on the Group.

*IFRS 16 Leases*

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 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 standard includes two recognition exemptions for lessees - leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

COMMUNICATIONS (FIJI) LIMITED and Subsidiary company  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*  
FOR THE YEAR ENDED 31 DECEMBER 2016

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2.3 Changes in accounting policy and disclosures *continued*

ii) *Standards issued but not effective continued*

IFRS 16 Leases continued

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

In 2017, the Group plans to assess the potential effect of IFRS 16 on its consolidated financial statements.

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

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 2016

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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

*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.

COMMUNICATIONS (FIJI) LIMITED and Subsidiary company  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*  
FOR THE YEAR ENDED 31 DECEMBER 2016

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2.4 Summary of significant accounting policies *continued*

(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 assets*

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.

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.

COMMUNICATIONS (FIJI) LIMITED and Subsidiary company  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*  
FOR THE YEAR ENDED 31 DECEMBER 2016

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2.4 Summary of significant accounting policies *continued*

(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.

(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.

COMMUNICATIONS (FIJI) LIMITED and Subsidiary company  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*  
FOR THE YEAR ENDED 31 DECEMBER 2016

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2.4 Summary of significant accounting policies *continued*

(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.

*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.

COMMUNICATIONS (FIJI) LIMITED and Subsidiary company  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*  
FOR THE YEAR ENDED 31 DECEMBER 2016

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2.4 Summary of significant accounting policies *continued*

(q) *Business combinations and goodwill continued*

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.

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.

COMMUNICATIONS (FIJI) LIMITED and Subsidiary company  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*  
 FOR THE YEAR ENDED 31 DECEMBER 2016

2.4 Summary of significant accounting policies *continued*

(r) *Taxes continued*

*Deferred tax continued*

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.

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 the commercial radio services industry. The holding company operates in Suva, Fiji while its subsidiary operates in Port Moresby, Papua New Guinea.

(a) Geographical segments

The following tables present revenue and profit information and certain asset and liability information regarding geographical segments for the years ended 31 December 2016 and 2015.

<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>Results</u>				
Segment result	162,158	1,714,468	14,145	1,890,771
Unallocated expenses	-	-	-	-
Profit from operating activities	<u>162,158</u>	<u>1,714,468</u>	<u>14,145</u>	<u>1,890,771</u>
Net finance costs	(56,197)	(39,530)	-	(95,727)
Impairment loss	(1,527,560)	-	-	(1,527,560)
Share of (loss)/profit of associate or joint venture	<u>(652,672)</u>	<u>140,676</u>	<u>-</u>	<u>(511,996)</u>
(Loss)/profit before income tax	(2,074,271)	1,815,614	14,145	(244,512)
Income tax benefit/(expense)	<u>(933,085)</u>	<u>(157,848)</u>	<u>-</u>	<u>(1,090,933)</u>
Net (loss)/profit	<u>(3,007,356)</u>	<u>1,657,766</u>	<u>14,145</u>	<u>(1,335,445)</u>

COMMUNICATIONS (FIJI) LIMITED and Subsidiary company  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*  
 FOR THE YEAR ENDED 31 DECEMBER 2016

3. SEGMENT INFORMATION *continued*

<u>Year ended 31 December 2016</u>	PNG	Fiji	Eliminations	Total
	\$	\$	\$	\$
<u>Assets and liabilities</u>				
Segment assets	5,050,195	8,571,841	(1,387,564)	12,234,472
Investment in associate or 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	3,640,011	1,351,334	(745,988)	4,245,357
Total liabilities	<u>3,640,011</u>	<u>1,351,334</u>	<u>(745,988)</u>	<u>4,245,357</u>
<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
<u>Cash flows</u>				
Operating activities	1,050,573	1,612,276		
Investing activities	(2,235,720)	(787,762)		
Financing activities	2,001,081	(694,254)		
<u>Year ended 31 December 2015</u>				
	PNG	Fiji	Eliminations	Total
	\$	\$	\$	\$
<u>Revenue</u>				
External sales	7,355,516	4,871,660	-	12,227,176
	<u>7,355,516</u>	<u>4,871,660</u>	<u>-</u>	<u>12,227,176</u>
<u>Result</u>				
Segment result	(704,253)	1,150,296	1,677,909	2,123,952
Unallocated expenses	-	-	-	-
(Loss)/profit from operating activities	<u>(704,253)</u>	<u>1,150,296</u>	<u>1,677,909</u>	<u>2,123,952</u>
Net finance costs	(15,784)	(65,636)	-	(81,420)
Impairment loss	(1,147,715)	-	-	(1,147,715)
Share of (loss)/profit of associate or joint venture	<u>(854,265)</u>	<u>768,965</u>	<u>-</u>	<u>(85,300)</u>
Profit before income tax	(1,574,302)	1,853,625	1,677,909	809,517
Income tax expense	774,424	(128,428)	-	645,996
Net(loss)/ profit	<u>(799,878)</u>	<u>1,725,197</u>	<u>1,677,909</u>	<u>1,455,513</u>
<u>Assets and liabilities</u>				
Segment assets	5,950,345	7,661,082	(1,032,468)	12,578,959
Investment in associate or joint venture	-	1,970,953	-	1,970,953
Total assets	<u>5,950,345</u>	<u>9,632,035</u>	<u>(1,032,468)</u>	<u>14,549,912</u>
Segment liabilities	1,362,906	1,748,025	(424,675)	2,686,256
Total liabilities	<u>1,362,906</u>	<u>1,748,025</u>	<u>(424,675)</u>	<u>2,686,256</u>

COMMUNICATIONS (FIJI) LIMITED and Subsidiary company  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*  
 FOR THE YEAR ENDED 31 DECEMBER 2016

3. SEGMENT INFORMATION *continued*

(a) Geographical segments *continued*

<u>Year ended 31 December 2015 continued</u>	PNG	Fiji	Eliminations	Total
	\$	\$	\$	\$
<u>Other segment information</u>				
Capital expenditure:				
- tangible fixed assets	276,371	477,555	-	753,926
- intangible assets	2,332	11,712	-	14,044
Amortization of intangible assets	7,007	81,398	-	88,405
Depreciation	509,730	470,910	-	980,640
Doubtful and bad debts	40,362	27,000	-	67,362

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

(b) Business segments

The company and its subsidiary both operate predominantly in the commercial radio services industry. Revenue, expenditure and certain asset information regarding business segments for the years ended 31 December 2016 and 2015 are the same as that disclosed for geographical segments above.

4. REVENUE AND EXPENSES

	Group		Holding Company	
	2016	2015	2016	2015
	\$	\$	\$	\$

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

4.1 Radio income

Advertising income	10,521,827	11,525,893	5,185,854	4,679,548
Total Event Company Limited income and other commercial income	759,707	701,283	335,697	192,112
	<u>11,281,534</u>	<u>12,227,176</u>	<u>5,521,551</u>	<u>4,871,660</u>

4.2 Other revenue

Other income	383,003	657,709	382,727	286,599
Gain on disposal of assets	26,738	314	-	314
Cinema advertising	816,583	710,354	756,088	710,354
Management fees	-	-	291,087	309,763
	<u>1,226,324</u>	<u>1,368,377</u>	<u>1,429,902</u>	<u>1,307,030</u>

4.3 Salaries and employee benefits

FNPF and FNU levy	403,609	314,791	242,307	222,772
Salaries and wages	2,566,034	2,733,556	1,698,489	1,672,000
Staff commission and bonus	339,447	397,868	305,894	240,313
Staff training	42,637	66,257	-	2,361
	<u>3,351,727</u>	<u>3,512,472</u>	<u>2,246,690</u>	<u>2,137,446</u>

4.4 Depreciation and amortization

Depreciation	974,393	980,639	509,081	470,910
Amortization of intangibles assets	88,843	88,405	82,645	81,398
	<u>1,063,236</u>	<u>1,069,044</u>	<u>591,726</u>	<u>552,308</u>



COMMUNICATIONS (FIJI) LIMITED and Subsidiary company  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*  
 FOR THE YEAR ENDED 31 DECEMBER 2016

4. REVENUE AND EXPENSES *continued*

	Group		Holding Company	
	2016	2015	2016	2015
	\$	\$	\$	\$
4.5 <u>Other expenses</u>				
Auditors remuneration - audit fees	34,900	34,900	12,900	12,900
- other services	1,750	1,750	1,750	1,750
Bad debts	-	90,565	-	-
Directors' remuneration	265,191	233,678	159,462	126,962
Doubtful debts	242,354	67,362	-	27,000
Operating lease rentals	769,675	835,527	220,945	214,996
Other operating expenses	4,888,254	5,626,303	2,003,512	1,955,032
	<u>6,202,124</u>	<u>6,890,085</u>	<u>2,398,569</u>	<u>2,338,640</u>
4.6 <u>Finance costs</u>				
Finance charges payable under finance leases	-	4,834	-	-
Bank loans	95,727	76,586	39,530	65,636
	<u>95,727</u>	<u>81,420</u>	<u>39,530</u>	<u>65,636</u>
4.7 <u>Share of (loss)/profit of associate or joint venture</u>				
Share of profit from 231 Waimanu Rd Holdings Limited	140,676	768,965	140,676	768,965
Share of loss from Paradise Cinemas (PNG) Limited	(652,672)	(854,265)	-	-
	<u>(511,996)</u>	<u>(85,300)</u>	<u>140,676</u>	<u>768,965</u>

5. INCOME TAX

\$ \$ \$ \$

The major components of income tax expense for the years ended 31 December 2016 and 2015 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 2016 and 2015 is as follows:

Accounting profit/(loss) before income tax	(244,512)	809,517	1,815,614	1,853,625
Prima facie tax thereon at the Fiji rate of 10%	(24,451)	80,952	181,561	185,363
Effect of higher tax rates in PNG	(412,027)	(208,821)	-	-
Reversal/(recognition) of previously unrecognised tax losses	(4,244)	(474,685)	-	-
Tax effect of non-deductible items	652,769	(151,724)	(6,751)	(156,940)
Share of loss/(profit) of associate or joint venture non-deductible/non-taxable	14,068	76,897	14,068	76,897
Reversal of deferred tax assets	936,410	-	-	-
Other	(34,368)	3,542	(31,265)	548
Under/(over) provision from prior year	(37,224)	27,843	235	22,560
Income tax (benefit)/expense attributable to operating profit	<u>1,090,933</u>	<u>(645,996)</u>	<u>157,848</u>	<u>128,428</u>

(a) Consolidated income statement

*Current income tax:*

Current income tax charge	227,713	443,163	190,475	129,863
Adjustments in respect of previous year	(37,224)	27,842	235	22,560
Origination and reversal of temporary differences	900,444	(1,117,001)	(32,862)	(23,995)
Income tax (benefit)/expense	<u>1,090,933</u>	<u>(645,996)</u>	<u>157,848</u>	<u>128,428</u>

COMMUNICATIONS (FIJI) LIMITED and Subsidiary company  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*  
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5. INCOME TAX <i>continued</i>	Group		Holding Company	
	2016	2015	2016	2015
	\$	\$	\$	\$
(b) <u>Deferred tax</u>				
Deferred tax assets/liabilities at 31 December relates to the following:				
Provision for doubtful debts	59,248	48,517	4,575	4,575
Employee entitlements	59,176	52,926	10,934	9,003
Accelerated depreciation for tax purposes and other	(226,635)	(243,068)	(150,114)	(180,920)
Accruals and prepayments	47,462	43,230	-	-
Provision for impairment loss	-	953,879	-	-
Net deferred tax liability	<u>(60,749)</u>	<u>855,484</u>	<u>(134,605)</u>	<u>(167,342)</u>
Represented on the consolidated balance sheet as:				
Deferred income tax asset	73,856	1,022,826	-	-
Deferred tax liability	(134,605)	(167,342)	(134,605)	(167,342)
	<u>(60,749)</u>	<u>855,484</u>	<u>(134,605)</u>	<u>(167,342)</u>
6. EARNINGS PER SHARE	\$	\$		
Operating profit after income tax	(1,335,445)	1,455,513		
Weighted average number of shares outstanding	<u>3,558,000</u>	<u>3,558,000</u>		
Basic earnings per share (cents)	<u>(37.53)</u>	<u>40.91</u>		
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.				
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.				
7. DIVIDENDS PAID AND PROPOSED	\$	\$	\$	\$
<i>Declared and paid in year:</i>				
Interim dividend for 2015: 8 cents	-	284,640	-	284,640
Final dividend for 2015: 4 cents	-	142,320	-	142,320
Interim dividend for 2016: 8 cents	<u>284,640</u>	<u>-</u>	<u>284,640</u>	<u>-</u>
Dividends declared and paid	<u>284,640</u>	<u>426,960</u>	<u>284,640</u>	<u>426,960</u>
8. TRADE RECEIVABLES	\$	\$	\$	\$
Trade receivables	2,219,149	2,553,483	1,319,625	1,053,758
Provision for doubtful debts	(142,370)	(192,228)	(45,754)	(45,754)
	<u>2,076,779</u>	<u>2,361,255</u>	<u>1,273,871</u>	<u>1,008,004</u>
Receivable from related entities	-	92,538	799,449	505,746
	<u>2,076,779</u>	<u>2,453,793</u>	<u>2,073,320</u>	<u>1,513,750</u>

For terms and conditions relating to related party receivable, refer Note 24.

Trade receivables are non-interest bearing and are generally on 30-90 day terms. At 31 December 2016, trade receivables of the group at nominal value of \$142,370 (2015: \$192,228) were impaired and fully provided for. Movements in the provision for impairment of receivables were as follows:

COMMUNICATIONS (FIJI) LIMITED and Subsidiary company  
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8. TRADE RECEIVABLES <i>continued</i>	Group		Holding Company	
	2016	2015	2016	2015
	\$	\$	\$	\$
At 1 January	192,228	148,329	45,754	38,560
Charge for the year	242,354	67,362	-	27,000
Utilized	(192,802)	(19,806)	-	(19,806)
Translation adjustment	(99,410)	(3,657)	-	-
At 31 December	142,370	192,228	45,754	45,754

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
2016	2,076,779	1,474,069	502,866	68,606	31,238
2015	2,361,255	1,467,988	547,000	153,352	192,915

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

	Total	< 30 days	Past due but not impaired		
			30 - 60 days	60 - 90 days	> 90 days
2016	1,273,871	920,597	342,091	11,183	-
2015	1,008,004	783,608	208,628	15,768	-

9. CASH AND CASH EQUIVALENTS	Group		Holding Company	
	2016	2015	2016	2015
	\$	\$	\$	\$
(a) For the purpose of the consolidated Statement of Cash Flows, cash and cash equivalents comprise the following at 31 December:				
Cash at bank	1,405,902	432,845	366,623	236,363
	1,405,902	432,845	366,623	236,363

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	\$	\$	\$	\$
Total Event Company Limited merchandise	-	4,734	-	4,734

The amount of write-down of inventories recognized as an expense was \$4,734 (2015: Nil).

11. PREPAYMENTS AND OTHER ASSETS	\$	\$	\$	\$
<u>Current</u>				
Refundable deposits	137,175	133,566	56,312	57,482
Prepayments	130,709	122,373	47,420	36,855
Other receivables	96,901	100,694	27,358	13,647
	364,785	356,633	131,090	107,984
12. INVESTMENT IN SUBSIDIARY	\$	\$	\$	\$
- Total Event Company Limited	-	-	2	2
- PNG FM Pty Limited	-	-	1,725,115	1,725,115
	-	-	1,725,117	1,725,117

Communications (Fiji) Limited holds 100% of the ordinary shares of PNG FM Pty Limited. The results of PNG FM Pty Limited have been consolidated in these financial statements. The results of Total Event Company Limited is included in the results of the holding company.

COMMUNICATIONS (FIJI) LIMITED and Subsidiary company  
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 FOR THE YEAR ENDED 31 DECEMBER 2016

13. INVESTMENT IN ASSOCIATE OR JOINT VENTURE	2016	2015
(a) <u>Investment of Communications (Fiji) Limited 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:		
Current assets, including cash and cash equivalents and prepayments	98,991	115,955
Non-current assets	4,640,812	4,497,972
Current liabilities, including tax payable	(11,840)	(18,305)
Non-current liabilities, including deferred tax liabilities	(654,705)	(653,716)
Net assets	4,073,258	3,941,906
Proportion of the group's ownership	50%	50%
Carrying amount of investment - 231 Waimanu Rd Holdings Limited	2,036,629	1,970,953
<i>Summarized statement of profit or loss of 231 Waimanu Rd Holdings Limited:</i>		
Revenue	413,332	419,840
Expenses	(61,604)	(88,159)
Change in fair value of investment property	-	1,272,644
Profit before tax	351,728	1,604,325
Income tax expense	(70,376)	(66,396)
Profit for the year	281,352	1,537,929
Group's share of profit for the year	140,676	768,965

231 Waimanu Rd Holdings Limited had no contingent liabilities or capital commitments as at 31 December 2016 and 2015.

(b) Investment of PNG FM Limited in Paradise Cinemas (PNG) Limited

The subsidiary, PNG FM Limited has a 43.87% (2015: 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 audited financial statements and reconciliation with the carrying amount of the investment are set out below:

Current assets, including cash and cash equivalents and prepayments	418,747	590,007
Non-current assets	6,955,098	7,943,982
Current liabilities, including tax payable	(2,199,275)	(3,044,321)
Non-current liabilities, including deferred tax liabilities	(484,176)	(3,725,649)
Net assets	4,690,394	1,764,019
Proportion of the group's ownership	43.87%	43.87%
Original investment - Paradise Cinemas (PNG) Limited	4,997,260	3,179,597
Less: Cumulative share of losses	(2,604,865)	(2,031,882)
Less: Additional impairment loss		
- At 1 January	(1,147,715)	-
- Addition impairment loss	(1,527,560)	(1,147,715)
- Translation adjustments	282,880	-
Net Carrying amount of investment - Paradise Cinemas (PNG) Limited	-	-

PNG FM Limited made an additional investment in Paradise Cinemas (PNG) Limited during the year along with its joint venture partners. Its investment in the Joint Venture is 43.87% (2015: 43.87%).

*Summarized statement of profit or loss of Paradise Cinemas (PNG) Limited:*

Revenue	5,892,576	6,562,219
Expenses	(7,380,274)	(8,509,427)
Loss before tax	(1,487,698)	(1,947,208)
Income tax expense	-	-
Loss for the year	(1,487,698)	(1,947,208)
Group's share of loss for the year	(652,672)	(854,265)

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13. INVESTMENT IN ASSOCIATE OR JOINT VENTURE <i>continued</i>	2016	2015
(b) <u>Investment of PNG FM Limited in Paradise Cinemas (PNG) Limited <i>continued</i></u>	\$	\$
<p>In prior year, the holding company authorised PNG FM Limited to issue a qualified letter of support for the operations of Paradise Cinemas (PNG) Ltd limited to the guarantee the subsidiary company issued to Westpac Bank, PNG. At 31 December 2015, the contingent liability from the guarantee is estimated at K2.9m. During this financial year, PNG FM Limited invested a further PGK 3 million in Paradise Cinemas</p> <p>During the year, the company's subsidiary, PNG FM Limited invested a further PGK 3 million in Paradise Cinemas Limited to enable the entity to settle its bank loan and release PNG FM Limited from its liability as guarantor of the loan.</p>		
Total investment in associate or joint venture	<u>2,036,629</u>	<u>1,970,953</u>

231 Waimanu Rd Holdings Limited and PNG FM Limited are not listed on any stock exchange.

14. FINANCIAL ASSETS	Group		Holding Company	
	2016	2015	2016	2015
	\$	\$	\$	\$
Shares in i-Pac Communications Limited	<u>591,884</u>	<u>591,884</u>	<u>591,884</u>	<u>591,884</u>

The company's shares in i-Pac Communications Limited are subject to put option that is now exercisable subject to a agreed valuation of the company.

15. INTANGIBLE ASSETS				
<u>Holding company</u>			\$	\$
<u>Software</u>				
<i>Cost:</i>				
At 1 January			915,858	909,068
Additions			1,155	11,712
Disposal			-	(4,922)
At 31 December			<u>917,013</u>	<u>915,858</u>
<i>Depreciation and impairment:</i>				
At 1 January			541,608	465,132
Disposal			-	(4,922)
Depreciation charge for the year			82,645	81,398
At 31 December			<u>624,253</u>	<u>541,608</u>
Net book value			<u>292,760</u>	<u>374,250</u>
<u>Group</u>		Goodwill	Software	Total
<i>Cost:</i>		\$	\$	\$
At 1 January 2016		1,507,569	979,576	2,487,145
Additions		-	1,155	1,155
Disposal		-	-	-
Translation adjustment		-	(4,758)	(4,758)
At 31 December 2016		<u>1,507,569</u>	<u>975,973</u>	<u>2,483,542</u>
<i>Depreciation and impairment:</i>				
At 1 January 2016		370,569	555,777	926,346
Depreciation charge for the year		-	88,843	88,843
Disposal		-	-	-
Translation adjustment		-	(1,414)	(1,414)
At 31 December 2016		<u>370,569</u>	<u>643,206</u>	<u>1,013,775</u>
Net written down value:				
At 31 December 2016		<u>1,137,000</u>	<u>332,767</u>	<u>1,469,767</u>
At 1 January 2016		<u>1,137,000</u>	<u>423,799</u>	<u>1,560,799</u>

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15. INTANGIBLE ASSETS *continued*

(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, which is also a reportable segment, for impairment testing as follows:

	\$	\$
Carrying amount of goodwill	1,137,000	1,137,000

The recoverable amount of the subsidiary has been determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a five year period. The pre-tax discount rate applied to cash flow projection is 19% (2015: 19%) and cash flows beyond the 5-year period are extrapolated using a 5% growth rate (2015: 5%) that is the same as the long term average growth rate for the industry in PNG.

*Key assumptions used in value in use calculations*

The calculation of value in use are most sensitive to the following assumptions:

- Discount rates;
- Market share during budget period;
- Growth rates used to extrapolate cash flows beyond the budget period;
- Political stability; and
- Capital expenditure.

*Discount rates*

Discount rates reflect management's estimate of the risks specific to the unit. This is the benchmark used by management to assess operating performance and to evaluate future investment proposals. In determining the appropriate discount rate, regard has been given to the yield on a ten-year government bond at the beginning of the budgeted year.

*Market share during budget period*

These assumptions are important, because, as well as using industry data for growth rates management assess how the unit's position, relative to its competitors, might change over the budget period. Management expects the Group's share of the PNG market to be stable over the budget period.

*Growth rate estimates*

Rates are based on published industry research.

*Political stability*

Management expect the political environment to be stable over the budget period.

*Capital expenditure*

There are no significant capital expenditure adjusted in the budgeted period. The capital expenditure used in this calculation is assumed to be equal to depreciation.

16. PROPERTY, PLANT AND EQUIPMENT

<u>Holding company</u>	Land and buildings	Plant and equipment	Motor vehicles	Total
<i>Cost:</i>	\$	\$	\$	\$
At 1 January 2016	486,026	5,570,181	591,378	6,647,585
Additions	-	768,516	137,164	905,680
Disposals	-	(126,068)	(119,849)	(245,917)
At 31 December 2016	486,026	6,212,629	608,693	7,307,348
<i>Depreciation and impairment:</i>				
At 1 January 2016	301,969	2,935,122	357,713	3,594,804
Depreciation charge for the year	13,073	429,469	66,539	509,081
Disposals	-	(72,409)	(91,541)	(163,950)
At 31 December 2016	315,042	3,292,182	332,711	3,939,935
Net written down value:				
At 31 December 2016	170,984	2,920,447	275,982	3,367,413
At 1 January 2016	184,057	2,635,059	233,665	3,052,781

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16. PROPERTY, PLANT AND EQUIPMENT <i>continued</i>	Land and buildings	Plant and equipment	Motor vehicles	Total
<u>Group</u>	\$	\$	\$	\$
<i>Cost:</i>				
At 1 January 2016	525,270	11,667,482	1,214,538	13,407,290
Additions	-	905,745	240,336	1,146,081
Disposals	-	(126,068)	(276,103)	(402,171)
Translation adjustment	(2,930)	(455,532)	(45,993)	(504,455)
At 31 December 2016	<u>522,340</u>	<u>11,991,627</u>	<u>1,132,778</u>	<u>13,646,745</u>
<i>Depreciation and impairment:</i>				
At 1 January 2016	307,918	6,263,888	734,258	7,306,064
Depreciation charge for the year	16,962	788,007	169,424	974,393
Disposals	-	(72,409)	(214,776)	(287,185)
Translation adjustment	(667)	(269,923)	(33,297)	(303,887)
At 31 December 2016	<u>324,213</u>	<u>6,709,563</u>	<u>655,609</u>	<u>7,689,385</u>
Net written down value:				
At 31 December 2016	<u>198,127</u>	<u>5,282,064</u>	<u>477,169</u>	<u>5,957,360</u>
At 1 January 2016	<u>217,352</u>	<u>5,403,594</u>	<u>480,280</u>	<u>6,101,226</u>

The carrying amount of plant and equipment held under finance leases and hire purchase contracts for the group at 31 December 2016 was \$223,882 (2015: \$234,924). Leased assets and assets under hire purchase contracts are pledged as security for the related finance lease and hire purchase liabilities.

Total non-cash addition during the year amounted to Nil (2015:Nil).

As at 31 December 2016, the gross carrying amount of fully depreciated property, plant and equipment that is still in use is \$1,695,759 (2015: \$1,351,061).

17. TRADE AND OTHER PAYABLES	Group		Holding Company	
	2016	2015	2016	2015
	\$	\$	\$	\$
Trade payables	166,001	183,818	98,209	100,476
Other payables	1,017,839	964,027	353,493	324,887
	<u>1,183,840</u>	<u>1,147,845</u>	<u>451,702</u>	<u>425,363</u>

Terms and conditions of the above financial liabilities:

- Trade payables are non-interest bearing and are normally settled on 60-day terms.
- Other payables are non-interest bearing and have an average term of six months.
- Interest payable is normally settled monthly throughout the financial year.
- For terms and conditions relating to related parties, refer to Note 24.

18. EMPLOYEE BENEFIT LIABILITIES	\$	\$	\$	\$
Annual leave	156,183	134,555	109,343	90,022
Long service leave	113,964	101,879	-	-
	<u>270,147</u>	<u>236,434</u>	<u>109,343</u>	<u>90,022</u>

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19. INTEREST-BEARING BORROWINGS			Group		Holding Company	
			2016	2015	2016	2015
<u>Current</u>	Maturity	Effective interest rate %	\$	\$	\$	\$
Secured loan	Note 26	4%	925,609	433,907	425,657	425,963
Lease liabilities	Note 22	4%	47,606	50,367	47,606	50,367
			<u>973,215</u>	<u>484,274</u>	<u>473,263</u>	<u>476,330</u>
<u>Non-current</u>						
Secured loan	Note 26	4%	1,667,074	551,789	165,945	551,789
Lease liability	Note 22	4%	16,476	37,179	16,476	37,179
			<u>1,683,550</u>	<u>588,968</u>	<u>182,421</u>	<u>588,968</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 ad called but unpaid capital. Interest on loan accounts are charged at the rate of 4.00%.

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%.

(b) *Lease liabilities*

Lease liabilities were secured by a Master Lease agreement and a charge over leased assets.

20. SHARE CAPITAL			\$	\$	\$	\$
<u>Authorised capital</u>						
5,000,000 ordinary shares of \$1 each			<u>5,000,000</u>	<u>5,000,000</u>	<u>5,000,000</u>	<u>5,000,000</u>
<u>Issued and paid up capital</u>						
3,558,000 ordinary shares of \$1 each			<u>3,558,000</u>	<u>3,558,000</u>	<u>3,558,000</u>	<u>3,558,000</u>
21. RESERVES			\$	\$	\$	\$
<u>Foreign currency translation reserve</u>						
At 1 January			(87,847)	192,185	-	-
Currency translation differences			(217,827)	(280,032)	-	-
At 31 December			<u>(305,674)</u>	<u>(87,847)</u>	<u>-</u>	<u>-</u>
<u>Share premium reserve</u>						
At 1 January			61,500	61,500	61,500	61,500
Issue of additional shares - at a premium			-	-	-	-
At 31 December			<u>61,500</u>	<u>61,500</u>	<u>61,500</u>	<u>61,500</u>
Total reserves			<u>(244,174)</u>	<u>(26,347)</u>	<u>61,500</u>	<u>61,500</u>

Nature and purpose of reserves

*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*

The share premium reserve arises from the issue of shares at a premium.



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22. EXPENDITURE COMMITMENTS	Group		Holding Company	
	2016 \$	2015 \$	2016 \$	2015 \$
(a) Capital expenditure commitments	-	-	-	-
(b) Finance lease commitments				
Future commitments in respect of finance lease are as follows:				
Within one year	49,063	52,952	49,063	52,952
Total minimum lease payments	49,063	52,952	49,063	52,952
Deduct future finance charges	(1,456)	(2,585)	(1,456)	(2,585)
Present value of minimum lease payments	47,606	50,367	47,606	50,367
Analyzed as:				
Current	47,606	50,367	47,606	50,367
Non-current	16,476	37,179	16,476	37,179
	64,082	87,546	64,082	87,546
(c) Operating lease commitments				
Future commitments in respect of operating lease are as follows:				
Within one year	153,465	152,997	153,465	152,997
After one year but not more than five years	610,920	589,232	610,920	589,232
More than five years	155,441	466,323	155,441	466,323
Minimum lease payments	919,826	1,208,552	919,826	1,208,552
The group has lease agreements for office space. The annual lease rentals are recognized as an expense in the current year.				
23. CONTINGENT LIABILITIES	\$	\$	\$	\$
Fiji Electricity Authority	8,660	8,660	8,660	8,660
Telecom Fiji Limited	8,567	8,567	8,567	8,567
	17,227	17,227	17,227	17,227
24. RELATED PARTY DISCLOSURES	\$	\$	\$	\$
(a) Directors				
Directors at anytime during the year were as follows: Matthew Wilson, William Parkinson, Pramesh Sharma, Sufinaaz Dean (appointed 21 March 2016), Vilash Chand (appointed 4 May 2016) and Shaenaz Voss (Resigned (11 April 2016)).				
(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%
(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			269,233	269,415
Management fees			36,000	36,000
(ii) <i>Transactions with 231 Waimanu Rd Holdings Limited</i>			\$	\$
Rental of office and studio space			144,597	144,597
Dividends received			75,000	250,000
Related party transactions are at normal commercial terms and conditions.				

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24. RELATED PARTY DISCLOSURES <i>continued</i>	Group		Holding Company	
	2016	2015	2016	2015
	\$	\$	\$	\$
(d) Compensation of key management personnel				
Short-term employee benefits	545,747	507,915	442,744	385,645
Superannuation contribution	54,575	40,633	44,274	30,852
	<u>600,322</u>	<u>548,548</u>	<u>487,019</u>	<u>416,497</u>
(e) Owings to related entities	\$	\$	\$	\$
Paradise Cinemas (PNG) Limited	85,628	92,538	-	-
PNG FM Limited	-	-	799,449	505,746
	<u>85,628</u>	<u>92,538</u>	<u>799,449</u>	<u>505,746</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.

25. 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 Companies Act, 1983.

(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 associate company namely 231 Waimanu Rd Holdings Limited operate from 231 Waimanu Road, Suva.

(c) Number of employees

As at balance date, the company employed a total of 160 employees (2015: 150 employees).

26. 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 trade receivables and cash, which arise directly from its operations.

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 \$
2015	-100bp	(13,437)
	+100bp	13,437
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.

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26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *continued*

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 2016</i>					
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>
<i>31 December 2015</i>					
Interest-bearing borrowings	1,073,242	-	484,274	588,968	-
Trade and other payables	1,147,845	183,818	964,027	-	-
	<u>2,221,087</u>	<u>183,818</u>	<u>1,448,301</u>	<u>588,968</u>	<u>-</u>

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 2016 and 31 December 2015.

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.

	Group	
	2016	2015
	\$	\$
Interest-bearing borrowings	2,656,765	1,073,242
Trade and other payables	1,183,840	1,147,845
Less: cash and short term deposits	<u>(1,405,902)</u>	<u>(432,845)</u>
Net debt	2,434,703	1,788,242
Equity	10,025,744	11,863,656
Total capital	<u>10,025,744</u>	<u>11,863,656</u>
Capital and net debt	<u>12,460,447</u>	<u>13,651,898</u>
Gearing ratio	20%	13%

27. SIGNIFICANT EVENTS

TC Winston caused significant damage to the company's transmitters when it hit Fiji in February 2016. The impact of the cyclone cost the company \$232,551

The company's subsidiary, PNG FM Limited invested a further PGK 3 million in Paradise Cinemas Limited to enable the entity to settle its bank loan and release PNG FM Limited from its liability as guarantor of the loan.

28. SUBSEQUENT EVENTS

Subsequent to year end, the Directors declared final dividends of 12 cents per share for the year ended 31 December 2016.

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 company and the group, the results of those operations, or the state of affairs of the company and the group as reported in these financial statements.