



Yatu Lau Company Limited

# ANNUAL REPORT 2017

OCEAN OF CHANGE

# YATU LAU COMPANY LIMITED *was founded by the late Turaga Tui Lau and Tui Nayau Ratu Sir Kamisese Kapawai Tuimacilai Mara in 1972 as an investment vehicle solely for Lauans. From humble beginnings, it has grown into a very strong and successful provincial property company in Fiji with over 865 shareholders.*

## Vision

To Be Fiji's Investment Of Choice.

## Mission

The purpose of Yatu Lau Company Limited, is to provide a unique and diverse investment opportunities to all its shareholders that yield a higher rate of return and capital growth.

## Values

- Our core values are defined by our firm belief in the divine precepts of our Lord Jesus Christ. They define our attitude and approach in our daily business and in our interactions with our customers, stakeholders and importantly our shareholders.
- Integrity and honesty.
- Yatu Lau will operate its businesses in an honest and ethical manner.
- Accountability.
- We will report and disclose information transparently and comply fully with relevant regulations and laws.
- Innovation.
- We will continuously review processes and products/services to meet the ever changing customer needs.
- Customer service excellence.
- We strive for excellence in providing quality and cost effective services to our customers so that they continue to enjoy doing business with us.
- Transparency.
- We will ensure that good governance and principles are strictly observed in our daily business and we are transparent in our dealings.

## TABLE OF CONTENTS

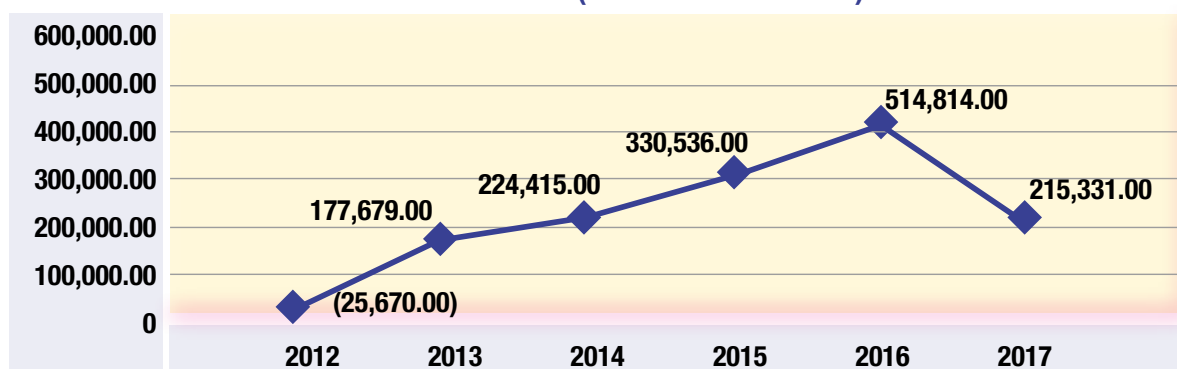
Financial Performance Report	3
Top 30 Shareholders	4
The Chairperson's Report	5
The Board of Directors	7
Corporate Governance	8
The Management Team	10
The Chief Executive Officer's Report	11
Director's Report	19
Director's Declaration	21
Independent Audit Opinion	23
Consolidated Statement of Comprehensive Income	26
Consolidated Statement of Changes in Equity	27
Consolidated Statement of Financial Position	28
Consolidated Statement of Cash Flows	29
Notes to the Consolidated Financial Statement	30 - 54



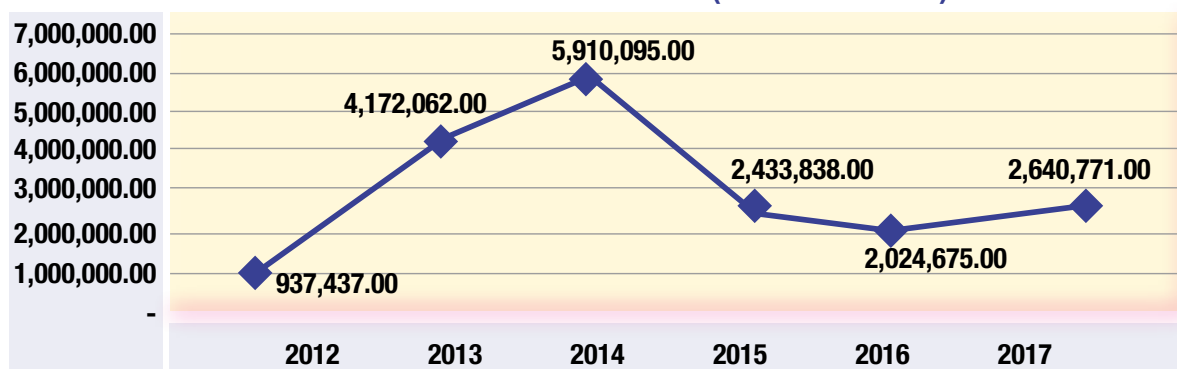
# Financial Performance Summary

COMPANIES	2017	2016	2015	2014	2013	2012	2011	2010
Operating Revenue	\$5,890,368	\$5,749,316	\$5,682,913	\$5,264,456	\$5,401,221	\$5,238,930	\$5,025,768	\$4,312,921
EBIT	\$4,780,400	\$5,453,097	\$4,561,387	\$5,612,561	\$6,532,808	\$1,103,372	\$600,739	\$411,269
EBITDA	\$4,935,578	\$5,611,899	\$4,805,394	\$5,815,318	\$6,800,035	\$1,428,689	\$894,562	\$625,199
Net Earnings	\$2,640,771	\$2,024,675	\$3,217,114	\$5,910,095	\$4,172,062	\$937,437	\$387,534	\$225,925
Earnings Per Share	\$0.36	\$0.35	\$0.45	\$0.88	\$0.59	\$0.13	\$0.16	\$0.04
Return on Equity	13%	16%	14%	23%	18%	6%	3%	2%
Total Assets	\$64,983,499	\$60,521,151	\$56,497,024	\$52,765,563	\$48,205,031	\$44,495,074	\$43,460,051	\$40,083,688
Return on Assets	7%	9%	8%	11%	14%	2%	1%	1%
Current Ratio	0.82	0.23	0.25	1.29	0.41	0.72	0.33	0.22
Total Debt to Total Equity Ratio	70%	76%	77%	81%	108%	135%	134%	124%
Interest Cover	5.46	5.90	4.49	4.63	5.05	1.84	0.46	0.45
Net Cash flow from Operating Activities	\$1,189,831	\$1,102,438	\$805,419	\$814,119	\$753,353	\$(310,123)	\$612,093	\$335,198
Capital Expenditure	\$503,682	\$350,425	\$253,982	\$300,589	\$373,462	\$236,662	\$3,170,024	\$3,756,613
Net Tangible Asset Per Share	\$4.38	\$4.83	\$4.49	\$4.12	\$3.28	\$2.68	\$2.97	\$2.92
Price Earnings Ratio	\$5.25	\$5.48	\$4.21	\$2.26	\$3.20	\$14.33	\$11.54	\$43.75
Dividend Per Share	\$0.0007	\$0.02	\$0.07	\$0.03	\$0.10	\$0.10	\$0.10	\$0.10

## OPERATING PROFIT (WITHOUT FAIR VALUE) AFTER TAX



## NET PROFIT AFTER TAX (WITH FAIR VALUE)



# Top 30 Shareholders

	Shareholders	No. of Shares	
		Class A	Class B
1	Fiji National Provident Fund		2,592,253
2	Cicia Plantation Coop Society	622,221	
3	Lau Provincial Council	576,331	
4	FijiCare Insurance Limited		417,524
5	Aequi Libria Associates Insurance Brokers Limited		323,265
6	Mualevu Tikina Holdings	262,028	
7	Lawedua Trust Company Limited	138,273	
8	Moce Tikina	137,197	
9	Lakeba Tikina	129,460	
10	Matuku Tikina	124,422	
11	Ono-I-Lau Tikina	118,686	
12	Ratu Sir KKT Mara Scholarship Fund	110,000	
13	Oneata Island Holdings Limited	81,223	
14	Yavusa Tonga Holdings Company Limited	69,697	
15	Solo Hire Services Limited	58,666	
16	Moala Tikina	53,604	
17	Manubhai Prabhudas Patel		43,628
18	Kirit Patel		43,628
19	Santa & Vidya Wati Ram		43,628
20	Jimaima Tamacala	42,765	
21	Nayau Tikina	41,762	
22	Lomaloma Tikina	40,141	
23	Dravuvalu Holdings Company Limited	39,035	
24	Ono-I-Lau Soqosoqo Vakamarama	34,154	
25	Brian & Kiri Richmond	33,473	
26	Adi Koila Mara Nailatikau	33,413	
27	Waciwaci Development Enterprise Company Limited	33,092	
28	Ketei Holdings Company Limited	33,000	
29	Vanuanawa Shipping Limited	30,443	
30	Yaroi Village	29,734	
	<b>TOTAL</b>	<b>2,872,820</b>	<b>3,463,926</b>



# The Chairperson's Report



**Adi Koila Mara Nailatikau**

## 1. Profitability

I am pleased to report that the group achieved a total profit of \$2,640,771(2016:\$2,024,675) which includes the unrealized gain from the fair market value increase of our investment properties. This represented an increase of 30%, though our net operating profit was \$215,331(2016:\$514,815).

The reduction was attributed to the adjustment of \$758,000 for unpaid tax and penalties accumulated over the past 7 years otherwise, operating profit would have been close to \$1million. This is a one off adjustment and the Company is expected to achieve better profit results from 2018 and beyond.

## 2. Cash Flow Position

Much improvement has been achieved during the year as we continue to focus on generating more cash flow to meet operating costs and clear outstanding debts. The Board was therefore, satisfied with the positive cash flows recorded from operation of \$1.18million during the year as compared to the \$1.10 million in 2016.

Despite the positive achievement above, we are not out of the woods yet, and our negative working capital has significantly been reduced from \$2,686,113 (2016) to \$657,116 in 2017.

The Board and management have a huge task and will need to put in more effort and strategies in 2018 to improve the situation and remove "emphasis of matter" opinion in our accounts from 2018. This has also put a big constraint on the Company to grow and diversify its business further.

## 3. Asset Growth

Total group assets increased by 7% from \$60,521,151 in 2016 to \$64,983,499 last year which was largely attributed to the annual fair market value increase for our investment properties.

Net assets also increased by 10% from \$34,375,207 in 2016 to \$38,238,839 in 2017.



# The Chairperson's Report (cont'd)

## 4. New Articles of Association (AOA)

The new Articles of Association (AOA) compliant with the *Fiji, Companies Act, 2015* was adopted at the Special General Meeting held on 11th December, 2017. This is indeed a milestone achievement for the Company and we are proud to be one of the first Public Companies and furthermore the first Provincial Company to do so.

## 5. Fiji Companies Act 2015 and Dividends

We acknowledge the FNPF's continued support and representing the largest B Class shareholders, it has re-invested its unpaid dividends. This not only alleviates the stress on the company's cash flow but also helps reduce the current liability and working capital deficiency.

Unfortunately, due to the negative working capital still in place, the Board is unable to consider a dividend payment for 2017. Nevertheless, this shall be reviewed in 2018 and we are optimistic given the current profitability trends in 2017.

## 6. Governance, Risk management and Compliance

Following the adoption of the new AOA, the Board and management will focus on getting the

new Corporate Governance Charter in place next year. Risk management policy would also need to be formulated together with other new policies e.g. hotel operations and management, dividend policy etc.

Finally, the Board has begun discussions on strengthening our Internal Audit services which it will tender out in 2018.

## 7. Future Outlook

The reforms and restructure implemented in 2016 have started bearing results and we are optimistic of a brighter future ahead. The 3 Board Sub Committees are also assisting the CEO and the management team in implementing changes to improve the financial performance.

In order to improve its cash flow deficiency, the Board has agreed to sell one or two of its non-performing Assets. This would also allow the Board to consider its growth strategies.

Finally, let me acknowledge the support and commitment of my fellow directors, management and staff during the year. I also extend my sincere appreciation to all Shareholders and Stakeholders for your continued support.



*The Chairperson and the Directors of the Yatu Lau Company Limited at one of their monthly Board meeting held at the Yatu Lau Company Limited head office, Suva.*

# The Board Of Directors



**Adi Koila Mara Nailatikau**  
Chairperson



**Isireli Mokunitulevu**  
Deputy Chairman



**Fusi Vave**  
Director



**Jiu Daunivalu**  
Director



**Tevita Peni Mau**  
Director



**Isikeli Taoi**  
Director



**Ilaisa Kacisolomone**  
Director



**Tom Ricketts**  
Director



**Sialeni Vuetaki**  
Director



**Savenaca Tuivaga**  
Director



**Aisea Taoka**  
Director



**Esther Williams**  
Director



**Parayame Cakacaka**  
Director



# Corporate Governance

## ROLE OF THE BOARD:

The Board of Directors are accountable to the Shareholders and other stakeholders for the efficient operation of the company.

## ROLE OF DIRECTORS:

The Articles of Association of the Company set out the provisions of the processes and procedures for the election and nomination of the Directors to be appointed, where appropriate, by the shareholders at the Annual General Meetings.

On the 11th of December 2017, the company held a significant event where an Extra-Ordinary General meeting was called for the approval of the new Articles of Association which complied with the Companies Act 2015. This was approved by the shareholders and now registered at the Registrar of Companies.

The names of the directors at any time during the financial year and up to the date of this report are:

Adi Koila Nailatikau - Chairperson	Isireli Mokunitulevu - Deputy Chairperson
Aisea Taoka	Sialeni Vuetaki
Fusi Vave (deceased 25th February 2018)	Isikeli Taoi (Resigned 27th March 2018)
Ilaisa Kacisolomone	Tevita Peni Mau
Jiu Daunivalu	Tom Ricketts (Retired 28th July 2017)
Savenaca Tuivaga	Parayame Cakacaka (Elected 28th July 2017)
Esther Williams (Elected 28th July 2017)	

## 1.0. MEETINGS OF THE BOARD AND ITS SUBCOMMITTEE:

### 1.1. Full Board Meeting:

The full Board met 7 times during 2017 and details of attendance provided below.

	Directors	No. Of Meeting Entitled to attend	No. Of Meetings attended	No. Of Meetings apology given
1	Adi Koila Nailatikau - Chair	7	7	n/a
2	Tom Ricketts	3	3	n/a
3	Savenaca Tuivaga	7	7	n/a
4	Sialeni Vuetaki	7	5	2
5	Sireli Mokunitulevu	7	4	3
6	Isikeli Taoi	7	4	3
7	Fusi Vave	7	7	n/a
8	Jiu Daunivalu	7	3	4
9	Ilaisa Kacisolomone	7	7	n/a
10	Peni Mau	7	7	n/a
11	Aisea Taoka	7	5	2
12	Esther Williams	3	3	n/a
13	Parayame Cakacaka	3	3	n/a

## 2.0. Board Subcommittees:

The 3 subcommittees were reviewed with changes approved by the Board to its name and new Chairperson appointed effective from 10th June 2016. It was changed to Finance, Audit & Investment Subcommittee, Human Resources Subcommittee and Properties Subcommittee.



# Corporate Governance (cont'd)

## 2.1. Finance, Audit & Investment Subcommittee:

This Subcommittee met 5 times during the year.

	<b>Directors</b>	<b>No. Of Meeting Entitled to attend</b>	<b>No. Of Meetings attended</b>	<b>No. Of Meetings apology given</b>
1	Esther Williams - Chair	4	4	n/a
2	Adi Koila	5	5	n/a
3	Aisea Taoka	5	4	n/a
4	Sialeni Vuetaki	5	5	n/a
5	Tom Ricketts	5	1	n/a
6	Jiu Daunivalu	5	5	2
7	Peni Mau	5	3	1

Finance Manager, Salote Tuifagalele, was the Secretary of this Subcommittee.

## 2.2. Properties:

This Subcommittee met 4 times during the year.

	<b>Directors</b>	<b>No. Of Meeting Entitled to attend</b>	<b>No. Of Meetings attended</b>	<b>No. Of Meetings apology given</b>
1	Peni Mau - Chair	4	3	n/a
2	Sireli Mokunitulevu	4	1	3
3	Tom Ricketts	4	n/a	1
4	Fusi Vave	4	3	1
5	Ilaisa Kacisolomone	4	4	n/a
6	Savenaca Tuivaga	4	3	1
7	Esther Williams	3	3	n/a
8	Parayame Cakacaka	3	3	n/a

Property & Maintenance Officer, Isoa Daunivavana, was the Secretary of this Subcommittee.

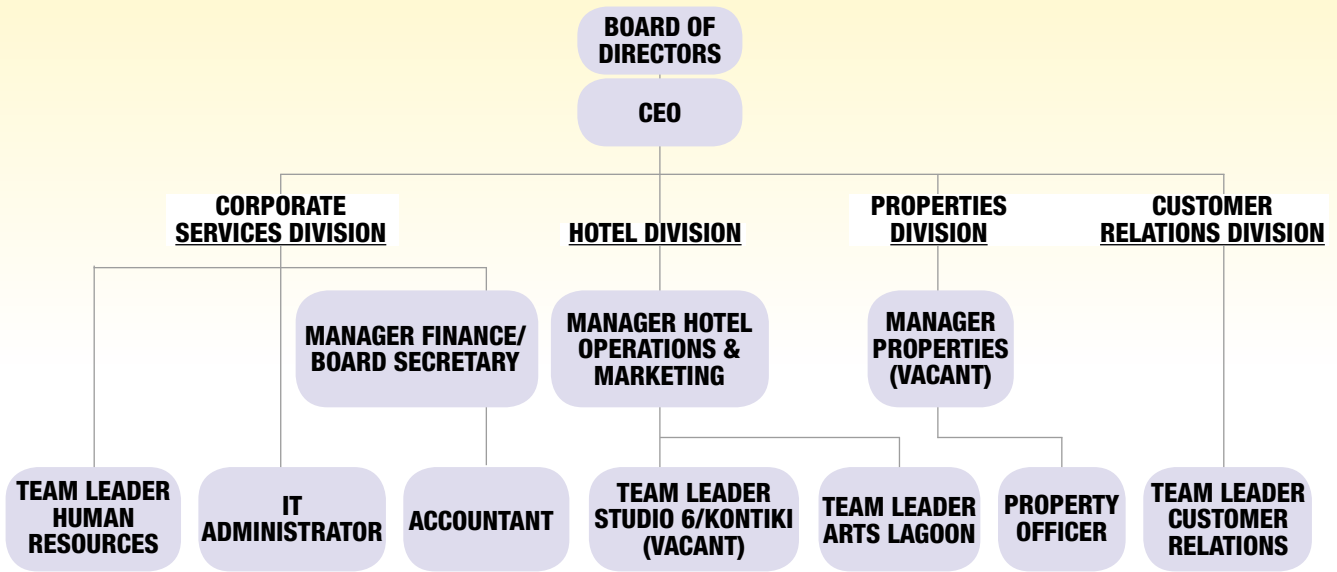
## 2.3. Human Resources:

This Subcommittee met 4 times during the year.

	<b>Directors</b>	<b>No. Of Meeting Entitled to attend</b>	<b>No. Of Meetings attended</b>	<b>No. Of Meetings apology given</b>
1	Fusi Vave - Chair	4	3	n/a
2	Adi Koila Nailatikau	4	4	n/a
3	Isikeli Taoi	4	n/a	1
4	Sireli Mokunitulevu	4	3	1
5	Ilaisa Kacisolomone	4	4	n/a
6	Jiu Daunivalu	4	4	n/a
7	Aisea Taoka	4	4	n/a
8	Parayame Cakacaka	3	3	n/a

Team Leader Human Resources Officer, Maciu Rika, was the Secretary of this Subcommittee.

# The Management Team



**Alipate Naiorosui**  
Chief Executive Officer



**Salote Vulaono - Tuifagalele**  
Manager Finance and Board Secretary



**Tomi Finau**  
Manager Hotel Operations and Marketing



**Tiwa Naidu**  
Accountant



**Maciu Rika**  
Team Leader Human Resource



**Ratu Isoa Daunivavana**  
Property Officer



**Ratu Kamisese Nailatikau**  
Team Leader Arts Village and Lagoon



**Seini Rabukawaqa**  
Team Leader Customer Service



**Atnish Chand**  
IT Administrator

# The Chief Executive Officer's Report



**Alipate Naiorosui**

## 1.0 OPERATING RESULTS

### 1.1 Profitability

The Yatu Lau Company Limited Group recorded an operating profit (without fair value) of \$215,331.00 against \$514,815.00 recorded last year. This was due to the adjustment of unpaid VAT and penalties of \$758,000 for the past 7 years till 2016. This represented a decrease of 58% (\$299,484.00) however, net profit after tax (Including Fair Value) increased by 30% when compared to last year (2017: \$2,640,771.00; 2016: \$2,024,675).

The total group's assets increased by 7% to \$64,983,499 compared to \$60,521,151 in 2016 due to the revaluation of our assets. The total liabilities for the year were \$26,744,660 while net assets recorded a growth of 11% at \$38,238,839 compared to \$34,375,207 for 2016.

### 1.2 Revenue Growth

The total revenue for the group was \$5,890,368 for the year compared to \$5,749,316 recorded in 2016. This was an increase of 2%.

### 1.3 Expenditures

The total expenses for the group were \$5,675,037 recorded for the year compared to \$5,234,501 recorded in 2016. This was an increase by 8%. The total administration expenses recorded an increase of 48% (2017: \$1,464,739; 2016: \$990,611) which was contributed by penalty charges on VAT imposed by FRCS of \$758,236 as a result of an audit carried out during the year. The VAT Liability of \$660k has been recorded in the audited accounts over the years and was not settled due to cash flow crisis the company faced and continues to currently face.

Should it not have been for this adjustment, the Yatu Lau Company Limited Group would have recorded an operating profit of \$973,567.



*The Yatu Lau Company Limited - Chief Executive Officer with some of the management team.*

# The Chief Executive Officer's Report (cont'd)

## 2.0. CASH FLOW

The main challenge that the company still faced during the year was the negative working capital (or cash flow) problem. Whilst our cash flow has significantly improved and major creditors' arrears cleared, the group still recorded a negative working capital of \$657,116 against \$2,686,113 recorded last year. Improvements have been made during the year to improve cash flow and management will put forward a cash management strategy. In addition, recapitalize the company through sale of Mead Road property, continued efforts to increase sales, cut costs and improve operational efficiency.



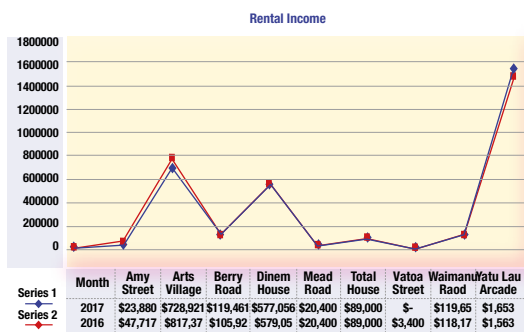
Tenants display at the Yatu Lau Arcade.

## 3.0. CUSTOMER RELATIONS

**3.1** The Customer Service Relations (CSR) department continued to be driven by its motto "**Customer is King**". During the year, the team had focused on:

- Attending to all customer complaints promptly,
- Ensuring that the repair and maintenance works are done for tenants who withhold payments,
- All tenants pay the market rate for tenanted spaces,
- And aggressive debt collection and recovery action/closure of shops taken for defaulting customers.

### Graph 1: Rental Income.



**3.2.** Rental income decreased by \$11,949 from \$3,343,611 in 2016 to \$3,331,662 in 2017. This was largely due to:

- The closure of Amy Street property as a result of the proposed sale and major repair works required,
- And 6 vacant spaces at Arts Village remained closed during the year due to maintenance problems.

## 3.3. Arrears

**3.3.1.** Total arrears decreased from \$656,298 in 2016 to \$589,164 in 2017.

**3.3.2.** Key strategies taken and going forward are:

- Review of all expired contracts and to charge market rentals to maximize revenue,
- Aggressive collections approach – not allowing more than 30 day accounts to go into arrears,
- Ensuring all spaces are fully tenanted,
- And debt owed by ex-tenants and ex-staff is being pursued through the small claims tribunal and through our lawyer.

## 4.0. HOTEL OPERATIONS

### 4.1 Occupancy Levels and Highlights for the Year 2017



Hotel Staff preparing for the Pacific Harbour Hoteliers and Sports Club tournament.

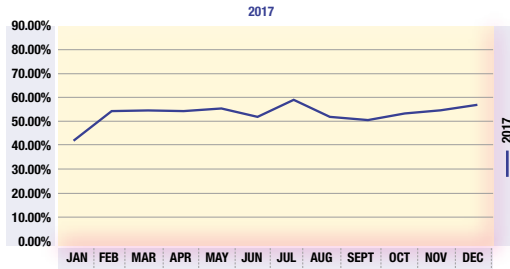
**4.2.** The four accommodation properties achieved an average occupancy rate of 52% for the 12 month period from 1st January to 31st December 2017.

**4.3.** The Studio 6 Apartments, Kontiki Private Hotel and TSulu Bunkhouse dropped in room occupancy resulting in the group achieving less than the 80% occupancy target.

**4.4.** The Arts Village with its multiple product lines showed signs of improvement in sales compared to previous year.

# The Chief Executive Officer's Report (cont'd)

**Graph 2: Average Occupancy level for Yatu Lau Hotel Division from January to December 2017.**



## 4.5 The Lagoon Resort

**4.5.1.** Hotel occupancy averaged 31% in 2017. This was a 6% improvement compared to 2016. The positive growth is a result of improved sales & marketing efforts from the special workshop package offered to corporate and civil service organizations.



*The Lagoon at Fairway Place, Pacific Harbour.*

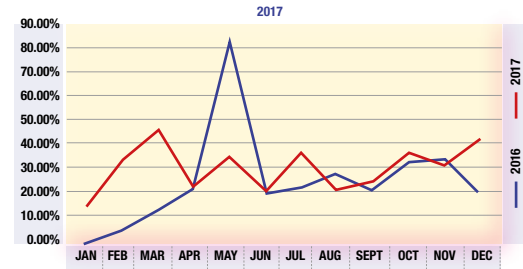
**4.5.2.** Forward bookings in 2018 are already showing positive signs from workshops, weddings, birthdays, food and beverage extended to patrons at the Yatu Lau Beachfront, Tiki Pool Bar and outside catering.



*Breakfast at the Lagoon Resort.*

**4.5.3.** Significant achievements during the year included the supply of new linen, improved internal processes and controls, new vehicle for Pacific Harbour activities, new customers signing up on workshop packages and continued patronage by returning corporate clients.

**Graph 3: Average Occupancy levels from January to December 2017 compared to 2016.**



## 4.6. Studio 6 Apartments

**4.6.1** Room Occupancy averaged 61% for the period 1st January to 31st December 2017. This was a 7% drop compared to 2016.

**4.6.2. Highlights during the year for the property;**

- i) New beds and linen,
- ii) New electrical appliances and air condition units,
- iii) Renewed APTC student accommodation agreement with total of 69 rooms,
- iv) And Board approved to procure a new commercial laundry machine.



*A family reunion at Studio 6.*

**4.6.3.** Continuous effort to improve guest accommodation contributed to satisfied returning customers. This is our biggest marketing tool for guests to return and grow 'word by mouth' promotion.



*Children playing at the Studio 6 pool.*

# The Chief Executive Officer's Report (cont'd)

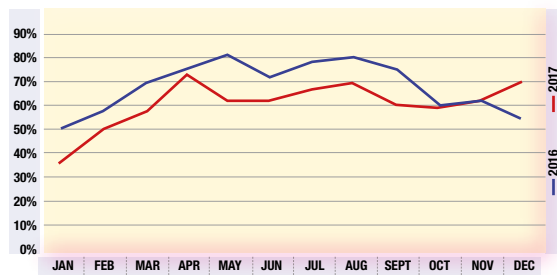
## 4.6.4. The challenges during the year were;

- i) General repairs & maintenance issues (eg: plumbing, water pressure, hot water, wood works and carpentry),
- ii) Guest complaints - Electrical appliances, beds and linen in rooms,
- iii) And statutory compliance requirements.

## 4.6.5. The opportunities for the property;

- i) Restaurant/ kitchen,
- ii) Liquor Bar/ Shop,
- iii) And transfer & tours/ taxi.

**Graph 4: Average Occupancy levels from January to December 2017 compared to 2016.**



## 4.7. Kontiki Private Hotel

**4.7.1.** The property achieved 64% average occupancy for period Jan-Dec 2017. During the month of December 2017, occupancy dropped by 9% due to water issues and competition from other properties.

**4.7.2.** There is a demand in the market for short stay or day rooms. The discreet location of Kontiki appeals to this segment of the market.

### 4.7.3. The highlights for the year were as follows;

- i) New linen (towels & hand towels),
- ii) And improved repair and maintenance.

### 4.7.4. The challenges during the year were;

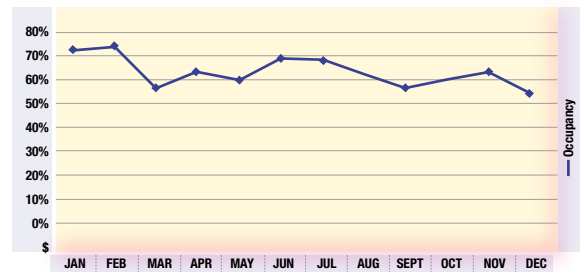
- i) General repair and maintenance issues (plumbing, water pressure, wood work & carpentry, etc),
- ii) Room amenities,
- iii) And the need for a full time grounds man.

## 4.7.5. The opportunities for the property were the;

- i) Liquor Bar/ Shop,
- ii) Swimming Pool,
- iii) Event venue,
- iv) And the transfers & tours/ taxi service.

**4.7.6.** The property offers great potential to re-open its swimming pool to the public, entertainment grounds for weddings, birthdays and functions. The local corporate travel market is just ideal for this property and those locals travelling from outside into Nadi looking for affordable accommodation.

**Graph 5: Average Occupancy level from January to December 2017.**



## 4.8. The Arts Village

### 4.8.1. Shows & Tours

Revenue from shows & tours continue to contribute significantly as the major revenue earner in 2017, although the Cruise liner numbers were lower in 2017 compared to 2016. An increased number of primary schools and kindergartens patronized the cultural show as part of their end of term tour and culture curriculum.

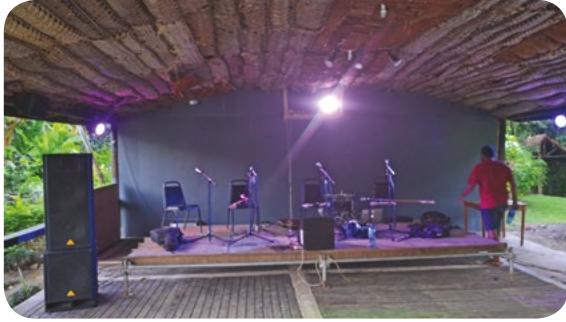


*Guests enjoying the show provided by firewalkers at the Arts Village.*

### 4.8.2. Tiki Pool Bar

The Tiki Pool Bar is the second highest revenue earner for The Arts Village and still has potential to grow further. Bar sales experienced significant growth when there is a private event booking.

# The Chief Executive Officer's Report (cont'd)



A staff preparing for a live band at the Tiki Bar.

## 4.8.3. Yatu Lau Family Picnic Park (Beachfront)

The Beachfront experienced solid sales during the weekends, public holidays and festive season whereby additional staff were assigned to manage its activities.



A beautiful day at the Beachfront.

## 4.8.4. TSulu Executive Bunkhouse

It was a challenging year for the Bunkhouse as the occupancy rate averaged at 4% from January to December. More marketing efforts are needed to promote the Bunkhouse as a youth camp, corporate retreat, etc. A review will be taken in 2018.

## 4.8.5. Highlights for the year;

- i. New cruise liner product - "Day at the Beach",
- ii. New BBQ sets for picnic patrons and cruise liner guests,
- iii. And increased event bookings at Tiki Pool Bar .

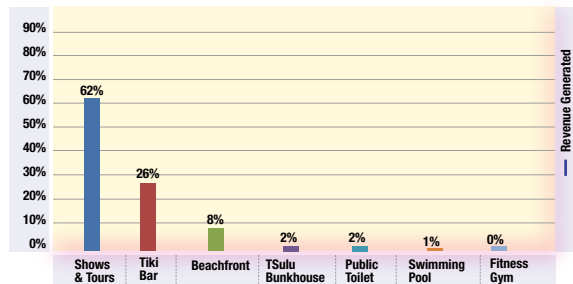
## 4.8.6. The challenges faced during the year;

- i. General repair & maintenance issues (plumbing, water pressure, wood work & carpentry, etc),
- ii. And Human Resource issues,

## 4.8.7. Opportunities for the Tiki bar;

- i. Events venue - Tiki Pool Bar and Yatu Lau Family Picnic Park,
- ii. And movie production location (including commercials, etc)

Graph 6: Percentage of Revenue Generated by Each Business Unit at The Arts Village.



## 5.0. PROPERTY MANAGEMENT

The year 2017 was a very challenging year for the properties team in trying to continue with its Repairs and Maintenance Program on all our Properties given the tight Cash Flow position of the Company. The renovations, repairs and ongoing maintenance of Yatu Lau properties were more than the previous year. The team was faced with huge challenge to prioritize.



Officers at work.

## 5.1. Capital Works

Major cyclone upgrading works were put on hold due to tight cash flow and funding support from our bank. This is to be pursued in 2018 and also for Insurance Compliance as well.

All minor/major projects were done through careful planning and prioritizing of works. All repairs and maintenance works were done on a property by property basis focusing on all key revenue generating assets to maximize its potential. With the recruitment of specialized tradesman to the team, most of the works were being carried out by the team instead of outsourcing to save cost.

## 5.2. Major Asset Improvements

There were several properties planned for major upgrades as follows.

**5.2.1.** Waimanu Road (Fiji Peace Corp) – Internal and External upgrades were done having an estimated cost of \$55,000. Works involved roofing repairs, painting, plumbing and electrical.

# The Chief Executive Officer's Report (cont'd)

**5.2.2.** Lagoon Resort – Installation of two 10,000 liters Water tanks with water pumps to solve the low water pressure during peak occupancy in the hotel.

**5.2.3.** Arts Village - Installation of two 10,000 liters Water tanks with water pumps to solve the low water pressure. New roofing and guttering installations to main leakage affected areas.

**5.2.4.** Kontiki Hotel – Installation of a 5,000 liters water tanks with water pumps. Room renovations, interior joinery works, electrical works and plumbing works.

**5.2.5.** Rodwell Road (Arcade) – Roof Leakage repairs and guttering works, waterproofing works, public toilet upgrading works.

**5.2.6.** Studio 6 Hotel – Internal room upgrades, installations of new counters in room, painting of interior and exterior walls, plumbing works.

## 5.3. Future Considerations for 2018 and 2019

**5.3.1** Structural Upgrading works (Engineer Cyclone Certification),

**5.3.2** And new Business Ventures (Restaurants to cater for Hotels, Hiring of Equipments, Yatu Lau Construction Company)

## 5.4. 2017 PROPERTIES EXPENSES

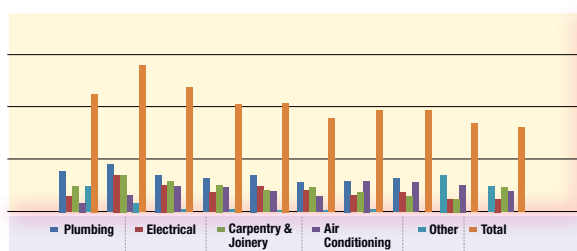
**5.4.1.** The table below shows the summary of the repairs and maintenance by property carried out for the year 2017 compared to 2016.

	Property	Property Maintenance Expenses for 2017	Property Maintenance Expenses for 2016
1	Yatu Lau Arcade	\$ 54,834.29	\$ 67,321.98
2	Dinem House	\$ 34,807.13	\$ 48,088.35
3	Total House	\$ -	\$ -
4	Waimanu Road	\$ 31,206.85	\$ -
5	Studio 6 Hotel	\$ 74,997.90	\$ 88,803.52
6	Arts Village	\$ 91,803.68	\$ 83,472.27
7	Art Village - Beachfront	\$ 2,344.14	\$ -
8	Lagoon Resort	\$ 32,260.92	\$ 36,213.35
9	Kontiki Hotel	\$ 5,959.88	\$ 11,374.83
10	Mead Road Apartments	\$ -	\$ -
11	Berry Road Apartments	\$ 3,492.71	\$ 7,076.09
12	Amy St Apartments	\$ -	\$ -
	<b>TOTAL</b>	<b>\$ 331,707.50</b>	<b>\$ 342,350.39</b>

### 5.4.2. Complaints Register

The graph and table below shows the types of complaints received for year 2017 on a monthly basis;

**Graph 8: Complaints received for year 2017.**



trends and platforms. This resulted in sustaining our finance system on a new platform which is now upgraded to give Yatu Lau a more scalable system to later integrate with cloud based Enterprise Resource Planning (ERP) Solutions.



*Finance presenting a report during one of the weekly meetings.*

## 6.0. INFORMATION TECHNOLOGY

**6.1.** Recent changes in the global Information Technology platform which has resulted in an exponential growth in Cloud services has shifted our focus to look into more economical and efficient solutions to support Yatu Lau Company Limited operation's.

**6.2.** In 2017, we had thoroughly examined all new possibilities in line with the current technological

**6.3.** By adapting to this new platform we already qualify for integration with MYOB ERP solution, called the MYOB Business EXO. This has a direct implication on entire company operation by gradually reducing budgetary constraints up to 75% on IT once fully merged with the ERP system.



# The Chief Executive Officer's Report (cont'd)

**6.4.** Research and requirements gathering to implement integrated systems had triggered data cleansing and reassessment of work process.

**6.5.** A thorough extraction and data cleansing exercise paved way for a successful implementation of Registry Software which is in its final testing phase.

**6.6.** Remotely monitoring company operations using CCTV and remote access tools has seen significant system and operational downtime. This is complemented with stringent backup policy and Disaster Recovery protocol in place.

## 7.0. HUMAN RESOURCE AND ADMINISTRATION

**7.1.** From December 2016 Staff No.s was at 107 and as at 31st December 2017 had increased to 114.

**Graph 8: Total number of staff.**



**7.2.** This was due to the need by the Hotels Department to accommodate the high occupancy of their operations that demanded more specialized positions during the year.

**7.3.** Total salaries and wages cost was \$1,233,990.00 compared to \$1,196,848.00 in 2016.

**7.4.** This was an increase compared to the previous years due to the upgrades and special projects undertaken in 2017.

## 7.5. Training and Staff Development.

During the year training and refresher courses were undertaken in the following areas:

	Type of Training	Date of Training
1	Competency Based competency Based on HR Management	20/3-21/3
2	Competency Based Training Needs Analysis	23/3-24/3
3	NFA Training Fire Safety at workplace	11/5/2017
4	First Aid and CPR Training	24/3-25/3/2017
5	Innovations on SME's organization	19-24/3/2017

**7.6.** Training and up skilling was the main focus for 2017 for management and staff's in 2017.



*Completion of a Leadership Course for some supervisors and teamleaders.*

**7.7.** Security Services: Two Security firms were engaged during the year compared to 2016 which was three.

**7.8.** Organization restructure that was implemented in 2016 continued in 2017 with no changes to the structure. The staff disciplinary processes and procedures were strictly followed with the guidance of the Human Resource Policy and the Human Resource Sub-Committee.



*Staff representatives from the various hotels and properties attending an OHS training at the Lagoon Resort.*

**7.9** Administration is a key function that administers the operations and staffing of the Commercial properties with assisting in in-house securities, cleaners, cashiers and carpark attendants. Due to the high costs of security services we are further exploring the possibilities of new business in the security sector.

## 8.0. ACKNOWLEDGMENT

I wish to acknowledge the support and guidance of the Chair and Directors throughout the year and a big Vinaka Vaka Levu to my Management team and all the staff for your cooperation.

# YATU LAU COMPANY LIMITED and Subsidiary Financial Statements For The Year Ended 31 December 2017

## Contents

Table of contents	18
Directors' report	19-20
Directors' declaration	21
Auditor's independence declaration	22
Independent audit opinion	23-25
Consolidated statement of comprehensive income	26
Consolidated statement of changes in equity	27
Consolidated statement of financial position	28
Consolidated statement of cash flows	29
Notes to the consolidated financial statements	30-54

# YATU LAU COMPANY LIMITED and Subsidiary Directors' Report For The Year Ended 31 December 2017

In accordance with a resolution of the board of directors, the directors herewith submit the consolidated statement of financial position of Yatu Lau Company Limited ('the Company') and the subsidiary Company (collectively 'the Group') as at 31 December 2017, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended on that date and report as follows:

## Directors

The names of the directors at any time during the financial year and up to the date of this report are:

Adi Koila Nailatikau - Chairperson  
Aisea Taoka  
Fusi Vave (deceased 25th February 2018)  
Ilaisa Kacisolomone  
Jiu Daunivalu  
Savenaca Tuivaga  
Esther Williams (Elected 28th July 2017)

Isireli Mokunitulevu - Deputy Chairperson  
Sialeni Vuetaki  
Isikeli Taoi (Resigned 27th March 2018)  
Tevita Peni Mau  
Tom Ricketts (Retired 28th July 2017)  
Parayame Cakacaka (Elected 28th July 2017)

## Principal activities

The principal activities of the Company during the year were that of owners and administrators of properties, hotel operations and equity investments. The principal activities of the subsidiary Company during the year were of equity investments and property development. The subsidiary Company did not operate during the year. There were no significant changes in these activities during the year.

## Results

### *Operating profit*

The consolidated operating profit was \$215,331 (2016: \$514,815). The operating profit for the holding Company for the year was \$217,331 (2016: \$281,046).

### *Net Profit after tax and Unrealised Revaluation Gain*

The consolidated net profit after income tax and revaluation gain for the year was \$2,640,771 (2016: \$2,024,675) after providing for income tax expense and unrealised valuation gain of \$1,264,580 (2016: \$2,504,516) and \$3,690,020 (2016: \$4,014,376) respectively

The net profit after income tax for the holding Company for the year was \$2,642,771 (2016: \$1,790,906) after providing for income tax expense and unrealised valuation gain of \$1,264,580 (2016: \$2,504,516) and \$3,690,020 (2016: \$4,014,376) respectively.

## Dividends

The directors proposed that no dividend be paid for the year (2016: Nil).

## Reserves

To comply with the requirements of the Companies Act 2015, the Directors transferred the balance of the Share Premium Reserve to issues capital.

## Going concern

The financial statements have been prepared on a going concern basis, which contemplates the continuity of business activities and the realisation of assets and the payments of liabilities in the normal course of business.

## Bad and doubtful debts

Prior to the completion of the Company and 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 allowance for doubtful debts. In the opinion of directors, adequate allowance 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 the Group, the directors took reasonable steps to ascertain whether any non-current assets were unlikely to be realised in the ordinary course of business compared to their values as recorded in the accounting records of the Company and the Group. Where necessary these assets have been written down or adequate allowance has been made to bring the values of such assets to an amount that they might be expected to realise.

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.

# YATU LAU COMPANY LIMITED and Subsidiary

## Directors' Report (cont'd)

### For The Year Ended 31 December 2017

#### Significant events

During the year, the Company was audited by Fiji Revenue and Customs Services and a tax liability of \$1,315,505 was raised. Accruals have been made in the financial statements for the full tax liability including all penalties.

#### Unusual transactions

In the opinion of the directors, the results of the operations of the Company and the Group during the financial year were not substantially affected by any item, transaction or event of a material unusual nature, nor has there arisen between the end of the financial year and the date of this report any item, transaction or event of a material unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Company or the Group in the current financial year, other than those reflected in the financial statements.

#### Events subsequent to balance date

Subsequent to the balance date, the board came to a resolution to sell the Mead Road property in order to pay the liability formed by the tax audit performed by FRCS.

#### 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 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 the Group's financial statements, which would make adherence to the existing method of valuation of assets or liabilities of the Company 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 and the Group 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.

#### Auditor independence

The directors have obtained an independence declaration from the Company's auditor, Ernst & Young. A copy of the auditor's independence declaration is set out in the Auditor's Independence Declaration to the Directors of Yatu Lau Company Limited on page 22.

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

Dated this 9th day of May 2018.



Adi Koila Mara Nailatikau  
Chairperson

# YATU LAU COMPANY LIMITED and Subsidiary Directors' Declaration For The Year Ended 31 December 2017

This Directors' declaration is required by the Companies Act 2015.

The Directors of the Company have made a resolution that declared:

- (a) In the Directors' opinion, the financial statements and notes of the Company and subsidiary for the financial year ended 31 December 2017:
  - (i) give a true and fair view of the financial position of the Company and the subsidiary as at 31 December 2017 and of the performance of the Company and the subsidiary for the year ended 31 December 2017; and
  - (ii) have been made out in accordance with the Company and the Group of Companies Act 2015.
- (b) They have received declarations as required by section 395 of the Companies Act 2015.
- (c) at the date of this declaration, in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed for and on behalf of the board.



Adi Koila Mara Nailatikau  
Chairperson

### **Auditor's Independence Declaration to the Directors of Yatu Lau Company Limited**

As lead auditor for the audit of Yatu Lau Company Limited for the financial year ended 31 December 2017, I declare to the best of my knowledge and belief, there have been:

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

This declaration is in respect of Yatu Lau Company Limited and the entities it controlled during the financial year.



Ernst & Young  
Chartered Accountants



Sikeli Tuinamuana  
Partner  
Suva, Fiji

Date: 9 May 2018

## **INDEPENDENT AUDIT REPORT**

To the Shareholders of Yatu Lau Company Limited

### **Report on the Audit of the Consolidated Financial Statements**

#### **Opinion**

We have audited the consolidated financial statements of Yatu Lau Company Limited (the Company), which comprise the consolidated statement of financial position as at 31 December 2017, and 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 consolidated financial statements, including a summary of significant accounting policies.

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

#### **Emphasis of matter**

Without further qualification of the opinion expressed above, attention is drawn to Note 28 of the consolidated financial statements. At 31 December 2017, the Company recorded a negative working capital of \$547,314 (2016: \$2,578,311). The Group also recorded a negative working capital of \$657,116 (2016: \$2,686,113). Accordingly, there is uncertainty as to whether the Group and the Company will be able to continue as a going concern and whether it will be able to pay its debts as they become due and payable, realise its assets and extinguish its liabilities in the normal course of business at the amounts stated in the consolidated financial statements. The directors and management have a plan to address this deficiency which includes the sale of some properties.

#### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountant's Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Fiji and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **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 consolidated financial statements in accordance with IFRS and the Companies Act 2015, and for such internal control as the management and Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, 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 the management and Directors either intend to liquidate the Group or 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.

## **INDEPENDENT AUDIT REPORT *continued***

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements 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 ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud and 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 the consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated 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 the management's 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 Group's ability to continue as a going concern. If we conclude that material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the management and 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 also provide the management and 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.



**INDEPENDENT AUDIT REPORT *continued***

**Report on Other Legal and Regulatory Requirements**

In our opinion, the financial statements have been prepared in accordance with the requirements of the Companies Act 2015 in all material respects, and;

- a) we have been given all information, explanations and assistance necessary for the conduct of the audit; and
- b) the Company has kept financial records sufficient to enable the financial statements to be prepared and audited.



Ernst & Young  
Chartered Accountants



Sikeli Tuinamuana  
Partner  
Suva, Fiji

Date: 9 May 2018

# YATU LAU COMPANY LIMITED and Subsidiary

## Consolidated Statement Of Comprehensive Income

### For The Year Ended 31 December 2017

	Notes	Group		Company	
		2017 \$	2016 \$	2017 \$	2016 \$
<b>Revenue</b>					
Rental income	2(a)	3,331,662	3,343,611	3,331,662	3,343,611
Hotel revenue	2(b)	2,511,531	2,182,401	2,511,531	2,182,401
		5,843,193	5,526,012	5,843,193	5,526,012
<b>Other revenue</b>					
Interest income	3(b)	433	106,202	433	106,202
Other income		46,742	117,102	46,742	117,102
<b>Total revenue</b>		<b>5,890,368</b>	<b>5,749,316</b>	<b>5,890,368</b>	<b>5,749,316</b>
<b>Expenses</b>					
Property maintenance expenses	3(a)	(1,126,735)	(1,042,206)	(1,126,735)	(1,042,206)
Hotel operating expense	3(a)	(2,208,514)	(2,277,778)	(2,208,514)	(2,277,778)
Administration expenses	3(a)	(1,464,739)	(990,611)	(1,462,739)	(1,224,380)
Finance costs	3(c)	(875,049)	(923,906)	(875,049)	(923,906)
<b>Total expense</b>		<b>(5,675,037)</b>	<b>(5,234,501)</b>	<b>(5,673,037)</b>	<b>(5,468,270)</b>
<b>Profit from operations</b>		<b>215,331</b>	<b>514,815</b>	<b>217,331</b>	<b>281,046</b>
Change in fair value of investment properties		3,690,020	4,014,376	3,690,020	4,014,376
<b>Profit before income tax</b>		<b>3,905,351</b>	<b>4,529,191</b>	<b>3,907,351</b>	<b>4,295,422</b>
Income tax expense	4	(1,264,580)	(2,504,516)	(1,264,580)	(2,504,516)
<b>Net profit for the year</b>		<b>2,640,771</b>	<b>2,024,675</b>	<b>2,642,771</b>	<b>1,790,906</b>
<b>Other comprehensive income</b>					
Revaluation of land and buildings	27	647,665	557,391	647,665	557,391
Income tax effect	4	(129,533)	(111,478)	(129,533)	(111,478)
<b>Total comprehensive income, net of tax</b>		<b>3,158,903</b>	<b>2,470,588</b>	<b>3,160,903</b>	<b>2,236,819</b>
Attributable to:					
Equity holders of the company		3,158,903	2,470,588		
Earnings per share					
Basic and diluted earnings per share - cents	17	36.16	34.69		
Dividends per share - cents		-	-		

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

# YATU LAU COMPANY LIMITED and Subsidiary

## Consolidated Statement Of Changes In Equity

### For The Year Ended 31 December 2017

	Notes	Group		Company	
		2017 \$	2016 \$	2017 \$	2016 \$
<b>Share capital</b>					
At 1 January		7,121,380	7,097,109	7,121,380	7,097,109
Movement during the year		1,613,478	24,271	1,613,478	24,271
At 31 December	15	8,734,858	7,121,380	8,734,858	7,121,380
<b>Capital reserve</b>					
At 1 January		396,635	396,635	396,635	396,635
At 31 December		396,635	396,635	396,635	396,635
<b>Investment revaluation reserve</b>					
At 1 January		32,964	32,964	-	-
At 31 December		32,964	32,964	-	-
<b>Asset revaluation reserve</b>					
At 1 January		4,182,700	3,736,787	4,182,700	3,736,787
Movement during the year		518,132	445,913	518,132	445,913
At 31 December	27	4,700,832	4,182,700	4,700,832	4,182,700
<b>Share premium</b>					
At 1 January		908,749	891,027	908,749	891,027
Movement during the year		(908,749)	17,722	(908,749)	17,722
At 31 December	16	-	908,749	-	908,749
<b>Retained earnings</b>					
At 1 January		21,732,779	19,708,104	21,590,580	19,799,674
Operating profit after income tax		2,640,771	2,024,675	2,642,771	1,790,906
At 31 December		24,373,550	21,732,779	24,233,351	21,590,580
		<b>38,238,839</b>	<b>34,375,207</b>	<b>38,065,676</b>	<b>34,200,044</b>

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

# YATU LAU COMPANY LIMITED and Subsidiary

## Consolidated Statement Of Financial Position

### As At 31 December 2017

	Notes	Group		Company	
		2017 \$	2016 \$	2017 \$	2016 \$
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	5	31,945	40,812	31,945	40,812
Trade and other receivables	6	388,450	467,114	388,450	467,114
Other assets	7	214,357	236,687	257,786	280,116
Inventories	8	23,652	37,788	23,652	37,788
Income tax refund		-	21,058	-	21,058
		658,404	803,459	701,833	846,888
Non-current asset held for sale	26	2,375,000	-	2,375,000	-
		3,033,404	803,459	3,076,833	846,888
<b>Non-current assets</b>					
Investment properties	9	45,813,968	44,355,608	45,813,968	44,355,608
Available-for-sale financial assets	10	282,965	282,965	-	-
Property, plant and equipment	11	15,688,342	14,838,756	15,688,342	14,838,756
Deferred tax assets	4	164,820	240,363	164,820	240,363
		61,950,095	59,717,692	61,667,130	59,434,727
<b>Total assets</b>		<b>64,983,499</b>	<b>60,521,151</b>	<b>64,743,963</b>	<b>60,281,615</b>
<b>Current liabilities</b>					
Trade and other payables	12	2,266,019	2,303,142	2,199,646	2,238,769
Interest bearing borrowings	13	1,239,180	1,150,614	1,239,180	1,150,614
Employee benefit liability	14	43,015	35,816	43,015	35,816
Income tax liability		142,306	-	142,306	-
		3,690,520	3,489,572	3,624,147	3,425,199
<b>Non-current liabilities</b>					
Trade and other payables	12	304,396	269,100	304,396	269,100
Interest bearing borrowings	13	16,072,406	16,865,142	16,072,406	16,865,142
Deferred tax liability	4	6,677,338	5,522,130	6,677,338	5,522,130
		23,054,140	22,656,372	23,054,140	22,656,372
<b>Total liabilities</b>		<b>26,744,660</b>	<b>26,145,944</b>	<b>26,678,287</b>	<b>26,081,571</b>
<b>Net assets</b>		<b>38,238,839</b>	<b>34,375,207</b>	<b>38,065,676</b>	<b>34,200,044</b>
<b>Shareholders' equity</b>					
Share capital	15	8,734,858	7,121,380	8,734,858	7,121,380
Share premium	16	-	908,749	-	908,749
Capital reserve		396,635	396,635	396,635	396,635
Investment revaluation reserve		32,964	32,964	-	-
Asset revaluation reserve	27	4,700,832	4,182,700	4,700,832	4,182,700
Retained earnings		24,373,550	21,732,779	24,233,351	21,590,580
<b>Total shareholders' equity</b>		<b>38,238,839</b>	<b>34,375,207</b>	<b>38,065,676</b>	<b>34,200,044</b>

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

# YATU LAU COMPANY LIMITED and Subsidiary

## Consolidated Statement Of Cash Flows

### For The Year Ended 31 December 2017

	Note	Group		Company	
		2017 \$	2016 \$	2017 \$	2016 \$
<b>Operating activities</b>					
Receipts from tenants and customers		5,947,578	5,279,116	5,947,578	5,279,116
Payments to suppliers and employees		(3,883,131)	(3,358,974)	(3,883,131)	(3,358,974)
Cash generated from operations		2,064,447	1,920,142	2,064,447	1,920,142
Interest received		433	106,202	433	106,202
Interest paid		(875,049)	(923,906)	(875,049)	(923,906)
<b>Net cash provided by operating activities</b>		<b>1,189,831</b>	<b>1,102,438</b>	<b>1,189,831</b>	<b>1,102,438</b>
<b>Investing activities</b>					
Payments for property, plant and equipment		(360,342)	(232,925)	(360,342)	(232,925)
Proceed from property, plant and equipment		15,400	173,089	15,400	173,089
Payments for investment properties		(143,340)	(117,500)	(143,340)	(117,500)
Proceeds from sale of non-current asset		-	297,000	-	297,000
<b>Net cash (used in)/ provided by Investing Activities</b>		<b>(488,282)</b>	<b>119,664</b>	<b>(488,282)</b>	<b>119,664</b>
<b>Financing activities</b>					
Repayment of borrowings		(789,667)	(985,649)	(789,667)	(985,649)
Dividends paid		(6,246)	(133,262)	(6,246)	(133,262)
<b>Net cash flow used in financing activities</b>		<b>(795,913)</b>	<b>1,118,911)</b>	<b>(795,913)</b>	<b>(1,118,911)</b>
<b>Net (decrease)/ increase in cash and cash equivalents</b>		<b>(94,364)</b>	<b>103,191</b>	<b>(94,364)</b>	<b>103,191</b>
<b>(Overdraft) at 1 January</b>		(128,928)	(232,119)	(128,928)	(232,119)
<b>Overdraft at 31 December</b>	5	<b>(223,292)</b>	<b>(128,928)</b>	<b>(223,292)</b>	<b>(128,928)</b>

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

# YATU LAU COMPANY LIMITED and Subsidiary

## Notes To The Consolidated Financial Statements

### For The Year Ended 31 December 2017

#### 1 Corporate Information

The consolidated financial statements of Yatu Lau Company Limited and its subsidiary for the year ended 31 December 2017 were authorised for issue in accordance with a resolution of the directors on 9 May 2018. Yatu Lau Company Limited is a limited liability Company incorporated under the Fiji Companies Act, 2015 and domiciled in Fiji. Its principal activities, registered office and principal place of business are disclosed in Notes 29 and 30.

##### 1.1 Basis of preparation

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”).

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with the current financial year amounts and other disclosures.

##### New and amended standards and interpretations

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. None of these are expected to have significant impact on the financial statements.

Reference	Summary	Application date of standard.	Application date for the Company.
IFRS 15 Revenue from Contracts with Customers	Requires revenue to be recognized on satisfaction of the performance obligations specified under contracts.	1 January 2018	1 January 2018
IFRS 9 Financial Instruments – 2015 - Impairment	New requirements on recognition of expected credit losses.	1 January 2018	1 January 2018
IFRS 16 Leases	Requires operating leases to be recognized on balance sheet.	1 January 2019	1 January 2019

At the date of this report, the Group has adopted IFRS 9 and IFRS 15 as of 1 January 2018.

##### 1.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of Yatu Lau Company Limited and its subsidiary Yatu Lau Property Development Limited as at 31 December 2017.

##### Subsidiary

The subsidiary is fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. 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.

##### Associates

Associates are all entities which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investment in associates are accounted for using the equity method of accounting for consolidation purposes.

The Group’s share of its associates’ post acquisition profits or losses is recognised in the Statement of Comprehensive Income.

# YATU LAU COMPANY LIMITED and Subsidiary

## Notes To The Consolidated Financial Statements (cont'd)

### For The Year Ended 31 December 2017

#### **1.2 Basis of consolidation continued**

The requirements of IAS 28 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in its associates. When necessary, the entire carrying amount of the investment is tested for impairment as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment.

#### **1.3 Significant accounting judgments, estimates and assumptions**

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

##### ***Judgments***

In the process of applying the Company's accounting policies, management has made the following judgment, apart from those involving estimations, which has the most significant effect on the amounts recognised in the financial statements:

##### ***Estimations and assumptions***

The key assumptions concerning the future and other key sources of estimation uncertainty at balance date, that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below:

##### ***Impairment of non-financial assets***

The Company assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

##### ***Impairment losses on receivables***

Impairment of account receivable balances is assessed at an individual level. All debtors in the 90+ days category are generally considered impaired and provided for on a specific basis after a detailed review of individual account balances. Receivables considered uncollectable are written off in the year in which they are identified.

##### ***Revaluation of investment properties***

The Group carries its investment properties at fair value, with changes in fair value being recognised in the Statement of Comprehensive Income. In addition, it measures land and buildings at revalued amounts with changes in fair value being recognised in other comprehensive income. The Group engaged an independent valuation specialist to assess fair value as at 31 December 2017. A valuation methodology based on observable and not observable market data and observable internal financial data is used to estimate the fair value of investment properties.

The directors believe that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of investment properties.

##### ***Fair value of equity investments***

Management uses judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at each balance date. Given that the entities subject to these investments are primarily the subsidiary of the holding Company or associate of the holding Company or subsidiary Company, the fair value of the equity instruments is estimated to be the value in use of these entities. Investments in associated entities are accounted using the equity method of accounting in the Group's financial statements.

# YATU LAU COMPANY LIMITED and Subsidiary

## Notes To The Consolidated Financial Statements (cont'd)

### For The Year Ended 31 December 2017

#### 1.3 Significant accounting judgments, estimates and assumptions continued

##### *Deferred tax liabilities*

Deferred tax liability is recognised on taxable temporary differences over accounting and tax carrying amounts in respect of Company fixed assets and is measured at the tax rates that are expected to apply in the period in which the liability is expected to be settled. Management's decision in recording its deferred tax liability requires significant judgment and estimates of future tax rates and future tax payables. Accordingly, subsequent events may result in outcomes that may be different from judgments and estimates applied.

#### 1.4 Statement of significant accounting policies

##### (a) Functional and presentation currency

These financial statements are presented in Fiji dollars ("FJD"), which is the Company's functional currency. Except as indicated, financial information presented in FJD has been rounded to the nearest dollar.

##### (b) Foreign currencies

Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance date. All differences are taken to the Statement of Comprehensive Income. Non monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the date of the initial transaction. Non monetary items measured at fair value in a foreign currency are translated using the exchange rates when the fair value is determined.

##### (c) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost and any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Statement of Comprehensive Income over the term of the borrowings using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised as an expense in the year in which they are incurred.

##### (d) Property, plant and equipment

Land and buildings held for use in the production or supply of goods and services are stated at fair value, less any subsequent accumulated depreciation and subsequent impairment losses. Revaluation are performed by external independent valuers with sufficient regularity that the carrying amounts do not differ materially from those that would be determined using fair value at the end of each reporting year.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. Any revaluation increase arising on the revaluation of such land and buildings is credited as other comprehensive income in the Statement of Comprehensive Income and recorded as revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged against other comprehensive income and revaluation reserves in the equity; all other decreases are charged as expense in the Statement of Comprehensive Income. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the asset revaluation reserve is transferred directly to retained earnings.



# YATU LAU COMPANY LIMITED and Subsidiary

## Notes To The Consolidated Financial Statements (cont'd)

### For The Year Ended 31 December 2017

#### 1.4 Statement of significant accounting policies continued

##### (d) Property, plant and equipment continued

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the item.

Depreciation is provided on property, plant and equipment, excluding freehold land. Depreciation is calculated on a straight line basis over the useful life of the asset as follows:

Building on freehold land	50 years
Furniture, fittings and equipment	5 - 8 years
Motor vehicles	5 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in Statement of Comprehensive Income in the year the asset is derecognised. The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

##### (e) Impairment of non financial assets

The company 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 company 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 groups of assets

When 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 value model is used.

For assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the company makes an estimate of the recoverable amount. A previously recognised 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 recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such a reversal is recognised in the Statement of Comprehensive Income.

##### (f) 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 by the balance date.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the Statement of Comprehensive Income.

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

# YATU LAU COMPANY LIMITED and Subsidiary

## Notes To The Consolidated Financial Statements (cont'd)

### For The Year Ended 31 December 2017

#### 1.4 Statement of significant accounting policies continued

##### (f) Taxes continued

###### *Deferred income tax*

- where the deferred income tax liability arises from goodwill amortisation 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 subsidiaries, 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 recognised 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 utilised except:

- where the deferred 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 subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised 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 utilised.

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 income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance date and are recognised 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 realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date. Deferred income tax relating to items recognised directly in equity is recognised in equity and not in the Statement of Comprehensive Income.

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 income tax liabilities and the deferred income taxes related to the same taxable entity and the same taxation authority.

###### *Value Added Tax*

Revenue, expenses and assets are recognised net of the amount of Value Added Tax (VAT) except:

- where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognised 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 VAT included.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

##### (g) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand and net of outstanding bank overdraft. For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above. Bank overdrafts are included in borrowings in current liabilities in the Statement of Financial Position.

# YATU LAU COMPANY LIMITED and Subsidiary

## Notes To The Consolidated Financial Statements (cont'd)

### For The Year Ended 31 December 2017

#### 1.4 Statement of significant accounting policies continued

##### (h) 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 recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The company determines the classification of its financial assets on initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end.

##### *Held-to-maturity investments*

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the company has the positive intention and ability to hold it to maturity. After initial measurement held-to-maturity investments are measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the Statement of Comprehensive Income when the investments are derecognised or impaired, as well as through the amortisation process.

Available-for-sale financial assets are initially recognised at fair value plus transaction costs. Financial assets are de-recognised when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership.

Listed shares held by the group that are traded in the market are classified as being available for sale and are stated at fair value. Fair value for listed investments or quoted investments is based on current market prices. Unlisted investments are carried at cost value.

##### *Available-for-sale financial assets*

Changes in fair value of the available-for-sale financial assets are recognised in other comprehensive income and included in the investment revaluation reserve. When financial assets classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in the investment revaluation reserve are included in the Statement of Comprehensive Income.

Dividends on available-for-sale financial assets are recognised in the Statement of Comprehensive Income.

The Group assesses at each balance date whether there is objective evidence that a financial asset or a Group of financial asset is impaired. In case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on the financial assets previously recognised in the Statement of Comprehensive Income) is removed from fair value reserve within equity and recognised in the Statement of Comprehensive Income. Impairment losses recognised in the Statement of Comprehensive Income on equity instruments are not reversed through the Statement of Comprehensive Income.

##### *Loans and receivables*

Loans and trade receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and trade receivables are initially recognised at cost and original invoice amount (inclusive of VAT where applicable). After initial measurement, loans and receivables are carried at amortised cost using the effective interest method less any allowance for impairment. Gains and losses are recognised in the Statement of Comprehensive Income when the receivables are derecognised or impaired, as well as through the amortisation process. Bad debts are written off as incurred.

# YATU LAU COMPANY LIMITED and Subsidiary

## Notes To The Consolidated Financial Statements (cont'd)

### For The Year Ended 31 December 2017

#### 1.4 Statement of significant accounting policies continued

##### (i) Inventories

Inventories includes consumables and merchandise stocks. Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in-first-out principle. The cost of the inventories includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of the business, less the estimated cost of completion and selling expenses.

##### (j) Investment property

Investment properties principally comprising freehold land, leasehold land and buildings held to earn rentals and/or for capital appreciation are measured initially at cost, including transaction cost. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the balance date. Gains or losses arising from changes in the fair values of investment properties are included in the Statement of Comprehensive Income in the year in which they arise.

##### (k) Non-current asset held for sale

Non-current assets and disposal Groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets and disposal Groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal Group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Property, plant and equipment once classified as held for sale are not depreciated or amortised.

##### (l) Trade receivables

Trade receivables are carried at original invoice amount less allowance made for impairment of these receivables. An allowance for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments are considered indicators that the trade receivable is impaired. Impairment assessment at a collective level is based on past experience and data in relation to actual write-offs.

When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the Statement of Comprehensive Income.

##### (m) 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. Amounts payable that have been denominated in foreign currencies have been translated to local currency using the rates of exchange ruling at the end of the financial year.

##### (n) Employee entitlements

*Wages, salaries and sick leave*

Liabilities for wages and salaries expected to be settled within 12 months of the reporting date are accrued up to the reporting date. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates prevailing at that time.

*Annual leave*

Provisions made in respect of employee benefits expected to be settled within 12 months of the reporting date are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

# YATU LAU COMPANY LIMITED and Subsidiary

## Notes To The Consolidated Financial Statements (cont'd)

### For The Year Ended 31 December 2017

#### 1.4 Statement of significant accounting policies continued

##### (n) Employee entitlements (cont'd)

###### *Defined contribution plans*

Contribution to Fiji National Provident Fund or other superannuation plans are expensed when incurred.

###### *Bonus plans*

The group pays bonuses to employees based on performance of the group and achievement of individual objectives by the employees. The group recognises a provision when contractually obliged or where there is a past practice, subject to performance evaluation.

##### (o) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and reliable estimate can be made of the amount of the obligation. Where the Company expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when reimbursement is virtually certain. If the effect of time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as an interest expense.

##### (p) Financial liabilities

###### *Interest bearing loans and borrowings*

All loans and borrowings are initially recognised at fair value less directly attributable transaction costs, and have not been designated 'as at fair value through the profit and loss'.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised on the statement of comprehensive income when the liabilities are derecognised as well as through the amortisation process.

##### (q) Dividend distribution

Dividend declared but not distributed is recognised as a liability in the group's financial statements in the period in which the dividends are proposed or declared by the company's directors.

Dividends paid during the year are subject to the provisions of the Fiji Income Tax Act and Income Tax (Dividend) Regulations 2016.

##### (r) Leases

###### *Group as lessor*

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease.

##### (s) Comparative figures

Where necessary, comparative information has been re-classified to achieve consistency in disclosure with current financial year amounts.

# YATU LAU COMPANY LIMITED and Subsidiary

## Notes To The Consolidated Financial Statements (cont'd)

### For The Year Ended 31 December 2017

#### 1.4 Statement of significant accounting policies continued

##### (t) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and sales taxes. The following specific recognition criteria must also be met before revenue is recognised:

- Rental income arising from operating leases on investment properties is accounted for on a straight line basis over the lease terms.
- Revenue from hotel operations is recognised when services are rendered.
- Gain on sale of properties is recognised when the significant risk and rewards of ownership of the properties have passed to the buyer, usually when legal title passes to the buyer.
- Dividend income from investments is recognised when the right to receive the payment is established.
- Interest income is recognised on an accrual basis.

##### (u) Earnings per share

###### *Basic earnings per share*

Basic earnings per share (EPS) is determined by dividing net profit after income tax attributable to members of the company by the weighted average number of ordinary shares during the year.

###### *Diluted Earnings per share*

Diluted EPS is the same as the basic EPS as there are no ordinary shares which are considered dilutive.

##### (v) Segment information

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products and services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environment.

###### *(a) Industry segment*

The company operates in two business segments which are property rental and hotel industry. Details are disclosed in Note 22.

###### *(b) Geographical segment*

The company operates predominantly in Fiji and has therefore one geographical area for reporting purposes.

# YATU LAU COMPANY LIMITED and Subsidiary

## Notes To The Consolidated Financial Statements (cont'd)

### For The Year Ended 31 December 2017

		Group		Company	
2	REVENUE	2017	2016	2017	2016
(a)	Rental income	\$	\$	\$	\$
	Amy Street	23,880	47,717	23,880	47,717
	Arts Village	728,921	817,372	728,921	817,372
	Berry Road	119,461	105,924	119,461	105,924
	Dinem House	577,056	579,056	577,056	579,056
	Mead Road	20,400	20,040	20,400	20,040
	Total House	89,000	89,000	89,000	89,000
	Vatoa Street	-	3,040	-	3,040
	Waimanu Road	119,655	118,172	119,655	118,172
	Yatu Lau Arcade	1,653,289	1,563,290	1,653,289	1,563,290
		3,331,662	3,343,611	3,331,662	3,343,611
(b)	Hotel revenue	\$	\$	\$	\$
	Accommodation sales	1,901,660	1,732,131	1,901,660	1,732,131
	Conference sales	264,077	191,716	264,077	191,716
	Food and beverage	258,774	232,215	258,774	232,215
	Miscellaneous	87,020	26,339	87,020	26,339
		2,511,531	2,182,401	2,511,531	2,182,401
3	EXPENSES	\$	\$	\$	\$
Profit before income tax has been determined after charging the following expenses:					
(a)	Operating expenses				
	Auditor's remuneration				
	- audit services	18,500	15,000	17,250	13,000
	- other services	2,250	2,250	1,500	1,500
	Accounting services	5,796	4,425	5,796	3,675
	Depreciation	155,178	158,802	155,178	158,802
	Directors' fees	82,486	92,384	82,486	92,384
	Directors and officers liability insurance	6,038	6,014	6,038	6,014
	Doubtful debts	73,083	173,676	73,083	173,676
	FNPF contributions	121,716	122,387	121,716	122,387
	Fringe benefit tax	1,454	1,666	1,454	1,666
	Impairment loss	-	-	-	389,327
	Salaries, wages, bonus and allowances	1,233,990	1,196,898	1,233,990	1,196,898
	Security costs	189,649	341,918	189,649	341,918
	Fiji National University levy	13,036	12,910	13,036	12,910
	Motor vehicle expenses	37,960	39,964	37,960	39,964
	Telephone and internet	55,012	54,757	55,012	54,757
	Travelling and Accommodation	65,309	63,094	65,309	63,094
	Penalties	758,236	-	758,236	-
	Postage and stationery	53,559	54,692	53,559	54,692
	Insurance	180,631	239,521	180,631	239,521
	Repairs and maintenance	144,393	107,749	144,393	107,749
	Other expenses	1,601,712	1,622,488	1,601,712	1,470,430
		4,799,988	4,310,595	4,797,988	4,544,364

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

# YATU LAU COMPANY LIMITED and Subsidiary

## Notes To The Consolidated Financial Statements (cont'd)

### For The Year Ended 31 December 2017

3	EXPENSES (cont'd)	Group		Company	
		2017 \$	2016 \$	2017 \$	2016 \$
(b)	<u>Finance income</u>				
	Interest income on financial assets	433	106,202	433	106,202
(c)	<u>Finance expense</u>				
	Interest on borrowings	875,049	923,906	875,049	923,906
4	<b>INCOME TAX EXPENSE</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
	Operating profit before tax	3,905,351	4,529,191	3,905,351	4,295,422
	Prima facie tax there on at 20%	781,070	905,838	781,070	859,084
	Non-deductible items	167,410	83,036	167,410	83,036
	Overprovision from prior year	72,745	-	72,745	-
	Reversal of tax losses not recognised	-	(141,069)	-	(94,315)
	Tax losses utilised	-	(17,115)	-	(17,115)
	Change in tax rate	-	1,772,701	-	1,772,701
	Restatement of deferred balances	243,355	(98,875)	243,355	(98,875)
	Income tax expense reported in the statement of comprehensive income	1,264,580	2,504,516	1,264,580	2,504,516

Deferred tax related to items charged or credited directly to OCI during the year:

Net gain on revaluation of buildings	129,533	111,478	129,533	111,478
Income tax charged directly to other comprehensive income	129,533	111,478	129,533	111,478

Net deferred liability at 31 December relates to the following:

<i>Deferred tax assets/(liability)</i>				
Doubtful debts	156,217	138,885	156,217	138,885
Provision for employee entitlements	8,603	7,163	8,603	7,163
Tax losses	-	94,315	-	94,315
Change in tax rate	-	(1,772,701)	-	(1,772,701)
Accelerated depreciation and revaluation increments	(6,677,338)	(3,749,429)	(6,677,338)	(3,749,429)
	(6,512,518)	(5,281,767)	(6,512,518)	(5,281,767)

Reflected in the consolidated statement of financial position as follows:

Deferred tax assets	164,820	240,363	164,820	240,363
Deferred tax liability	(6,677,338)	(5,522,130)	(6,677,338)	(5,522,130)
Net deferred tax liability	(6,512,518)	(5,281,767)	(6,512,518)	(5,281,767)



# YATU LAU COMPANY LIMITED and Subsidiary

## Notes To The Consolidated Financial Statements (cont'd)

### For The Year Ended 31 December 2017

5	CASH AND CASH EQUIVALENTS	Group		Company	
		2017 \$	2016 \$	2017 \$	2016 \$
	Cash and cash equivalents consist of cash on hand and balances with banks net of bank overdraft.				
	Cash on hand	2,300	2,300	2,300	2,300
	Cash at bank	29,645	38,512	29,645	38,512
	Cash and cash equivalents	31,945	40,812	31,945	40,812

For the purposes of the Statement of Cash Flows, cash and cash equivalents comprise cash above net of bank overdraft.

Cash and cash equivalents	31,945	40,812	31,945	40,812
Bank overdraft	(255,237)	(169,740)	(255,237)	(169,740)
Total cash and cash equivalents	(223,292)	(128,928)	(223,292)	(128,928)

6	TRADE AND OTHER RECEIVABLES	Group		Company	
		\$	\$	\$	\$
	<i>Current</i>				
	Trade receivables	589,164	656,298	589,164	656,298
	Less: provision for doubtful debts	(281,180)	(273,189)	(281,180)	(273,189)
	Total trade receivables	307,984	383,109	307,984	383,109
	Prepayments	16,134	19,673	16,134	19,673
	Deposits	64,332	64,332	64,332	64,332
	Other receivable	297,360	295,675	297,360	295,675
	Less: provision for doubtful debts	(297,360)	(295,675)	(297,360)	(295,675)
	Total other receivables	80,466	84,005	80,466	84,005
	Total trade and other receivables	388,450	467,114	388,450	467,114

Trade receivables principally comprises of amounts outstanding for rental of property and hotel accommodation. Trade receivables are non-interest bearing and are generally settled on 30 day terms.

Movement in the provision for impairment of receivables were as follows:

	\$	\$	\$	\$
At 1 January	568,864	451,116	568,864	451,116
Additional provision	9,676	117,748	9,676	117,748
At 31 December	578,540	568,864	578,540	568,864

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

	Total	Neither past due nor impaired	30 - 60 days	60 - 90 days	>90 days
Group	\$	\$	\$	\$	\$
2016	383,109	174,074	93,711	15,952	99,372
2017	307,984	116,924	81,646	15,660	93,754

# YATU LAU COMPANY LIMITED and Subsidiary

## Notes To The Consolidated Financial Statements (cont'd)

### For The Year Ended 31 December 2017

7	OTHER ASSETS	Notes	Group		Company	
			2017 \$	2016 \$	2017 \$	2016 \$
	Staff advances	(a)	158,363	173,622	158,363	173,622
	Less: provision for doubtful debts		(80,669)	(73,598)	(80,669)	(73,598)
	Advances:					
	Kabara Tikina Council	(b)	8,289	8,289	8,289	8,289
	Innovative Investment	(b)	184,641	184,641	-	-
	Lau Shipping Limited	(b)	50,958	50,958	50,958	50,958
	Yatu Lau Property	(b)	-	-	135,749	135,749
	Oneata Island Holding Ltd	(b)	20,389	20,389	20,389	20,389
	Tokalau Shipping Ltd		15,665	15,665	15,665	15,665
	<b>Share deposit</b>					
	Bua Investments		1,000	1,000	1,000	1,000
	Less: provision for doubtful debts		(144,279)	(144,279)	(51,958)	(51,958)
			214,357	236,687	257,786	280,116

(a) Advances to staff and related parties are unsecured and subject to interest at the rate of 10% per annum.

(b) Advances to associate company (Innovative Investment Company Limited), subsidiary company (Yatu Lau Property Development Limited) and shareholder related entities are unsecured, interest free and receivable on demand.

8	INVENTORIES	\$	\$	\$	\$
	Consumables and merchandise	23,652	37,788	23,652	37,788
9	INVESTMENT PROPERTIES	\$	\$	\$	\$
	At 1 January	44,355,608	40,223,732	44,355,608	40,223,732
	Additions from capital expenditure	143,340	117,500	143,340	117,500
	Property reclassified as held for sale	(2,375,000)	-	(2,375,000)	-
	Net gain from fair value adjustments	3,690,020	4,014,376	3,690,020	4,014,376
	At 31 December	45,813,968	44,355,608	45,813,968	44,355,608

The investment properties are stated at fair value based on independent valuations at open market value prepared on January 2018 by registered valuer Pacific Valuations Limited. The valuation has been adopted as at 31 December 2017.

Investment properties have been pledged as security to Westpac Banking Corporation for borrowings from those banks.

# YATU LAU COMPANY LIMITED and Subsidiary

## Notes To The Consolidated Financial Statements (cont'd)

### For The Year Ended 31 December 2017

10	FINANCIAL ASSETS	Notes	Group		Company	
			2017 \$	2016 \$	2017 \$	2016 \$
(a)	Available-for-sale financial assets					
	<u>Investments</u>					
	Investment in associates	(i)	432,965	432,965	150,000	150,000
	Provision for impairment		(150,000)	(150,000)	(150,000)	(150,000)
			282,965	282,965	-	-
	<u>Investment in subsidiary</u>					
	Yatu Lau Property Development Limited		-	-	239,327	239,327
	Provision for impairment		-	-	(239,327)	(239,327)
	Total available-for-sale financial assets		282,965	282,965	-	-
	<b>Total financial assets</b>		<b>282,965</b>	<b>282,965</b>	<b>-</b>	<b>-</b>
	<i>Reconciliation for available-for-sale financial assets for associates companies</i>					
	At 1 January		282,965	432,965	-	150,000
	Impairment loss		-	(150,000)	-	(150,000)
	At 31 December		282,965	282,965	-	-

(i) The company is a legal and beneficial owner of 25% shares in Innovative Investments Limited and Benatil Limited.

(b) Investment in associate companies

Company	Place of incorporation	Ordinary shares (\$1)		% Shareholding	
		2017 \$	2016 \$	2017 \$	2016 \$
Innovative Investment Company Limited	Fiji	1	1	25%	25%
Benatil Limited	Fiji	250,000	250,000	25%	25%
		250,001	250,001		

The entities did not trade during the year. As a result, the share of profits/losses was not recorded as the impact is not material.

# YATU LAU COMPANY LIMITED and Subsidiary

## Notes To The Consolidated Financial Statements (cont'd)

### For The Year Ended 31 December 2017

11	<b>PROPERTY, PLANT AND EQUIPMENT</b>	<b>2017</b> <b>\$</b>	<b>2016</b> <b>\$</b>	<b>2017</b> <b>\$</b>	<b>2016</b> <b>\$</b>
	<u>Freehold land</u>				
	Valuation:				
	At 1 January	3,545,000	3,545,000	3,545,000	3,545,000
	At 31 December	3,545,000	3,545,000	3,545,000	-
	<u>Building</u>				
	Valuation:				
	At 1 January	10,764,392	10,126,268	10,764,392	10,126,268
	Additions	43,974	80,733	43,974	80,733
	Revaluation	647,666	557,391	647,666	557,391
	At 31 December	11,456,032	10,764,392	11,456,032	10,764,392
	<i>Depreciation and impairment:</i>				
	At 1 January	-	-	-	-
	Reversal of depreciation	-	-	-	-
	Depreciation charge for the year	-	-	-	-
	At 31 December	-	-	-	-
	Net book value	15,001,032	14,309,392	15,001,032	14,309,392
	<u>Furniture, fittings and equipment</u>				
	Cost:				
	At 1 January	2,079,823	1,927,632	2,079,823	1,927,632
	Additions	196,278	152,191	196,278	152,191
	At 31 December	2,276,101	2,079,823	2,276,101	2,079,823
	<i>Depreciation and impairment:</i>				
	At 1 January	1,762,144	1,638,370	1,762,144	1,638,370
	Depreciation charge for the year	134,155	123,774	134,155	123,774
	At 31 December	1,896,299	1,762,144	1,896,299	1,762,144
	Net book value	379,802	317,679	379,802	317,679
	<u>Motor vehicles</u>				
	Cost:				
	At 1 January	137,869	405,541	137,869	405,541
	Disposal	(66,956)	(267,672)	(66,956)	(267,672)
	Additions	120,092	-	120,092	-
	At 31 December	191,005	137,869	191,005	137,869
	<i>Depreciation and impairment:</i>				
	At 1 January	109,608	186,742	109,608	186,742
	Disposals	(63,710)	(112,162)	(63,710)	(112,162)
	Depreciation charge for the year	21,023	35,028	21,023	35,028
	At 31 December	66,921	109,608	66,921	109,608
	Net book value	124,084	28,261	124,084	28,261

# YATU LAU COMPANY LIMITED and Subsidiary

## Notes To The Consolidated Financial Statements (cont'd)

### For The Year Ended 31 December 2017

11	PROPERTY, PLANT AND EQUIPMENT (cont'd)	Notes	2017	2016	2017	2016
			\$	\$	\$	\$
	Work in progress					
	at 31 December		183,424	183,424	183,424	183,424
	At 31 December		183,424	183,424	183,424	183,424
	Net book value at 31 December		15,688,342	14,838,756	15,688,342	14,838,756

The Group's land and building are stated at fair value based on independent valuations prepared on January 2018 by registered valuer Pacific Valuations Limited. The valuation has been adopted as at 31 December 2017.

Land and building have been pledged as security to Westpac Banking Corporation C1336 for borrowings from the banks.

12	TRADE AND OTHER PAYABLES		\$	\$	\$	\$
	Current					
	Dividends payable	(a)	214,789	907,799	214,789	907,799
	Dividend tax payable		78,883	-	78,883	-
	Payable to Benatil Limited		47,942	47,942	-	-
	Trade payables and accrued	(b)	505,057	551,611	486,626	535,180
	Rent received in advance		51,808	99,832	51,808	99,832
	Penalties		758,236	-	758,236	-
	Environmental levy		32,522	15,846	32,522	15,846
	Service Turnover Tax payable		19,513	31,319	19,513	31,319
	Value Added Tax payable		557,269	648,793	557,269	648,793
			2,266,019	2,303,142	2,199,646	2,238,769
	Non-current					
	Rental deposits		304,396	269,100	304,396	269,100
			304,396	269,100	304,396	269,100
	Total trade and other payables		2,570,415	2,572,242	2,504,042	2,507,869

(a) Dividends payable include dividends declared for the year 2015 and prior years. Due to liquidity constraints, the company was not able to payout dividends on a timely basis.

(b) Trade payables are non-interest bearing and normally settled on 30-60 day terms.

# YATU LAU COMPANY LIMITED and Subsidiary

## Notes To The Consolidated Financial Statements (cont'd)

### For The Year Ended 31 December 2017

13 INTEREST BEARING BORROWINGS	2017 \$	2016 \$	2017 \$	2016 \$
<i>Current</i>				
Bank overdraft	255,237	169,740	255,237	169,740
Bank of South Pacific loan	22,827	-	22,827	-
Westpac Banking Corporation loans	961,116	980,874	961,116	980,874
	1,239,180	1,150,614	1,239,180	1,150,614
<i>Non-current</i>				
Bank of South Pacific loan	125,576	-	125,576	-
Westpac Banking Corporation loans	15,946,830	16,865,142	15,946,830	16,865,142
	17,311,586	18,015,756	17,311,586	18,015,756

*Particulars relating to secured borrowings:*

Bank overdraft and bank loans from Westpac Banking Corporation ("WBC Bank"). C1298 is subject to interest at 4.99% per annum. Bank loans is secured by the following:

- (i) Registered first fixed and floating charge by company;
- (ii) First registered mortgage over the following properties:
  - Certificate of title number 6511, over property situated at Berry Road, Suva;
  - CL 31116 with improvements thereon, the Dinem Building situated at Amy Street, Suva;
  - Certificate of title number 9397, over residential property situated at 15 Mead Road, Tamavua;
  - Certificate of title number 5427, over commercial property situated in 243 Waimanu Road, Suva;
  - Certificate of title number 40471, over commercial property known as "Yatu Lau Arcade", situated at Rodwell Road, Suva;
  - Certificate of title number 26878 and certificate of title number 28959, being Lot 1, DP 6883, over Kontiki Motel situated at Votualevu, Nadi;
  - CL 4396 with improvements thereon, the commercial property situated at Walu Bay;
  - Certificate of title number 7185, 11537, 35700 and CL10399, being the Studio Apartments situated at Walu Street, Suva.
  - Certificate of title number 24123, being Lot 2, DP 5785, situated at 72-74 Amy Street, Toorak, Suva;
  - Certificate of title number 38850 and certificate of title number 38851, over property situated at Pacific Harbour, Deuba, Suva;
  - Certificate of title number 39441, (previously CT 37940) over commercial property known as "Arts Village Complex", situated at Pacific Harbour; and
  - Certificate of title number 9813, over the beach front property situated along Queens Road, Pacific Harbour;

# YATU LAU COMPANY LIMITED and Subsidiary

## Notes To The Consolidated Financial Statements (cont'd)

### For The Year Ended 31 December 2017

14	<b>EMPLOYEE BENEFIT LIABILITY</b>	<b>2017</b> \$	<b>2016</b> \$	<b>2017</b> \$	<b>2016</b> \$
	Annual leave	43,015	35,816	43,015	35,816
15	<b>SHARE CAPITAL</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
	<i>Issued and paid up capital</i>				
	4,174,059 A class ordinary shares	5,082,808	4,174,059	5,082,808	4,174,059
	3,652,050 B class ordinary shares	3,652,050	2,947,321	3,652,050	2,947,321
		8,734,858	7,121,380	8,734,858	7,121,380

A class shares are only available for purchase by persons of Lauan descent as prescribed in the Company's Memorandum and Articles of Association. Only A class ordinary shares have voting rights.

B class shares carry no voting rights. Except for voting rights and restrictions described above, class B shares are generally similar to class A shares.

16	<b>SHARE PREMIUM</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
	At 1 January	908,749	891,027	908,749	891,027
	Movement	(908,749)	17,722	(908,749)	17,722
	At 31 December	-	908,749	-	908,749

To comply with the requirements of the Companies Act 2015, the balance of share premium was transferred to the issued capital account.

17	<b>EARNING PER SHARE</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
	Net profit for the year	3,158,903	2,470,588		
	Weighted average number of ordinary shares	8,734,858	7,121,380		
	Basic and diluted earnings per shares - cents	36.16	34.69		
18	<b>COMMITMENTS</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
	<i>Capital expenditure</i>				
	- Approved by the board and committed	-	-	-	-
		-	-	-	-

# YATU LAU COMPANY LIMITED and Subsidiary

## Notes To The Consolidated Financial Statements (cont'd)

### For The Year Ended 31 December 2017

#### 19 OPERATING LEASES - INCOME

The company has leased its properties under operating leases to various customers on normal commercial terms and conditions on monthly rentals.

Operating leases contracted for by the company with the leasees are expected to be received approximately as follows:

	2017 \$	2016 \$	2017 \$	2016 \$
Not later than one year	3,228,257	3,228,257	3,228,257	3,228,257
Later than one year but not later than two years	3,228,257	3,228,257	3,228,257	3,228,257
Later than two years but not later than five years	4,350,316	4,350,316	4,350,316	4,350,316
	10,806,831	10,806,831	10,806,831	10,806,831

#### 20 CONTINGENT LIABILITIES

Contingent liabilities at balance date amounted to Nil (2016: Nil)

#### 21 INVESTMENT IN SUBSIDIARY

Entity	Place of incorporation	% Owned	Investment original cost	Investment book value
<i>Subsidiary company</i> Yatu Lau Property Development Limited	Fiji	100%	276,009	-

#### 22 SEGMENT INFORMATION

(a) Operating segment - group <i>31 December 2017</i>	Hotel	Property	Unallocated/ Elimination	Consolidated
	\$	\$	\$	\$
<b>Revenue</b>				
External sales	2,511,531	3,331,662	-	5,843,193
Fair value gain	-	3,690,020	-	3,690,020
Other revenue	-	-	46,742	46,742
	2,511,531	7,021,682	46,742	9,579,955
<b>Results</b>				
Segment result	303,017	5,894,947	46,742	6,244,706
Unallocated expenses	-	-	(1,464,739)	(1,464,739)
Profit from operating activities	303,017	5,894,947	(1,417,997)	4,779,967
Finance costs (net)	-	-	(874,616)	(874,616)
Profit before income tax	303,017	5,894,947	(2,292,613)	3,905,351
Income tax expense	-	-	(1,264,580)	(1,264,580)
Net profit	303,017	5,894,947	(3,557,193)	2,640,771



# YATU LAU COMPANY LIMITED and Subsidiary

## Notes To The Consolidated Financial Statements (cont'd)

### For The Year Ended 31 December 2017

#### 22 SEGMENT INFORMATION (cont'd)

(a) Operating segment - group  
*31 December 2016*

	Hotel	Property	Unallocated/ Elimination	Consolidated
	\$	\$	\$	\$
<b>Revenue</b>				
External sales	2,182,401	3,343,611	-	5,526,012
Fair value gain	-	4,014,376	-	4,014,376
Other revenue	-	-	117,102	117,102
	2,182,401	7,357,987	117,102	9,657,490
<b>Results</b>				
Segment result	(95,377)	6,315,781	117,102	6,337,506
Unallocated expenses	-	-	(990,611)	(990,611)
Profit from operating activities	(95,377)	6,315,781	(873,509)	5,346,895
Finance costs (net)	-	-	(817,704)	(817,704)
Profit before income tax	(95,377)	6,315,781	(1,691,213)	4,529,191
Income tax expense	-	-	(2,504,516)	(2,504,516)
Net profit	(95,377)	6,315,781	(4,195,729)	2,024,675

#### Segment assets and liabilities

Assets and liabilities cannot be reasonably allocated between the operating segments. Accordingly, this information has not been disclosed.

#### 23 RELATED PARTY TRANSACTIONS

(a) Directors

The names of persons who were directors of Yatu Lau Company Limited and its subsidiary at any time during the financial year were as follows:

Adi Koila Nailatikau - Chairperson	Isireli Mokunitulevu - Deputy Chairperson
Aisea Taoka	Sialeni Vuetaki
Fusi Vave (Deceased 25th February 2018)	Isikeli Taoi (Resigned 27th March 2018)
Ilaisa Kacisolomone	Tevita Peni Mau
Jiu Daunivalu	Tom Ricketts (Retired 28th July 2017)
Savenaca Tuivaga	Parayame Cakacaka (Elected 28th July 2017)
Esther Williams (Elected 28th July 2017)	

(b) Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity directly or indirectly, including any director (whether executive or otherwise) of that entity.

During the financial year the following persons were identified as key management personnel, with the greatest authority and responsibility for the planning, directing and controlling the activities of the Company:

<u>Name</u>	<u>Title</u>
Alipate Narosui	Chief Executive Officer

# YATU LAU COMPANY LIMITED and Subsidiary

## Notes To The Consolidated Financial Statements (cont'd)

### For The Year Ended 31 December 2017

#### 23 RELATED PARTY TRANSACTIONS (cont'd)

- (c) Ownership interest

The ownership interest in related companies are disclosed in Note 21 and 10(b).

- (d) Transactions with related parties

All transactions with related parties are made on normal commercial terms and conditions.

- (i) Significant transactions (aggregating over \$2,000) with related parties during the years ended 31 December 2017 and 2016 with approximate transaction values are summarised as follows:

Name	Relationship	Nature of transaction	2017 \$	2016 \$
Lau Provincial Council	Shareholder	Rental income	13,500	13,500

- (ii) Dividends were paid to number of entities related to directors, or entities, tikinas and villages in which directors hold directorship or other similar positions.

- (iii) Amounts receivable from related parties as at 31 December are summarised as follows:

Name	Relationship	\$	\$
Kabara Tikina Council	Shareholder	8,289	11,002
Yatu Lau Property Development Limited	Subsidiary	135,749	132,249
Lau Shipping Limited	Shareholder	50,958	50,958
Oneata Island Holding Limited	Shareholder	20,389	20,389
		215,385	293,682

#### 24 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The principal financial liabilities comprises of interest bearing borrowings, trade payables and other accruals. The financial liabilities is the result of the Company's operations. The Company has various financial assets such as trade receivables and cash, which also arise directly from its operations.

The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk.

The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on financial performance.

Risk management is carried out by executive management of controlled entities of the Group. Executive management identify, and evaluate financial risks in close co-operation with the Group's operating units. The Board provides direction for overall risk management covering specific areas, such as mitigating credit risks, and investment of excess liquidity.

##### (a) 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 Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

##### (i) Foreign exchange risk

The group does not have significant transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations is minimal.

# YATU LAU COMPANY LIMITED and Subsidiary

## Notes To The Consolidated Financial Statements (cont'd)

### For The Year Ended 31 December 2017

#### 24 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

##### (ii) Price risk

The Group has substantial investments in properties which are prone to market forces hence is exposed to property value risk.

The Group reviews the value of its equity portfolio and property portfolio on an annual basis.

The Group has substantial fixed term tenancy agreements and is prone to market forces. The Group reviews its rental collection on a monthly basis. Movements in certain rental rates are also influenced by regulation.

##### (iii) Interest rate risk

The Group is exposed to interest rate risk as it borrows funds at variable interest rates. The Group manages its interest risk by arranging fixed interest rates for the certain years on the borrowed funds from banks.

The risk is monitored and managed by the directors within the approved policy parameters.

The carrying amounts of the Group's financial instruments that are exposed to interest rate risk as at 31 December is summarised below:

	Less than 1 year	2 years and over	Total
31 December 2017	\$	\$	\$
<u>Secured financial liabilities</u>			
Bank overdraft (Note 13)	255,237	-	255,237
Bank loans (Note 13)	961,116	15,946,830	16,907,946
	1,216,353	15,946,830	17,163,183
31 December 2016			
<u>Financial liabilities</u>			
Bank overdraft (Note 13)	169,740	-	169,740
Bank loans (Note 13)	980,874	16,865,142	17,846,016
	1,150,614	16,865,142	18,015,756

#### (b) Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of dealing with credit worthy tenants and counter parties as means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its tenants and counter parties are continuously monitored. Credit exposure is controlled by counter party limits that are reviewed and approved by the management on a regular basis annually.

The Group does not have any significant credit risk exposure to any single counter party or any Company of counter parties having similar characteristics. The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Group's minimum exposure to credit risk.

#### (c) Fair value of financial instruments

The directors consider that the carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair values.

The financial statements include holdings in unlisted associated companies (Note 10). These are valued using the equity method of accounting in accordance with IFRS (IAS 28).

# YATU LAU COMPANY LIMITED and Subsidiary

## Notes To The Consolidated Financial Statements (cont'd)

### For The Year Ended 31 December 2017

#### 24 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

##### (d) Liquidity risk management

The group manages liquidity risk by maintaining adequate banking facilities and borrowing facilities by continuously monitoring forecast and actual cash flows.

##### Maturity profile of financial instruments

The table below analyses the group's financial assets and financial liabilities into relevant maturity groupings based on the remaining period at the balance date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year	Between 1 and 2 years	Total
<i>31 December 2017</i>			
<u>Financial assets:</u>			
Cash and cash equivalents	\$ 31,945	\$ -	\$ 31,945
Trade and other receivables	388,450	-	388,450
Other assets	214,357	2,375,000	2,589,357
	634,752	2,375,000	3,009,752
<u>Financial liabilities:</u>			
Trade and other payables	2,266,019	304,396	2,570,415
Bank overdraft	255,237	-	255,237
Interest bearing borrowings	983,943	983,943	1,967,886
	3,505,199	1,288,339	4,793,538
<i>31 December 2016</i>			
<u>Financial assets:</u>			
Cash and cash equivalents	\$ 40,812	\$ -	\$ 40,812
Trade and other receivables	467,114	-	467,114
Other assets	236,687	-	236,687
	744,613	-	744,613
<u>Financial liabilities:</u>			
Trade and other payables	2,303,142	269,100	2,572,242
Bank overdraft	169,740	-	169,740
Interest bearing borrowings	980,874	980,874	1,961,748
	3,453,756	1,249,974	4,703,730

Due to liquidity constraints during recent years, the Company has not been able to settle its trade and other payables within normal credit terms.

The Company has significant investment properties which it can realise to address the liquidity constraints.

##### **Capital risk management**

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

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

# YATU LAU COMPANY LIMITED and Subsidiary

## Notes To The Consolidated Financial Statements (cont'd)

### For The Year Ended 31 December 2017

#### 24 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

##### Capital risk management (cont'd)

	Group	
	2017 \$	2016 \$
The gearing ratios at 31 December were as follows:		
Total borrowings including bank overdraft (Note 13)	17,311,586	18,015,756
Less: Cash and cash equivalents (Note 5)	(31,945)	-40,812
Net debt	17,279,641	17,974,944
Total equity	38,238,839	34,375,207
Total capital (total equity plus net debt)	55,518,480	52,350,151
Gearing ratio % (net debt/total capital)	31%	34%

#### 25 SUBSEQUENT EVENTS

Subsequent to the balance date, the board came to a resolution to sell the Mead Road property in order to pay the liability formed by the tax audit performed by FRCS.

#### 26 NON-CURRENT ASSET HELD FOR SALE

	Group		Company	
	2017 \$	2016 \$	2017 \$	2016 \$
Mead Road	2,375,000	-	2,375,000	-

#### 27 ASSET REVALUATION RESERVE

	\$	\$	\$	\$
Balance at 1 January	4,182,700	3,736,787	4,182,700	3,736,787
Revaluation reserve (decrement)/surplus	647,665	557,391	647,665	557,391
Income tax effect	(129,533)	(111,478)	(129,533)	(111,478)
Balance at 31 December	4,700,832	4,182,700	4,700,832	4,182,700

#### 28 GOING CONCERN

The financial statements have been prepared on a going concern basis, which contemplates the continuity of business activities and the realisation of assets and the payment of liabilities in the normal course of business. At 31 December 2016, the Company recorded a negative working capital of \$547,314 (2016: \$2,578,311). The Group also recorded a negative working capital of \$657,116 (2016: \$2,686,113). Accordingly, there is significant uncertainty as to whether the Company and the Group will be able to continue as a going concern and whether it will be able to pay its debts as they become due and payable, realise its assets and extinguish its liabilities in the normal course of business at the amounts stated in the Financial Statements. To be able to meet the Company's obligations, the directors and management have a plan to address the deficiency which includes the sale of some properties.

# YATU LAU COMPANY LIMITED and Subsidiary

## Notes To The Consolidated Financial Statements (cont'd)

### For The Year Ended 31 December 2017

#### 29 PRINCIPAL ACTIVITIES

##### Company

The principal activities of the Company during the year were that of owners and administrators of properties, equity investments, motel and hotel operations and property development and sales.

##### Subsidiary

The principal activities of the subsidiary entity during the year were of equity investments and property development.

There were no significant changes in the nature of these activities during the financial year.

#### 30 COMPANY DETAILS

##### Company incorporation

The Company and the subsidiary were incorporated in Fiji under the Companies Act, 2015.

##### Registered office and principal place of business

The registered office and the principal place of business of the company and subsidiary are located at:

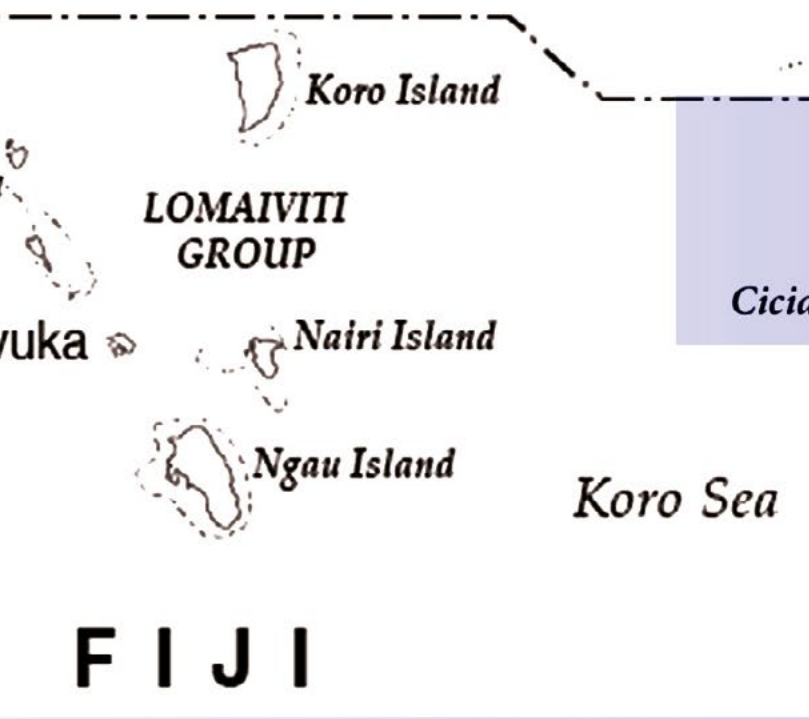
Yatu Lau Arcade  
64-78 Rodwell Road  
Suva

SOUTH PACIFIC OCEAN

16°S



Northern Division



LOMAIVITI GROUP

Koro Sea

FIJI



NORTHERN LAU GROUP

SOUTHERN LAU GROUP

16°S

same scale



21°S

178°30'W

Tuvana Islands



**The Arts Village**

Pacific Harbour  
[www.artsvillage.com.fj](http://www.artsvillage.com.fj)



*Studio 6*

Apartments Suva  
[www.studio6.com.fj](http://www.studio6.com.fj)

*Lagoon Resort*

Pacific Harbour

[www.lagoonresort.com.fj](http://www.lagoonresort.com.fj)

**KONTIKI**  
PRIVATE HOTEL  
NADI

**AUDITORS**

Ernst & Young  
Pacific House Level 7  
Butt Street  
Suva

**SOLICITORS**

R Patel Lawyers  
5th Floor Development  
Bank Centre  
360 Victoria Parade, Suva

Rayawa Law  
22 Carnarvon Street  
Suva

**BANKERS**

Wespac Banking Corporation  
1 Thomson Street, Suva

Australia & New Zealand Banking  
Group Limited  
ANZ House, Suva

Bank of South Pacific  
Dominion House, Suva

**REGISTERED OFFICE**

Yatu Lau Arcade  
64-78 Rodwell Road,  
Suva

P.O. Box 16455, Suva  
Tel: 3305368

Fax: 3312827

E-mail: [yatulau@unwired.com.fj](mailto:yatulau@unwired.com.fj)