

## **RADIO & TELEVISION TONGA**

**ANNUAL REPORT & AUDITED FINANCIAL STATEMENT  
2014/15**



*"To inform, educate and entertain the People of Tonga"*

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**Tonga Broadcasting Commission  
Radio & Television Tonga**

*Celebrating 55 Years of Broadcasting in the Kingdom  
1961 – 2016*

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**Date: Thursday, 12 May, 2016**

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**Honourable Poasi Tei**  
**Minister of Public Enterprises**  
**Ministry of Public Enterprises**  
**Nuku'alofa**

**Honourable Minister**

**Subject: Annual Report and Financial Report 2014/15**

I wish to submit herewith the Annual Report and the Audited Financial Report of the Tonga Broadcasting Commission (TBC) for the year 2014/15.

The reports contain the status and the results of performance and operation of the Commission during the year.

Respectfully,



.....  
**Mr. Tapu Panuve**  
**Chairman of the ICT Board of Directors**  
**Tonga Broadcasting Commission**

## A. CHAIRLADY'S REPORT

### Overview

On behalf of the Board of Directors, management and staff of the Tonga Broadcasting Commission (TBC), I wish to present this Annual Report for the Financial Year 2014/15. In this report, I am pleased to report for the official record that it was another successful year in terms of *"informing, educating and entertaining the people of Tonga."* This has been the core functions of the national broadcaster since it was commissioned on 4<sup>th</sup> July, 1961 by Her Late Majesty, Queen Salote Tupou III. At present, the *"Call of the Friendly Islands"* from Radio Tonga and TV Tonga's content are also being enjoyed by Tongans living in any of the overseas countries. They can log onto [www.tonga-broadcasting.net/letio-tonga-1](http://www.tonga-broadcasting.net/letio-tonga-1) and [www.tonga-broadcasting.net/tv-tonga-1](http://www.tonga-broadcasting.net/tv-tonga-1) to access both Radio and TV Tonga respectively.

It has been gratifying to know that the people of Tonga, our audience, have helped in some ways towards the fund raising drives aimed at bringing some of the content they wished to listen to and watched during the year. Both customers and audiences' satisfaction have been the driving force and the backbone of our services throughout the year. They were the very core contributor towards the success, strengths, challenges and weaknesses that built the foundation of perfecting our services in various content genres and support services. I wish to reiterate that the core services mandated on the national broadcaster are ones that do not commonly generate much needed revenue. Instead, they are aimed at the informational, educational and entertainment needs of the people of Tonga.

### Financial highlights for Year 2014/15

The total revenue collected during 2014/15 was \$1,987,423 compared with \$2,085,370 in the 2013/14 Financial Year. The total expenditure for 2014/15 was recorded at \$2,014,146 compared to \$2,067,251 in 2013/14. The total assets for year ended 30 June, 2015 amounted to \$4,960,711 in comparison with \$3,874,451 in 2013/14. Net Loss for year 2014/15 was (\$79,383).

## **Business Plan and Reporting Requirements**

TBC was able to commit to the requirements of the Ministry of Public Enterprises in submitting its Six-monthly Report for July-December, 2014 and the TBC Business Plan 2015/18. The Annual Report and Financial Report 2014/15, in their draft formats, were submitted for comments and amendments from MPE before the final versions were submitted in accordance with the deadline.

As noted by TBC to Government from 1988-1989 before Television Tonga was opened in 2000, the highest costs of Television production and operation, and in Tonga's small market, would render it uneconomical. The lower costs and bigger markets continue to render it economical, and it therefore continues to carry the costs of Television. This was the deliberate decision of the Government of Tonga to accept the consequential lower financial benefits from TBC, for the larger benefits of educating, entertaining and uniting the people of Tonga.

## **Compliance to Government**

TBC did not declare a dividend to the Government for the FY 2014/15, as has been the practice since TBC was corporatized in 1975. It should be noted that the core services and content of TBC in Radio and TV platforms are mandated to be received and enjoyed by the audience free-of-charge. The meagre revenue derived from the limited commercial operation of the Commission can only finance its daily operation. This fact questions the grouping of TBC as a Public Enterprise while its core services are not mandatorily user-pay as in other PEs. Instead, TBC must endeavor to ensure the sustainability of the national broadcaster, as has been since 1975, with the very limited resources and capital it can earn during the year.

## **Challenges and Impacts of External Factors**

The increasing competition with about 10 other FM radio stations and a couple of TV stations locally also has some negative impacts on efforts to sustain the viability of TBC, a predominantly public service broadcaster. Media plurality could and could not survive in various circumstances and the latter applies to Tonga with limited economy and market scale.

The editorial independence of TBC, in its news and program services, was also challenged due to external interferences through political power and authority. Such challenge also put into perspective the declaration made by our Head of Government, Prime Minister 'Akilisi Pohiva, when he came into power. His call upon the local media, especially TBC, to be more aggressive and vigilant in their watchdog journalism roles, represents his Government's dedication to these core ethics of good governance. This is one of the core functions of the media being recognized universally as the "fourth pillar" of any democracy.

### **Board Meetings**

During the year, the Board of Directors met seven (7) times while the Board Sub-committees on Human Resources and Development (HRD), Staff Retirement Scheme (SRS), Technical and Debtors met 15 times.

All agenda items were discussed in the Sub-committee levels before they were submitted to be endorsed by the Board of Directors. Relevant Line Managers and Directors are members of the sub-committees.

### **Other Challenges**

The Commission paid out \$34,354.60 early in the year to outgoing directors Mrs. Papiloa Bloomfield Foliaki and Dr. Masasso Paunga after serving the Board of Directors for many years. Such payment was not foreseen to take place during the year, however, the Commission was committed it.

Another challenge encountered by TBC occurred later in 2014/15 was the sudden directive for the directors of the board to resign, to be replaced by a new shared board with the Tonga Communications Corporation (TCC) and the Tonga Post and Fast Print (TPFP). This was a sudden shake-up and may have a detrimental impact on any service or a business especially with the national Tonga Broadcasting Commission.

Lastly, as in the direct letter from the Hon. Minister of Public Enterprises, he intends to recommend to Cabinet to dismiss the Chair and a Director using a general accusation of the Boards of Directors from

2008-2015, unless they resign from the present Board. This problem is regrettable and it is hoped that a constructive solution could be achieved to build-up the goodness of the nation.

### **Acknowledgement**

TBC wishes to acknowledge with much gratitude the ongoing support it has received from its Radio and TV audiences in the Kingdom and abroad, businesses, state-owned enterprises, community based groups and non-government organizations.

TBC is always especially grateful to the Government of Tonga, from whom they derive the privilege and the honour to serve the people of our nation. To the Hon. Poasi Tei, the TBC thanks you and your ministry most sincerely for your leadership and ongoing commitments to the promotion of our mutual services to the people of Tonga.

Thank you very much.

## B. CEO'S REPORT

Despite various challenges during the year, the national broadcaster continues to provide its most fundamental core functions and responsibilities for the people throughout the Tonga Group and the Tongan diaspora. This was the commitment made during the year by the Board of Directors, management and staff, to uphold its core mandates – *to inform, educate and entertain the people of Tonga*. These values were highlighted on an increasing robust and dynamic content in news, current affairs, sports and other thematic programs on both radio and TV platforms. All content of TBC endeavoured to focus on and embrace an inclusive society and embracing the hopes and aspirations of the audience either in the Kingdom or abroad. That is, TBC allowed more airtime and engaged the people's views and opinions on major topical issues and subjects of the day, upholding one of the pillars of democracy – the independence of the media. During the year, TBC broadcast to tens of thousands of Tongans throughout the Tonga Group and the Tongan diasporas through a free-to-air/view platforms on Radio and TV Tonga. That is, the core services of the national broadcaster continued to be listened to and watched free-of-charge by the audiences who are the people of Tonga.

The year in review, 2014/15, made major achievements in terms of content in news and programming as well as new program genres, as the following highlights:

1. **First Live TV OB outside of Tongatapu** – A major achievement was recorded at the very beginning of this financial year. The first live TV outside broadcast (OB) was carried out during the celebration of His Majesty's Birthday at Neiafu, Vava'u, on 4<sup>th</sup> July, 2014. This was another milestone for TBC during the year when the live TV broadcasts were also made via internet link compared with the use of telephone line in such OBs. TBC had to purchase appropriate equipment in order to embrace this latest development in broadcast and communication technologies.
2. **Five Per Cent COLA** – The Board of Directors approved a 5 per cent COLA across the board, effective as from July, 2014. This level falls short of the 6 per cent COLA being enjoyed by the civil servants. It was the first time after about five years to receive a cost of living adjustment. TBC must stay within its financial affordability as the bulk of its services are public services that do not generate revenue.

3. **Major Development Projects** - During the year, TBC continued to pursue the assistance of the government and her external development partners on the following projects worth millions of Pa'anga:

(i) **Strengthening of Radio AM Medium-wave broadcasting and disaster reduction during times of emergency.** This project was submitted to the JICA and the Government of Japan during 2013/14 worth about T\$30 million, for its 2016 round of assistance programs. The project aims at strengthening the current infrastructure and platform of delivering emergency broadcasting during times of natural disasters and to reduce risks. Some of the major components of the project is the building of a broadcasting house and studios, replacing all radio equipment and technologies as well as strengthening emergency warning systems not only for the AM Radio Tonga 1 but also to all FM radio stations in Tonga. Another feature of this project is to install another AM medium-wave transmission mast at Vava'u, to act as a stand-by mast to the only existing mast at Popua and to strengthen the signal of Radio Tonga 1 to the northern parts of the Tonga Group. The absence of a stand-by medium-wave would put the whole nation at risk if the only existing mast is broken or damaged during times of emergency broadcasting. Radio Tonga 1 (AM) is the only radio station that has been able to broadcast during the height of the cyclone as seen during Category-5 Tropical Cyclone Ian that battered the Ha'apai Group in January, 2014.

(ii) **AM Stand-by transmitter and Dummy Load worth about T\$650,000.** Due to the urgency of the need to have a stand-by medium-wave transmitter and the frequent prolonged disruption to AM transmission, TBC made an urgent plea to the government for a new transmitter during the year. The Ministry of Finance and National Planning requested the assistance of the World Bank to finance a new AM transmitter. Procurement of the new AM transmitter began during the

latter part of the 2014/15 financial year. Delivery of the new transmitter is expected before the end of December, 2015, according to the timeline agreed upon by the parties to this project – World Bank, TBC, NEMO and MEIDECC and the Ministry of Finance and National Planning.

(iii) **News and Program Production Equipment** – TBC and the Ministry of Foreign Affairs had been working closely on this project to be financed under the official development grant of the Republic of Korea. This project was tailor-made to be in line with the T\$200,000 (USD100,000) amount of the grant. Delivery of this fleet of equipment is expected for the early part of the new financial year, 2015/16. The production equipment is aimed at increased efficiency and quality of news and programs.

(iv) **Digital TV Migration Project** – This project has an estimated value of T\$6.2 million. It was submitted during the 2013/14 financial year, aimed at converting the present TV transmission from analogue to digital and to be in line with the current trend in TV broadcasting the rest of the world has embraced. This project shall enable the people of Tonga as audience of TV Tonga a fully digitized transmission quality in news and other programs. It is also to purchase relevant digital equipment for a full digital TV broadcasting of TV Tonga and to build and equip a broadcasting studio with all digital equipment for transmission and production. The project is also to provide multiplex digital platform to be utilized by TBC and other interested TV operators at a pay basis.

(v) **Radio and TV Tonga content to be received by Tongans in New Zealand** – This project seeks to enable Tongans living in New Zealand to access all content of Radio and TV Tonga via satellite uplink from TBC. Cultural and traditional as well as language knowledge and bonds among

Tongans living in New Zealand would be sustained and strengthened through listening and watching contents of Radio and TV Tonga. It also seeks to strengthen the public service duties and responsibilities of TBC to “inform, educate and entertain” the people not only in the Kingdom but also overseas-based Tongans. This would compliment the live streaming of Radio and TV Tonga to be widely enjoyed and embraced by Tongans living in New Zealand and in the Tongan diasporas making them feel closer in their love to their country of origin, families and relatives at home. This project is under discussion with Kordia Company Ltd of New Zealand. No estimation has been confirmed for this initiative.

(vi) **Emergency Broadcasting Equipment** – This project is to ensure TBC is fully equipped with the most appropriate emergency broadcasting equipment and to strengthen the public service mandate of the national broadcaster to sustain the broadcasting services during times of natural disasters. Another vital area is to ensure safety of frontline staff who are in the forefront of emergency broadcasting at all times. This project has been discussed during the year between TBC and representatives of JICS – Japan International Cooperation Systems that carries out the procurement of the emergency broadcasting equipment.

4. **Parliamentary Election** - One of the major highlights of the services provided by TBC during the year was the broadcasts of campaign and general programming related to the Parliamentary Election held on 27<sup>th</sup> November, 2014. Programs were broadcast on both Radio and TV Tonga and were also streamed live on the internet for the benefit of overseas based Tongans. The coverage made on the actual election day consisted of live radio, TV and internet streaming. Many Tongan people in Australia, New Zealand and the United States of America were kept abreast with various developments of the election and the announcements of the results on social media such as TBC’s Facebook and Twitter pages. This showed that an increasing number of people both locally and overseas get their daily

news and information from the programs of both Radio and TV Tonga and were being streamed live on the internet.

5. **Overseas-based Tongans** - An increasing number of overseas-based Tongans were appreciative of the availability of the live internet streaming of both Radio and TV content. It was evident from the number of people who either called and spoke live with the announcer on-duty or sent feedbacks on the live streaming webpage. They also took part in political and societal live talk-back programs on Radio Tonga 1 (AM).
6. **Live broadcast of the Legislative Assembly** - TBC is appreciative of the assistance of the Government in funding the live broadcasts of the daily debates during the latter part of 2014 and the first part of 2015 Parliamentary sessions. The fact that the people actually listened to the daily live debates of the MPs also helped to inform and educate the people of Tonga about major issues discussed by their respective representatives to the House.
7. **Local, Regional and International Sports** – Local clubs and schools' rugby and netball tournaments were broadcast and covered on Radio and TV. TBC was able to purchase the broadcasting rights and satellite delivery of major international sporting events including the continuation of the Super Rugby until August, selected matches of the Australia and New Zealand's Rugby League, State of Origin, European Tour, Australia vs New Zealand Netball Internationals, NRL Telstra Premier League, Rugby Championship, Bledisloe Cup, Autumn European Rugby tours of the Southern Hemisphere and New Zealand's ITM Cup Tournament. TBC again cooperated with the public when their monetary contributions were sought from the people in the villages on Tongatapu and Vava'u. Sports content on Radio and TV were among the most popular programs. However, it was quite challenging when not sufficient money was raised through sponsorships to meet the increasing costs of broadcasting rights and satellite delivery of each regional and international events.
8. **Financial highlights for Financial Year 2014/15** - The total revenue collected during 2014/15 was \$1,987,423. Total collection for 2013/14 was \$2,085,370. The total expenditure for 2014/15 was recorded at \$2,014,146 compared to \$2,067,251 in 2013/14. Total assets for

year ended 30 June 2015 amounted to \$4,960,711 in comparison to \$3,874,451 in 2013/14. The net loss for year 2014/15 was \$79,383.

9. **Sales** - In the 2014/15 Annual Budget, the role of managing TBC's Sales & Marketing was transferred from Manager Finance, Ms. Mele Kamoto, to Manager Human Resources & Development, Mr. Paula Mosa'ati. This was approved under TBC Human Resources Plan 2014/15. The Sales Team implemented new changes in sales approach, including changing for selling packages to creating value for clients. This change will take some time but TBC have seen some positive improvements including increase sponsorship sales and also securing larger sales contracts. Furthermore, the opening of TBC's Radio Shop at central Talamahu Market had also seen some improvement in radio and SKY Pacific sales. SKY Pacific subscribers also increased by 200 with the additions of new customers during two Roadshows carried out during the 3 months period from November 2014 to January 2015. This was a huge achievement as annual SKY Pacific annual customer growth was less than 50 per year over the past 5 years. At the end of the financial year, revenue from SKY Pacific sales was up by 25%, Television revenue was also up by 31% while Radio revenue was down by 5%. The main increase in Television revenue is due to sponsorship for sporting events which saw Super 15 and other sporting sponsorships and revenue rise to about \$100,000.

10. **Human Resources & Development** - The total number of employees at the end of the 2014/15 financial year was 88, compared with 96 at the beginning of the FY. Of the initial 96 employees, 75 were established staff and 16 were paid in an hourly basis, while five (5) were new recruits. During the year, 3 employees were dismissed for not adhering to TBC Staff Employment & Regulations Manual while 5 resigned citing family and personal reasons and finding a better paid job elsewhere. Of the new recruits, two former employees were re-hired when they sought job opportunities again with TBC.

During the year, 47 per cent or 44 staff members took part in various local and overseas training programs and workshops focusing on key areas of broadcasting. Most of these training programs were funded by PACMAS. These workshops range from digital TV broadcasting, journalism, non-communicable diseases, film making to other technical areas and sales and marketing.

TBC also requested PACMAS to assist in reformatting the program schedules of Radio Tonga 1 and 2 as well as TV Tonga 1 and 2 on Tongatapu and Vava'u in 2016. The purpose of this request is to ensure the new program formats would better meet the expectation and interest of the audiences thus promoting further business and commercial confidence and in return, generate more revenue for the Commission.

11. **Highlights from Technical and Engineering Department** – TBC invested tens of thousands of Pa'anga in technical equipment to meet the demand for live radio and TV outside broadcasts (OBs). In preparation for the TBC coverage of the Coronation of Their Majesties in July 2015, TBC purchased some radio and TV OB equipment in June 2015. The TV equipment was specifically purchased to fit our OB truck for Live TV broadcast via Internet Protocol. It consisted of high tech equipment like digital switcher for mixing high quality video plus other accessories. TBC also purchased digital high quality cameras with compatible link to the OB truck in order to be mixed on digital mixer for high quality output. All these new high tech items were digital equipment which serves our goal for migration to digital broadcasting format. The TBC technical performance during the King's coronation using these new high tech equipment was seen as a success. Additionally, new radio equipment was purchased for live radio coverage of the Coronation and related events especially the *Taumafa Kava* ceremony. These items consisted of multi-snake audio cables, microphones and new horn speakers and digital recorders. Also in June, TBC purchased UPS (Uninterrupted Power Supply) for all departments as well as for the TBC Vava'u office. The UPS serves to protect power spikes from the main power line. For many years, TBC had struggled with the problems of power spikes and surges which affected and damaged high costs equipment especially transmitter equipment that resulted in failed transmission. With the installation of the UPS, sophisticated equipment shall be protected from power spikes and surges. The main problem often encountered at our Vava'u office was the power disruption that often caused disruption to the TV and FM transmitters. The main power supply in Vava'u was very unstable in terms of unregulated power that caused all equipment at the office to fail. Now that UPS were being used at the Neiafu office of TBC, all equipment and computers are now being protected from power spikes and surges. It is envisaged from the major investment on the UPS that the lifetime of our equipment on Tongatapu and Vava'u would be extended. Power disruptions often occurred in Vava'u also affected the broadcasting equipment at the

TBC sub-branch in Neiafu. These problems and the dissatisfaction of TBC were reported to the Vava'u office of the Tonga Power Limited in which they understood the cause of the damage to the equipment was due to power fluctuation.

**12. Highlights from News and Content Department** – The News and Content Department continued to perform its core duties and responsibilities and upholding ethical standards with editorial independence. The department prided itself in its intensive coverage of various events and issues with fairness, impartiality, responsible and ethical standards, and also as the major source of news and information for the people in both Tongan and English languages and on Radio and TV.

Radio Tonga 1 (AM) remains as the major source of news, information and entertainment for the local audience having reached and covered all of the Tonga Group. It can also be heard by hundreds of thousands of Tongans who live abroad via our live internet streaming.

**Radio and TV News service and coverage** - Table 1 below shows the average percentage of monthly news coverage during the year:

**Table 1 – Average percentage of types of news 2014/15**

No.	Types of news	Percentage %
1	Local news – news about events and happenings anywhere in the Kingdom including on matters relating or about the Tongan communities anywhere in the world including their views and opinions	48
2	Pacific and International news – news about major events and happenings in countries of the Pacific and worldwide	36
3	Sports and Weather information –news package covering sports events and sportspeople and happenings in Tonga and abroad followed by the local weather update	16

The above information shows the traditional average coverage annually showing that a

major part of the news coverage still focused on local events and happenings, our people and achievements, challenges and milestones in various areas of governance, politics, social matters and the economy, as well as the society in general.

In terms of the coverage made, the table below shows the subjects or issues covered by both Radio and TV Tonga News service during the year:

**Table 2 – Average percentage of issues covered by the news 2014/15**

No	Subjects or Issues covered	Average in %
1	Government and governance	19
2	Politics and political issues	13
3	Human interest	11
4	Crime and court stories	11
5	Education	8
6	Health	8
7	Agriculture & Fishery	7
8	Business	7
9	Environment	7
10	Economy	6
11	Royalty	3

It is obvious from the table above that news about the government and governance issues, their initiatives, achievements, challenges and other related areas dominated our Radio and TV news coverage during the year. It was followed by politics and political issues. However, it is noted that the two major key social services in education and health, the economic backbone in agriculture, fishery and the economy and business as well as the environment are lower down this ranking.

**Radio and TV Programs** – During the year, most of the programs broadcast were made on both Radio and TV platforms. Table 3 below shows the percentage of programs broadcast during 2014/15 FY. Paid programs included programs that were sponsored, have ongoing contracts with TBC for a period of 6-12

months or just casual programs that just required air-time when they need so. These paid programs were made by government ministries, churches, schools, community groups, businesses, ex-student associations or just individuals.

On the other hands, non-paid programs are often referred to as community/public service programs. They were produced mostly in-house by TBC to highlight various issues and subjects in news, current events and sports, national events and ceremonies or just to raise awareness about subjects and themes that are important for the audience in any aspect of their lives and society.

**Table 3 – Average Percentage of sponsored vs non-sponsored programs and duration**

No.	Types of programs	% Radio 1 (AM)	% Radio 2 (FM)	% TV 1	% TV 2
1	Sponsored	40	28	42	23
2	Non-sponsored	60	72	58	77

It should be noted from the information in the table above were derived only from the sponsored versus non-sponsored programs broadcast during the year. On a monthly basis, only November recorded higher percentage of sponsored programs of 57 per cent compared with 43 per cent of non-sponsored on TV 1. This was due to the end of year prize-giving ceremonies and graduations of secondary schools which run into between 2 -- 6 hours per school.

Details of commercials and advertisements on both Radio and TV during the year could be obtained from the financial statements 2014/15.

**C. ANALYSIS / OVERVIEW OF THE BUSINESS**

**1 Comments on key strategies initiated and relative success**

Objectives	Strategic actions	Comments
<p>No. 1 – Sustainability and Continuity of TBC services and to develop new markets for broadcasting services to be heard and watched by Tongans in the Kingdom and across the globe</p>	<p>Ensure continuity of Radio and TV broadcasts at all times and reduce downtime in dead-air due to technical problem and/or power disruption.</p> <p>Strengthen the live internet streaming capability of Radio and TV Tonga and to initiate direct user-pay system so tens of thousands of Tongans living abroad could pay TBC before accessing these services.</p>	<ul style="list-style-type: none"> <li>• Regular maintenance of both Radio and TV technical infrastructure to ensure continuity of broadcasting is sustained at all times.</li> <li>• Costs of Radio and TV spare parts and their availability were quite challenging due to higher prices and/or the absence of spare parts in the old model.</li> <li>• Live streaming of Radio and TV Tonga 1 has become popular among overseas based Tongans. Additionally, an increasing number of Tongans have called directly from overseas countries to take part in Radio Tonga 1’s daily live talk-back programs.</li> <li>• In order to ensure maximum exposure to Tongans living abroad, TBC was yet to encrypt these services so a user-pay system is enforced. This was due to the fact that Tongans abroad contribute significantly</li> </ul>

		<p>to the local economy and their families.</p> <ul style="list-style-type: none"> <li>• Dedicated telephone line was needed to ascertain that the internet provider can guarantee a dedicated line uninterruptedly at all times.</li> <li>• TV live streaming was sometimes disrupted causing audience to complain from time to time. Internet connectivity was very vital not to be disrupted during live streaming hours.</li> </ul>
<p>No. 2 – Continue to provide competitive airtime rates to increase revenue by 7%</p>	<p>Review current rates and tariff to be more competitive with other broadcasters of similar service coverage (FM and TV) and more attractive to new customers and to acknowledge loyal customers. Radio Tonga 1 (AM) does not have any competitor of same scope of coverage but this service is not immune from competition from other media outlets.</p>	<ul style="list-style-type: none"> <li>• TBC has been using the current rate for five years now since 2009/10. It would be unrealistic to increase the rate to reflect the amount of work involved and scope of coverage due to a rather stagnant volume of users. The advent of mobile phones, internet and text messaging replaces revenue loss when people no longer pay for personal messages to family and relatives in the outer islands .</li> <li>• As with past years, discount rates were given based on volume in quantity and</li> </ul>

		<p>frequency.</p> <ul style="list-style-type: none"> <li>• Reducing the current tariffs and rates to be competitive with privately owned FMs was seen as unfavourable to TBC based on the extent of coverage of AM radio which is broadcasting instead of narrow-casting as in all FM coverage.</li> <li>• The current rates for Radio Tonga 2/Kool 90 FM are the only more competitive rates with those of other FM stations.</li> </ul>
<p>No. 3 – Achieve a minimum of 5% return on investment</p>	<p>Closely monitor and manage cost in accordance with approved budget, but always maintain a favourable variance.</p> <p>Closely monitor revenue and ensure that all revenue are collected on time and ensure that that there is no leakage.</p> <p>Continue to explore cost-cutting measures in energy consumption in power, etc.</p>	<ul style="list-style-type: none"> <li>• Management must ensure that all expenses are within the budgetary allocations at all times unless a purchase is justified in order to enable the resumption of transmission. This would need the approval of the Board of Directors.</li> <li>• Debts collection was being enforced at all times but has been challenged at times by financial difficulty cited by creditors.</li> <li>• Renewable and alternative energy source/s was being considered during the year in order to reduce heavy reliance</li> </ul>

No. 4 – Replace aged Radio and TV Equipment	<p>Assess condition and remaining life of radio and TV broadcasting equipment and update Asset Management Plan.</p> <p>Prioritize equipment for replacement and repair on TBC Continuity Plan.</p> <p>Seek assistance of the Government and her external development partners to fund asset replacement and infrastructure facilities.</p>	<p>on fossil fuel which costs TBC about \$20,000 per month.</p> <ul style="list-style-type: none"> <li>• Since the past year, some replacements have been carried out to radio and TV equipment, as reported by the Technical and Engineering Department earlier. This was aimed at reducing or erasing faulty radio and TV transmission when equipment was faulty and quite old</li> <li>• Most of the replacement carried out during the year was financed by a loan at the TDB since 2011.</li> <li>• The first ever Asset Management Plan for TBC of 2013/14 was updated during the year.</li> <li>• Some developments have been achieved from a list of major infrastructure projects submitted to the Government and her external development partners. For instance, the Government of the Republic of Korea has taken up the project on Improving the News and Program Delivery while the World Bank has offered to</li> </ul>
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		<p>finance the \$600,000 project on a new Radio AM stand-by transmitter for Popua. Work on procuring this project began during the latter part of the year. At the time of this report, TBC was yet to hear from JICA and the Government of Japan on the progress of its Major Infrastructure Project to strengthen the AM medium-wave radio broadcasting in order to reduce disaster risks in Tonga.</p>
<p>No. 5 – Continue to develop market for TBC products through its Radio Shop and Sky Pacific</p>	<p>Promotion of TBC Radio and TV shops in Tongatapu and Vava’u. Restocking of both shops with appropriate goods and items that would attract customers. Ensure that a separate bank account for the Radio Shop has sufficient funds to continuously order and purchase new stocks.</p>	<ul style="list-style-type: none"> <li>• Again, during the year, better quality radios were ordered from reputable outlets at affordable prices when funds were available. The Management had to invest on its radio shops’ stocks as well as the Sky Pacific’s goods to ensure this revenue stream is sustained</li> </ul>
<p>No. 6 – Promote Tongan culture and values through programs that reflect an inclusive society</p>	<p>Emphasis on new program genres focusing on local culture and traditions. Engage the public in sharing their knowledge on Tongan values culturally and traditionally. Promote user-generated content</p>	<ul style="list-style-type: none"> <li>• Production and broadcasting of both new and existing programs reflecting an inclusive society with cultural and societal values contributed to the bulk of the content of both Radio and TV.</li> </ul>

	involving the audience.	<ul style="list-style-type: none"> <li>• The Manager of News and Content and her staff were instrumental in reviving old programs as well as new ones. However, all these programs come under the public service mandates of TBC.</li> <li>• Such programs are produced with high costs to TBC. That was why those programs were included in the 2014 GPO claims in cooperation with the Ministry of Public Enterprises. In efforts to support the many initiatives and services of the Government of Tonga to the people, TBC contributed by highlighting government's strategic development goals in program content. This was how TBC as one of the services of the government contributed to highlighting common issues and aspirations to be well and better understood by the people they serve.</li> </ul>
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TBC is being governed by the following legislations:

- (i) Tonga Broadcasting Commission Act
- (ii) Public Enterprises Act
- (iii) Communications Act

Additionally, TBC has its own Administrative and Employment Policy, Code of Ethics and Practice. The Management and staff members are employed under contracts ranging from 1-5 years, as stipulated under the TBC Administrative Policy.

I wish to reiterate from the last Annual Report 2014 that TBC is being classified as a one of the public enterprises. This classification contradicts with the nature of the services of TBC whereby they are listened to and watched by the people free-of-charge. These are the core services of the national broadcaster with 116.5 hours of weekly radio transmission and 54.5 hours of weekly TV transmission. This is compared with the official hours of services of virtually all of the public enterprises of at least 35 hours weekly. More hours mean more staff involved, more working hours, more overtime due to the nature of services during live OBs after-hours and more costs.

On the other hand, services of the other public enterprises such as the Tonga Power Limited, Tonga Water Board, TCC, among others, are user-pay basis. That is the vast difference in the nature of the services of TBC that are free-to-air/view or consume by the audience. This actual scenario made TBC unique among national broadcasters in the Pacific even Australia and New Zealand, in its ability to provide its core functions and services while at the same time managed to remain self-funding for more than four decades now. There have been challenges along the way and the inability to fulfil the requirements under the Public Enterprises and Communications Acts.

TBC is perhaps the only national broadcaster in the Pacific and among some countries worldwide that does not enjoy any budgetary allocation from the government as the sole Shareholder while providing various public services. Instead, with proceeds from its commercial obligations, TBC has been able to fund its operation from year to year. However, it must seek the assistance of the government and her

external development partners to finance major infrastructure projects. The assistance of the Ministry of Public Enterprises in endorsing TBC projects is quite important to receive the endorsement of the government and other key stakeholders.

Under the Communications Act, TBC is required to pay an annual licence fees. Seeing the national broadcaster provides a public service with mostly a break-even proceed from its commercial services, it is most important for both the Information and Communications Department of MEIDECC and the Ministry of Public Enterprises to provide a legal framework whereby TBC would be waived from paying annual licence fees, dividend as well as the possibility of removing TBC from being classified as a Public Enterprise.

Another important aspect of the long history of TBC and under the current set-up is the fact that while management and staff tried to generate much needed revenue, the quality of its major flagship content in news and programming must also be maintained and sustained to meet the demands and expectation of the audience to be informed, educated and entertained. Both are correlated and are both top priorities of the management and staff as they directly link to the core functions of TBC. Over the past four decades, TBC has been achieving what it required financially to break-even in its operational revenue and expenditures with little room to invest more on revenue generated projects.

### **3            Comments on overall market position, market share and market prospects**

TBC always endeavoured to be ahead of its competitors as well as strengthening its market position. The core services of TBC *“to inform, educate and entertain”* the people of Tonga are being provided through the major platforms of Radio Tonga 1 (AM Radio), Kool 90 FM (FM Radio Tonga 2), TV Tonga 1 and 2 in Tongatapu. The sub-branch of TBC in Neiafu also operates Radio and TV services specifically for the territory of Vava’u only. This sub-branch also operates a Radio Shop and Sky Pacific services and staff attends to general queries about the services being provided there.

**Radio Tonga 1 (AM)** - In terms of market share, Radio Tonga 1 currently enjoys a dominant position in national radio broadcast in Tonga with a 100 per cent reach throughout Tonga. It is the national platform for emergency broadcasts during times of natural disasters, as well as national and traditional events like state funeral, royal wedding and coronation.

It is also important to note that TBC produced and broadcast local programmes such as news, educational and entertaining programs for many years now. These programmes are unique and had earned a steady share of loyal listeners and viewers over the years. Therefore, continuing with these programmes was critical for the maintenance of TBC's market share, especially mature age group sector.

**Radio Tonga 2/Kool 90 FM** - On the other hand, Kool 90 FM is fiercely competing in the FM radio market with two other commercial radios in Nuku'alofa and against the same commercial radio stations in Vava'u. It is anticipated that new entrants to the radio FM business would effectively force all the existing radio stations to reposition themselves, hence may also threaten TBC's Kool 90 FM share. Despite this, Kool 90 FM was seen as still the number one FM station on Tongatapu and 'Eua. Radio Tonga FM-Vava'u relayed Radio Tonga 1 in order to ensure the coverage was stronger and could be heard throughout the outlying islands of Vava'u.

**Television Tonga** - TBC's television service remains the only true free-to-air (FTA) service in Tonga. The Commission broadcasts mostly local content from 4:00pm (TV1) and 5:30pm (TV2) to midnight daily. At other times, TBC re-broadcasts foreign contents of CCTV and Australia Plus. In order for TBC to maintain its positions, it must continue to improve the quality of its content as its main competitor is slowly introducing free to air channel but on a digital television platform.

**Radio Shop and Sales of Content** - The Commission continued to sell other electronic devices, such as transistor radios, music CDs, DVDs of local events and SKY Pacific sets and parts at its retail shop. This has now become a viable supplementary income earner and was further strengthened by the relocation of the TBC Radio Shop to the Central Business District at Talamahu market. The aim was to take advantage of the location where many people concentrate daily. Last but not the least, TBC is also the sole agent for SKY Pacific cable television service in Tonga and this service provided additional revenue for the Commission.

#### **4. Management of business risks**

During the year, the Commission faced some degree of business risks. The financial performance of the Commission was facing some uncertainties due to increased level of competition especially in the FM

and television markets together with other commercial services. Despite these business risks, TBC was managing the situation with the limited resources it has.

As in last year's annual report, the management of business risk in the radio market involved splitting of the two radio services to focus on different age groups, with Kool 90 FM focusing on the teen to young adult age (15 – 45 years old) while Radio Tonga 1 focused on the more mature population (45 years old and more). These two radio services ensure that the contents offered on these services were what their intended target listeners want. The strategic plan is for TBC to capture loyal customers from an early age and maintaining them throughout life.

On the other hand, the management of business risk in television has taken almost similar approach but the emphasis is on quality and appropriateness of content, especially bringing in of live sporting events. The idea was to increase viewer rating thus attracting sponsorships from potential sponsors. For pay television, SKY Pacific was facing tough competition from DigiTV mainly on sports content.

The aging and obsolete equipment was also threatening TBC's financial performance especially when Radio Tonga 1 went off air due to transmitter breakdown. The purchase of UPS ensured that unreliable mains power that often disrupted transmission and affecting TBC's equipment at Vava'u and Tongatapu would be minimized.

## 5 Business Risks

Business risk refers to the possibility of loss/insufficient profits or even losses due to uncertainties e.g., preferences of listeners/viewers, increased competition, change in government policy, obsolescence etc.

Again, the followings were seen as risks to TBC business and commercial interests:

- (i) Competition from privately owned FM stations where they take part of the market, as well as the print and online platforms that compete for a slice of the market pie
- (ii) Obsolescence of Analog TV transmission where TBC would be forced to go Digital in TV transmission. Problems that may arise from here would be the funding of a complete changeover from analogue to using digital equipment in

broadcasting and transmission. The purchase of set top boxes or STBs is another factor to maintain audience reach when switching to digital TV broadcasting. Virtually all of the TV monitors currently being used by households throughout the Kingdom are still in analogue system.

- (iii) *DigiTV* gaining of Free to Air viewer market and *SKY Pacific* market
- (iv) Licensing of TV and radio frequencies (change in Government Policy)
- (v) Other FM stations going national via IP

## 6. People Issues

**Number of employees** - The total number of employees at the end of the 2014/15 financial year was maintained at 88, a slight decrease by eight (8) from the beginning of the FY. Of the 96 employees, 75 of them were established staff, 16 were paid in an hourly basis while five (5) employees were new recruits. During the year, 3 employees were dismissed for not adhering to TBC Staff Employment & Regulations Manual while 5 resigned due to various family, professional and personal reasons. Two of the recruits were former staff members who were re-hired when they sought job opportunities again with TBC. In such a situation, TBC often refused to reemploy them unless their skills are urgently required or hard to replace.

**Scholarships** - At the beginning of 2015, two students received scholarships to study at USP, Fiji, and return to work at TBC. They included TBC News Reporter, Mrs. Linda Filiai, and Mr. Taaniela Taufua who respectively study for a BA in Journalism and Bachelor in Electrical and Electronics Engineering programs. As for the 2016 scholarship, the Government through the Ministry of Education has offered one BA in Accounting scholarship to a first year student at USP, Mr. 'Amone Taumoe'anga.

**Human Resources Development** - Capacity building programs during the year, both in-country and overseas, benefitted almost 50 per cent of the staff, mostly in the News and Content and Technical and Engineering Departments. Staff took part in 12 training programs funded by PACMAS, PINA, AIBD and ABU as well as other donors, aimed at skills enhancement.

#### **7. Physical assets and equipment issues**

As alluded to earlier, TBC faced a serious physical assets and equipment issue. The main issue was that TBC was unable to fund replacements of all its aged, obsolete and damaged equipment. The lack of direct funding or any subsidy from government had made investments in these important assets almost impossible. At present, with tight cost control TBC is barely able to balance its recurrent budget and therefore unable to invest in any capital expenditures, except only for critical and much needed small equipment. The loan funds at TDB enabled the Commission to purchase new equipment ahead of the radio and TV coverage of the coronation and related events. That is, investments in larger physical assets and equipment were now only made possible through borrowing. The two major capital expenditures for replacement of the 54 year old AM Radio Studio building and migration from analogue to digital television transmission as well as other projects have been pending for funding applications made through the Government of Tonga.

#### **8. Product/Service and supply issues**

The Commission provided radio and television airtime services to the public. At present, most of these airtime services were used to broadcast contents that are quite difficult to sell to the public and businesses or to a specific prospective sponsor. But because of their importance to the public as per TBC's charter, the Commission continues to broadcast these programmes as part of its public services. This content included, but not limited to, news, youth and gender programs, traditional and cultural events, natural disaster warnings, community, societal and national events.

The major issue with the supply of these services was that TBC operated these services on a free-to-air basis. This means that the radio listeners and television viewers receive these services free of charge and not on a user-pay basis like other utilities, such as telephone, power and water.

#### **9. Business systems and other resources**

Every effort was being made to improve the Commission's internal business systems through various means. They included the use of electronic fingerprint scanning and the plan to use electronic Point of Sale.

#### **D. Acknowledgement**

The Tonga Broadcasting Commission is grateful for the leadership and guidance received throughout the year from the Ministry of Public Enterprises, Government of Tonga, Chair and the Directors of the Board as well as the cooperation it received from all sectors of the society throughout the Financial Year 2014/15.

We wish that similar cooperation and assistance would continue in future.

We convey our utmost gratitude.

4 AUDITED FINANCIAL STATEMENTS

*(Please refer to Attachment 1 – TBC Financial Accounts 2014/15)*





INTEGRITY, ACCOUNTABILITY,  
& TRANSPARENCY

Attachment 1

Our Reference: LC359/420/16

Your Reference:

Date: 4<sup>th</sup> May, 2016

Miss Nanise Fifita  
General Manager  
Tonga Broadcasting Commission  
NUKU'ALOFA

Dear Miss Fifita

**Re: Audit Report of Tonga Broadcasting Commission Accounts for Financial Year ended 30<sup>th</sup> June, 2015**

Please find enclosed is the Audit Report together with the Board signed accounts on the Tonga Broadcasting Commission Accounts for years ended 30<sup>th</sup> June, 2015 duly signed.

Once again, I would like to thank you and your staffs, for all the assistance and co-operation during the audit.

Yours Sincerely

  
Sisilia Fe'iloakalo  
for AUDITOR GENERAL



encls.

TONGA BROADCASTING COMMISSION

FINANCIAL STATEMENTS

FOR YEAR ENDED 30 JUNE 2015

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Tonga Broadcasting Commission  
Director's Report  
For the year ended 30 June 2015

The Directors of the Tonga Broadcasting Commission Board present their report together with the independent auditor's report and the financial statements of Tonga Broadcasting Commission.

**1. Directors**

The names of the Directors in office at date of this report are:

Chairperson	-	Hon Lady 'Eseta Fusitu'a
Directors	-	Mrs Tuna Fielakepa
	-	Mrs Tupou P Fiu
	-	Rev Dr Siotame Havea
	-	Mr Ahongalu Fusimalohi

**2. The scope of activities**

- The production, broadcasting and selling of information in audio and or visual materials aimed at informing, educating and entertaining the people.
- The commissioning, production, purchasing and archiving of audio, visual and film materials either independently or in cooperation/partnership with other media outlets like Sky Pacific Television.
- The provision of television and radio production facilities either on-location or in-studio pre-or post-production as well as the provision of Outside Broadcast (OB) facilities.
- The provision of multi-media advertising services and related marketing activities.

**3. Key principal priorities**

- To broadcast programs that inform, educate and entertain listeners and viewers.
- To maintain a leading position in providing breaking news and coverage through daily news packages in Tongan and English as well as current affairs and sports.
- To development programs that promote a culture of innovation and creativity.
- To achieve commercial objectives and viability.
- To capitalize on new media technologies for Radio and Television in partnership with potential local and international donors.
- To defend its editorial decisions, reporters, journalists, producers and staff in general are urged to provide balanced and fair coverage.

**4. Results**

The net profit/loss for the year 30 June 2015 amounted to (\$79,383) compared to 2014 – (\$28,985), 2013 – \$1,552 and 2012 – (\$133,031)

**5. Total Assets**

The Directors took reasonable steps during the year to ensure total assets of the Statutory Board were shown in the accounting records at a value equal or below the value that would be expected to realize in the ordinary course of the business. The total assets for the year ended 30 June 2015 amounted to \$4,960,711 (2014 - \$3,874,451; 2013 - \$3,950,577; and 2012 - \$3,804,946).

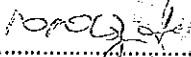
**6. Extra-ordinary transaction**

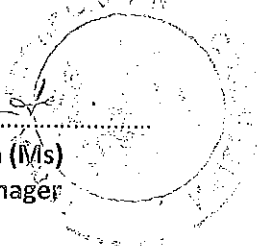
The Directors believe that no item, event, transaction or any unusual material affect the broadcasting in any way extra apart from those ordinary material disclose in the Financial Statement.

**7. Dividend**

The Board of Directors did not declare a dividend for the year in review (2014: Nil)

Dated this on the 08 / 03 2016.

  
.....  
**Nanise Fifita (Ms)**  
**General Manager**  
**TBC**





## INDEPENDENT AUDITOR'S REPORT

### To the Chairperson and Members Tonga Broadcasting Commission

I have audited the financial statements of the Tonga Broadcasting Commission ("the Commission") as set out on pages 4 to 21 for the financial period ended 30<sup>th</sup> June, 2015. The financial statements has been audited in terms of section 17 of the *Tonga Broadcasting Commission Act (CAP 100)*. These financial statements and the maintenance of effective control measures are the responsibility of the Commission Management. My responsibility is to express an independent opinion on these financial statements based on my audit.

#### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility also includes: designing, implementing and maintaining internal controls relevant to the preparation and presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making estimates that are reasonable in the circumstances.

#### Auditor's Responsibility


My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with International Standards of Supreme Audit Institution (ISSAIs). Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

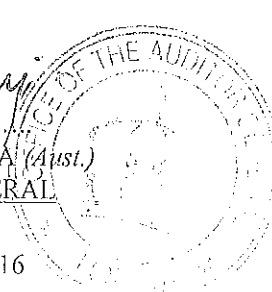
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or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

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

#### Unqualified Audit Opinion

In my opinion, these financial statements present fairly, in all materials respects, the financial position of Tonga Broadcasting Commission as at 30<sup>th</sup> June, 2015, its financial performance, changes in equity and its cash flows for the year then ended in accordance with International Financial Reporting Standards including complying with the *Tonga Broadcasting Commission Act (CAP 100)*.

  
Sefita Tangi FCPA (Aust.)  
AUDITOR GENERAL



Date: 4<sup>th</sup> May, 2016

**TONGA BROADCASTING COMMISSION**  
**Statement of Financial Position**  
**For year ended 30 June 2015**

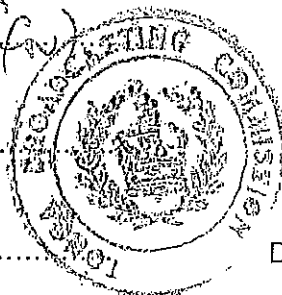
page 4

	<u>Notes</u>	<u>2015</u>	<u>2014</u>
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	2	31,369	21,465
Trade Receivables	4	445,480	478,137
Hire purchase	5	0	9,404
Interest Receivables	6	2,869	1,951
Inventory	7	42,360	45,667
Prepayments		8,107	49,283
Work in progress		0	20,555
<b>TOTAL CURRENT ASSETS</b>		<b>530,184</b>	<b>626,462</b>
<b>NON-CURRENT ASSETS</b>			
Held to Maturity Investment	3	68,539	68,539
Deferred Tax assets	8(ii)	61,581	60,732
Property, Plant & Equipment	14	4,300,406	3,118,718
<b>TOTAL NON-CURRENT ASSETS</b>		<b>4,430,526</b>	<b>3,247,989</b>
<b>TOTAL ASSETS</b>		<b>4,960,711</b>	<b>3,874,451</b>
<b>CURRENT LIABILITIES</b>			
Income Tax Payable		0	0
Trade Payables		103,601	156,000
Other trade payables and accruals	8 (i)	292,574	371,138
Provision for audit		20,000	40,000
Loan retirement fund	13	4,960	165,813
<b>TOTAL CURRENT LIABILITIES</b>		<b>421,135</b>	<b>732,951</b>
<b>LONG TERM LIABILITIES</b>			
Loan and Borrowing	9	694,888	542,918
Owing to SRS	13	145,857	174,421
Deferred Income - Popua Mask		961,315	0
Deferred Income - Outside Broadcast Truck		159,533	0
<b>TOTAL LONG TERM LIABILITIES</b>		<b>1,961,592</b>	<b>717,339</b>
<b>TOTAL LIABILITIES</b>		<b>2,382,728</b>	<b>1,450,290</b>
<b>TOTAL EQUITY</b>	10	<b>2,577,983</b>	<b>2,424,161</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>4,960,711</b>	<b>3,874,451</b>

Chairlady.....  
 LADY 'ESETA 'USITU'A

General Manager.....  
 NANISE FIITA

Finance Manager.....  
 MELE KAMOTO



Date..17...10.3...2016.

The balance sheet is to be read in conjunction with the notes to and forming part of the financial statement set out on pages 8 to 20

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**Tonga Broadcasting Commission**  
**Statement of Financial Performance**  
**For year ended 30 June 2015**

page 5

	Notes	<u>2015</u>	<u>2014</u>
Operating income	11	1,987,423	2,085,370
Operating profit (loss) before interest and tax	12 (i)	(26,723)	18,119
Financial costs	12 (ii)	<u>(52,660)</u>	<u>(47,103)</u>
Operating profit (loss) before tax	12	(79,383)	(28,985)
Income tax attribute to operating income	8 (ii)	-	-
Operating profit (loss) after income tax		<u><u>(79,383)</u></u>	<u><u>(28,985)</u></u>

The Statement of Financial Performance is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 8 - 20.

**Tonga Broadcasting Commission  
Statement of Movement in Equity  
For year ended 30 June 2015**

page 6

	Note	<u>2015</u>	<u>2014</u>
Total equity as at start of year		2,424,161	2,424,034
Total recognised revenue and expenses for the year		(79,383)	(28,985)
Prior year adjustments		233,204	29,112
<b>Total Equity at the end of the year</b>	10	<b>2,577,982</b>	<b>2,424,161</b>

The statement of changes in equity is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 8 - 20.

**TONGA BROADCASTING COMMISSION**  
**Statement of Cash-Flows**  
**For the year ended 30 June 2015**

page 7

	<u>Notes</u>	<u>2015</u> <u>TOP</u>	<u>2014</u> <u>TOP</u>
<b>Cash Flows from Operating Activities</b>			
Receipts from Customers		2,380,871	2,098,550
Interest Received		1,951	1,037
Interest Payment		(49,471)	(47,103)
Payment to Employees and Suppliers		(1,658,158)	(1,497,010)
Payment on income tax		-	-
Payment of Consumption Tax		(62,438)	(111,283)
Payment to Auditor		(30,000)	-
Payment of Insurance		(19,482)	-
Purchases stock		(42,109)	(33,752)
Payment Sky Subscription		(391,596)	(301,688)
<b>Net cash provided by operating activities</b>		<b>129,567</b>	<b>108,750</b>
<b>Cash Flows from Investing activities</b>			
Purchases Property, Plant & Equipment		(173,690)	(25,134)
Popua New Fencing project			
<b>Net Cash Flows from Investing activities</b>		<b>(173,690)</b>	<b>(25,134)</b>
<b>Cash Flows from Financing Activities</b>			
Proceed from TDB Loan		212,894	-
Reduce owing to staff retirement		(160,852)	(54,665)
<b>Net Cash Flows from Financing Activities</b>		<b>52,042</b>	<b>(54,665)</b>
Net increase (decrease) in cash held		7,919	28,951
Cash at the beginning of year		19,459	(9,492)
Cash at end of the year	2	<b>27,378</b>	<b>19,459</b>

Tonga Broadcasting Commission  
 Notes to and forming part of the financial statements  
 For the year ended 30 June 2015

1. GENERAL INFORMATION

These financial statements has been approved for issue by the Board of Directors on *17/3/2016*  
 Tonga Broadcasting Commission is a body corporate established under the Tonga Broadcasting Commission Act. The Commission's registered address is located in Fasi moe Afi.  
 Its function is to set up, commence and maintain a broadcasting service as a means of information, education and entertainment and to develop the service to the best advantage and interest of the Kingdom

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Preparation

The financial statement of the Commission have been prepared in accordance with International Financial Reporting Standards. The financial statements have been prepared on the basis

(i) *New and amended standards adopted by the Commission*

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1<sup>st</sup> July 2013 that would be expected to have a material impact on the Commission

(ii) *New standards, amendments and interpretations issued but not effective for the financial year beginning 1 July 2013 and not early adopted*

**IFRS 9, "Financial Instruments"**. This standard on classification and measurement of financial assets and financial liabilities will replace IAS 39. The Commission has yet to review the impact this new standard will have on their financial statements. The effective date is January 1, 2018.

**(b) Foreign Currency Translation***(i) Functional and presentation currency*

Items included in the financial statements of the Commission are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Tongan Pa'anga, which is the Commission's functional and presentation currency.

*(ii) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss and other comprehensive income.

**(c) Revenue**

Revenue earned from broadcasting fees and shop sales are measured at the fair value of the consideration received or receivable, net of returns and allowances and trade discounts. Revenue is recognised when the goods or the services has been provided and recovery of the consideration is probable.

**(d) Revenue from Agency Relationship**

Revenue received resulting from an agency relationship is disclosed as Commission Revenue

**(e) Property, plant and Equipment**Recognition and measurement

Items of Property, Plant and Equipment are carried at cost less accumulated depreciation and impairment losses

Cost includes expenditures that is directly attributable to the acquisition of the asset. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment. These are included in profit or loss.

#### Subsequent Expenditure

The cost of replacing part of an item of property, plant and equipment can only be capitalised if it is probable that the future economic benefit embodied in the part will flow to the entity and can be reliably measured. Cost of day to day servicing of property, plant and equipment are recognised in profit or loss as incurred.

#### Depreciation

Depreciation is recognised in profit or loss using the diminishing value method at a rate based on their estimated useful lives. Land have an indefinite useful life and are therefore not subject to amortisation. The estimated useful lives and depreciation rates are as follows

	<i>Rate</i>	
Land	-	-
Building	5%	
Motor Vehicles	20%	-
Office Equipment	10%	-
Office Furniture	10%	-
Radio Plant	10%	-
TV Equipment & Plant	10%	-
Radio Equipment	10%	-
Sky	5%	-
Fence	5%	-
Radio Mast	2%	
OB Truck	5%	

#### **(f) Impairment of non-financial asset**

Assets such as Land has an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the

purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date

**(g) Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank, cash on hand and short term (including term deposits having less than 3 months term) for the purpose of the statement of financial position and statement of cash flows.

**(h) Trade and other Receivables**

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

**(i) Inventories**

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the cost price plus any expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Net realisable value is the estimated selling price measured in the ordinary course of business and less selling costs.

**(j) Borrowings**

Borrowings are recognised initially at fair value net of transaction costs incurred and are subsequently carried at amortised costs

**(k) Employee Entitlements**

Short term benefits

Short – term employee benefit obligations are measured on an undiscounted basis and are expensed in the profit or loss as the related services provided.

An accrual is recognised for the amount to be paid under short term benefits if the Commission has a present or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be measured reliably.

**(k) Trade and Other payables**

Trade and other payable are not interest-bearing and are stated at cost and represent liabilities for goods and services provided to the Commission prior to the end of the financial period which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

**(l) Provisions**

Provisions are recognised when: the Commission has a present legal or constructive obligation as a result of past events; it is probable that an outflow of economic benefits will be required to settle the obligation; and the amount has been reliably estimated. Employee benefits provisions comprise future payments to retired members entitled to lifetime benefit payments from Commission.

**(m) Taxation**

The current income tax expense is the tax payable on the current period's taxable income based on the tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets or liabilities are determined using tax rates that have been enacted or substantially enacted by the balance date and are expected to apply when the related deferred tax asset is realised or deferred tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Any current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

**(n) Financial Assets**

Financial assets of the Commission is classified into Trade Receivables and Held to maturity

**(i) Trade Receivables**

These are financial assets with fixed or determinable payment not quoted in an active market. They are disclosed as current asset except if settlement is not expected within 12 months after balance sheet date, the asset is then disclosed as Non-Current Asset. The Commission's loan and receivables comprise "trade and other receivables" and "cash and cash equivalents".

**(ii) Held to maturity**

These are term deposits held by the Commission which are valued at cost.

**(o) Financial asset – write off Hire Purchase Scheme**

Hire Purchase scheme was discontinued in 2004, however the Management has propose to the Board to write off this amount as bad in the Commission's financial statement.

**(p) Impairment of financial assets**

The Commission assess at each balance date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any evidence of impairment exists, an impairment loss is recognised in the statement of profit and loss or Other comprehensive income as part of other gains/(losses) net in the period in which they arise.

**(p) Rounding**

Amounts have been rounded to the nearest dollar except where otherwise stated

**3. FINANCIAL RISK MANAGEMENT****Overview**

The Commission has exposure to the following risks:

- i. Credit risk
- ii. Liquidity risk
- iii. Market risk
- iv. Operational risk
- v. Capital risk management

The Board of Directors has overall responsibility for the design and establishment of an appropriate risk management framework.

(i) **Credit risk**

Credit risk is the risk of financial loss to the Commission if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Commission's receivables.

Trade and other receivables

The Commission has the responsibility of implementing effective procedure of assessing a customer's creditworthiness. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or legal entity and existence of previous financial difficulties.

Allowance for impairment of Trade receivables is assessed at 10% of Total Trade Receivables. The collective loss allowance is management's estimate of losses that may be incurred in the event of default.

	<b>2015</b>	<b>2014</b>
	<b>TOP</b>	<b>TOP</b>
The Commission's maximum exposure to credit risk is as follows		
Cash and cash equivalents including term deposit	99,907	90,004
Trade Receivables	445,480	478,137

Total trade receivables at the reporting date is as follows:

	<b>2015</b>	<b>2014</b>
<u>Trade Receivables</u>	<b>TOP</b>	<b>TOP</b>
Due 0 – 30 days	73,012	117,655
Due 31-60 days	36,001	92,070
Due 61 – 90 days	45,692	38,110
Past due more than 90 days	278,736	311,980

Trade Receivables determined impaired are as follows:

Total Trade Receivables	\$494,978	531,263
Provision for doubtful debts	(49,498)	(53,126)
Past due more than 90 days	\$278,736	311,980

**(ii) Liquidity risk**

Liquidity risk is the risk that the Commission will not be able to meet its financial obligations when they fall due. The Commission's management of liquidity risk is to ensure that sufficient resources are available to meet obligations when they fall due

		2015		2014	
	Less than 1 year	More than 1 year	Less than 1 year	More than 1 year	
<b>Financial liabilities</b>					
Loans and borrowings	127,200	572,648	127,200	581,531	
Trade payables		103,601		156,000	
Other payables and accruals		486,995		585,559	

**(iii) Market Risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Commission's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Interest rate risk

Cash flow interest rate risk is the potential for a change in interest rates to change net interest earnings, in the current reporting period and in future years. Risk is low as interest rates of the Commission are mostly fixed for short term investments while interest on borrowings is fixed for the duration of the loans.

**(iv) Operational Risk**

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall standards for the management of operational risk.

**(v) Capital risk management**

The Commission's objectives when managing capital are to safeguard the organisation's ability to continue as a going concern in order to provide returns for stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The debt to equity ratio as at 30<sup>th</sup> June 2015 and 2014 were as follows:

	<b>2015</b>	<b>2014</b>
	<b>TOP</b>	<b>TOP</b>
Total borrowings	699,848	708,730
Less: Cash and cash equivalents	99,907	90,004
Net debt	599,941	618,726
Total equity	2,577,983	2,424,161
Debt to Equity ratio	23%	25%

**4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

The preparation of financial statements require management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are highlighted below.

**(i) Depreciation**

On acquiring an asset, management determines the most reasonable length of time it expects the Commission to maintain that asset with reference to characteristics of similar assets or classes of assets held by the Commission presently or in the past. Where there is no reference available to assets or classes of assets held at present or in the past reference is made to industry benchmarks.

Each year, management assesses the carrying value of assets to determine whether they are impaired. Appropriate revisions to the policies are made, if necessary, or any significant impairment losses are accounted for in the financial statements as a corrective measure. Depreciation is disclosed in Note 2(d).

	<u>2015</u>	<u>2014</u>
<b>2 Cash and Cash Equivalents</b>		
Westpac Operation Account	15,491	6,624
Westpac Vava'u Account	(3,593)	4,219
Westpac Sky Account	15,082	3,945
Westpac Internet Account	399	4,671
Total Cash at Bank	<u>27,378</u>	<u>19,459</u>
Petty Cash and Float	3,990	2,006
<b>Total Cash and Cash equivalents</b>	<u><u>31,369</u></u>	<u><u>21,465</u></u>
	<u>2,015</u>	<u>2,014</u>
<b>3 Investment</b>		TOP
Tonga Development Bank	68,539	68,539
<b>Total Investments</b>	<u>68,539</u>	<u>68,539</u>
a. There is no security held against the TBD notes of T\$60627		
	<u>2,015</u>	<u>2,014</u>
<b>4 Trade Receivables</b>	TOP	TOP
Total Trade Receivables	494,978	531,263
Less: Provision for doubtful debts	(49,498)	(53,126)
<b>Balance as at 30/06/14</b>	<u>445,480</u>	<u>478,137</u>
	<u>2,015</u>	<u>2,014</u>
<b>5 Hire Purchases</b>		TOP
Balance 01 July	-	14,276
Provision for unrealised interest	-	(1,290)
Provision for unrealised profit	-	(3,582)
<b>Balance as at 30/06/14</b>	<u>-</u>	<u>9,404</u>
	<u>2,015</u>	<u>2,014</u>
<b>6 Interest Receivables</b>		TOP
TDB term deposit	2,869	1,951
<b>Total interest receivables</b>	<u>2,869</u>	<u>1,951</u>
	<u>2,015</u>	<u>2,014</u>
<b>7 Inventories</b>	TOP	TOP
<b>7.1 Cost of Goods Sold</b>		
Stock at beginning	45,667	38,046
Plus: purchases	53,868	43,800
Goods available for sale	<u>99,535</u>	<u>81,847</u>
Less: stock at end	(42,360)	(45,667)
Cost of goods sold	<u>57,175</u>	<u>36,180</u>
7.2 Add: COGS Sky Fiji TV subs.	-	301,688
	<u>57,175</u>	<u>337,868</u>
7.3 Sales returns	956	27,371
<b>Total cost of sales</b>	<u>58,131</u>	<u>365,239</u>

8	<u>2015</u>	<u>2014</u>
<b>(i) Other Accounts Payable</b>		
Consumption tax payable	206,510	224,093
Expenses payable	52,467	91,737
Sky subscription payable	33,597	55,308
	<u>292,574</u>	<u>371,138</u>

The amount comprises of consumption tax payable included 15% withholding tax and expenses due at balance date

(ii) Determine Deferred tax Assets and Liabilities	<u>2015</u>	<u>2014</u>
Accounting ( Revaluation)	2,298,406	1,116,718
IRD ( Revaluation)	-2,052,082	-1,005,576
Net Temporary difference	246,324	111,142
deferred tax asset Tax Rate 25%	61,581	27,785
Loss carried forward from previous years	-67,768	-67,768
Opening balance	32,947	32,947
Change in Tax Rates	0	0
	<u>32,947</u>	<u>32,947</u>
<b>Net deferred tax assets</b>	<u>61,581</u>	<u>60,732</u>

**Long Term Liabilities**

9 <u>9.1 TDB Bank Loan</u>	<u>2015</u>	<u>2014</u>
Non Current	0	0
Current	694,888	542,918
	<u>694,888</u>	<u>542,918</u>

The TDB bank loan is at 9% interest rates over terms of 10 years.

**9.2 Retirement Scheme**

The amount represents the total amount due at balance date to the Retirement Fund E for the member's transfer value, employer contributions and staff's contribution at a 5% accumulative interest rate. Transfer values paid by the Retirement Scheme on behalf have been transferred to a short term loan account at 7% interest rate per annum.

**Tonga Broadcasting Commission**  
**Notes to and forming part of the financial statements**  
**For year ended 30 June 2015**

**10 Accumulated Fund**

The fund represents Assets taken over from Government on 1st July, 1977 valued at \$241,081 and Aid from Overseas Donor plus Net revenue earned by the Commission since that date.

	<u>2,015</u>	<u>2,014</u>
Opening Capital	2,424,162	2,424,034
Surplus (Deficit) for the year	(79,383)	(28,985)
Prior year adjustments	233,204	29,112
	<u>2,577,983</u>	<u>2,424,162</u>

**11 Operating Revenue**

	<u>2,015</u>	<u>2,014</u>
Radio Broadcasting fees	881,649	932,186
TV Broadcasting fees	631,646	481,808
Radio Shop sales	40,450	32,229
Sky Pacific sales	202,458	475,536
Interest received (Investment)	2,869	1,037
Other Revenue	228,352	162,575
	<u>1,987,423</u>	<u>2,085,370</u>

12 Operating Profit

	<u>2015</u>	<u>2014</u>
Operating profit before income tax has been determine after:		
Total Operating profit (loss) before interest and tax	(26,723)	18,119
Financial costs	(52,660)	(47,103)
<b>Operating Profit</b>	<u>(79,383)</u>	<u>(28,985)</u>

(i) Operating profit (loss) before interest and tax

	<u>2015</u>	<u>2014</u>
<b>Total Operating Revenue</b>	<u>1,987,423</u>	<u>2,085,370</u>
Cost of sales	58,131	365,239
Payroll expenses	1,003,052	820,066
Retirement fund contribution	24,927	17,973
Honorarium	96,414	61,304
Production costs	74,772	75,071
Office expenses & supplies	128,663	124,822
Utilities	206,407	236,796
Insurance	18,606	18,012
Communications cost	87,453	78,064
Travel	43,342	40,668
Repairs & maintenance	52,934	46,064
Audit remuneration	10,000	10,000
Depreciation	140,830	109,202
Bad & doubtful debts	49,498	53,126
Other operating expenses	19,119	10,843
<b>Total Expenses</b>	<u>2,014,146</u>	<u>2,067,251</u>
<b>Total Operating profit (loss) before interest and tax</b>	(26,723)	18,119

..) Borrowing Cost

	<u>2015</u>	<u>2014</u>
Interest on Loan	49,471	44,103
Bank charges	3,189	3,001
<b>Total financial cost</b>	<u>52,660</u>	<u>47,103</u>

3 Balances owing to Retirement Scheme

	<u>2015</u>	<u>2014</u>
Loan from Retirement scheme	4,960	165,813
Owing to Staff Retirement Scheme	145,857	174,421
	<u>150,817</u>	<u>340,234</u>

On 1 July 2003 the Board approved the commencement of the staff retirement scheme as a separate entity. All staff pension allowances were calculated and recognised as a TBC liability. The balances above are the outstanding liability.

R. I. I.

