Yatu Lau Company Limited

ANNUAL REPORT 2018

Stability and Growth

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 863 shareholders.*

Vision

To Be Fiji's Investment of Choice.

Mission

The purpose of Yatu Lau Company Limited, is to provide 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.

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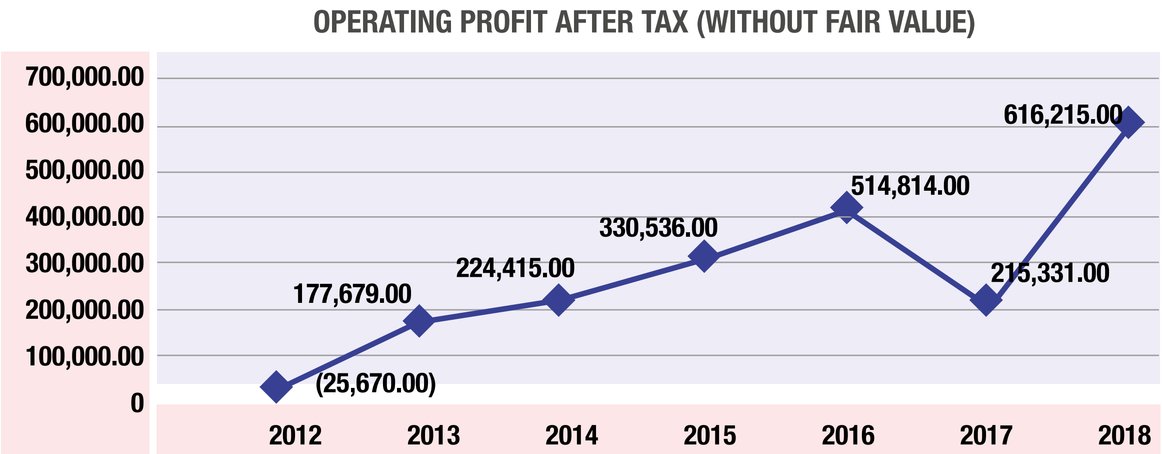
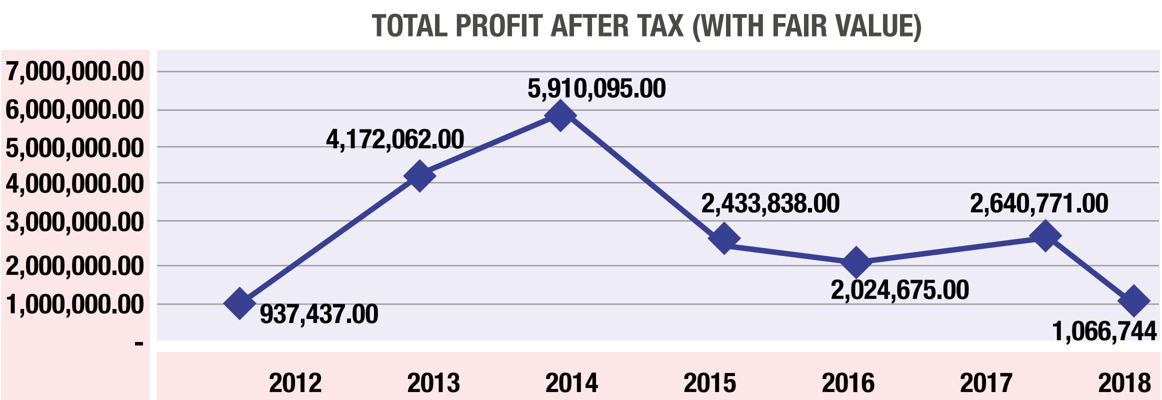
Financial Performance Summary

COMPANIES	2018	2017	2016	2015	2014	2013	2012	2011
Operating Revenue	$5,944,484	$5,890,368	$5,749,316	$5,682,913	$5,264,456	$5,401,221	$5,238,930	$5,025,768
EBIT	$1,945,880	$4,780,400	$5,453,097	$4,561,387	$5,612,561	$6,532,808	$1,103,372	$600,739
EBITDA	$2,125,112	$4,935,578	$5,611,899	$4,805,394	$5,815,318	$6,800,035	$1,428,689	$894,562
Net Earnings	$1,069,494	$2,640,771	$2,024,675	$3,217,114	$5,910,095	$4,172,062	$937,437	$387,534
Earnings Per Share	$0.12	$0.36	$0.35	$0.45	$0.88	$0.59	$0.13	$0.16
Return on Equity	3%	13%	16%	14%	23%	18%	6%	3%
Total Assets	$63,271,554	$64,983,499	$60,521,151	$56,497,024	$52,765,563	$48,205,031	$44,495,074	$43,460,051
Return on Assets	2%	7%	9%	8%	11%	14%	2%	1%
Current Ratio	0.33	0.82	0.23	0.25	1.29	0.41	0.72	0.33
Total Debt to Total Equity Ratio	61%	70%	76%	77%	81%	108%	135%	134%
Interest Cover	2.25	5.46	5.90	4.49	4.63	5.05	1.84	0.46
Net Cash flow from Operating Activities	$(42,111)	$1,189,831	$1,102,438	$805,419	$814,119	$753,353	$(310,123)	$612,093
Capital Expenditure	$313,608	$503,682	$350,425	$253,982	$300,589	$373,462	$236,662	$3,170,024
Net Tangible Asset Per Share	$6.79	$4.38	$4.83	$4.49	$4.12	$3.28	$2.68	$2.97
Price Earnings Ratio	$8.59	$5.25	$5.48	$4.21	$2.26	$3.20	$14.33	$11.54
Dividend Per Share	$-	$-	$0.02	$0.07	$0.03	$0.10	$0.10	$0.10





Top 30 Shareholders - 2018

	Shareholders as at 31/12/2018	No. of Shares	
		Class A	Class B
1	Fiji National Provident Fund		2,721,886
2	Aequi Libria Associates Insurance Brokers Limited		777,830
3	Lau Provincial Council	662,782	
4	Cicia Plantation Coop Society	653,331	
5	Mualevu Tikina Holdings	145,187	
6	Lawedua Trust Company Limited	145,187	
7	Moce Tikina	144,057	
8	Lakeba Tikina	135,933	
9	Matuku Tikina	130,644	
10	Ono I Lau Tikina	124,621	
11	Ratu Sir KKT Mara Scholarship Fund	115,500	
12	Oneata Island Holding Limited	85,285	
13	Yavusa Tonga Holdings Co. Limited	73,182	
14	Solo Hire Services	61,600	
15	Moala Tikina	56,285	
16	Nayau Tikina	46,775	
17	Santa & Vidya Wati Ram		45,810
18	Kirit Patel		45,810
19	Manubhai Prabudas Patel		45,810
20	Jimaima Tamacala	44,904	
21	Lomaloma Tikina	42,149	
22	Dravuwalu Holdings Company Limited	40,987	
23	Ono I Lau Soqosoqo Vakamarama	35,862	
24	Brian & Kiri Richmond	35,147	
25	Adi Koila Mara Nailatikau	35,084	
26	Waciwaci Development Enterprise Co. Ltd	34,747	
27	Ketei Holdings Company Limited	34,650	
28	Vanuanawa Shipping Limited	31,966	
29	Yaroi Village	31,221	
30	Solanki Super Fund		28,875
	TOTAL	**3,091,420**	**3,666,021**




The Chairperson's Report

Adi Koila Mara Nailatikau

1. Profitability

Despite 2018 being a difficult year for Yatu Lau Company Limited due to the Fiji Revenue and Customs Service (FRCS) policies in clearing VAT payments (including penalties) which compelled the Company to sell the Mead Road Property, I am pleased to report that we are now fully compliant. The Group achieved an operating profit of $616,215 against $215,331 in 2017. This represented an increase of 186% (or $400,884). By including the fair market value increase of our investment properties, our Total profits increased to $1,066,744 against $2,640,771 recorded in 2017. This is a decrease of 59% largely attributed to a decline in valuations of Arts Village and Amy street properties.

2. Cash Flow Position

During the year, the Board and management continued to focus on generating increased cash flow and implementing operational efficiency measures to improve its cash flow position. It has also provided less reliance on Bank overdraft facility to meet operating costs. I am happy to advise that by 31st December, 2018 our Cash Balance was $156,979(credit) in comparison to an overdraft of $223,292 on the 31st December, 2017.

3. Sale of Mead Road Property

On 11th December, 2018, the sale of Mead Road property was settled after a prolonged process in order to clear VAT payment(including penalties) to Fiji Revenue and Customs Service (FRCS). As a result, the Company is fully compliant and we thank our Banker(Westpac) for its continued support in providing a bridging loan whilst the sale was being processed. The Board shall consider a second asset sale in 2019 to meet Capital Expenditure and cyclone upgrading of our properties.

4. Assets Growth

Whilst the Total group assets has been reduced by 2% due to the revaluation of our investment properties, our Net Asset position has increased by 3% from $38,238,839 in 2017 to $39,445,510 in 2018.

5. New Corporate Governance Charter

A new Corporate Governance Charter was adopted at the Annual General Meeting held on 27th June, 2018 which has ensured that the Company and Directors/Officers operate in a transparent and accountable manner. This is another milestone achievement for the Company and we are proud to be one of the first Unlisted Public Companies to do so.

The Chairperson's Report (cont'd)

6. Shareholders and Dividends

We acknowledge the support of all 863 shareholders during the past few years and with improvements in our cash flow position and operating profit, the Board shall consider a dividend payment shortly. As at 31st December, 2018 the balance of unpaid dividends has dropped to $144,261compared to $1,077,570 in 2015.

A Bonus Share issue to all shareholders was adopted at the Annual General Meeting held on 27th June, 2018 and share certificates have been distributed to most shareholders accordingly.

A new Share Register Software was implemented during the year which now automates the process and prints statements for all shareholders. This is another milestone achievement and I encourage all shareholders to contact our office for their statement.

7. Loan Borrowings

Whilst the Company is trying its best efforts to improve Cash flow, it has also taken prudent measures to ensure that repayments on its Loan borrowings are made on a monthly basis. It is pleasing to note that by December, 2018 the Loan Balance has been reduced to $15.8million in comparison to $18.7 million in 2015. In line with its Good Governance principle, the Company shall only borrow for Capital Expenditure projects and try to minimize borrowings at all times.

Unfortunately, due to the negative working capital still in place, the Board was 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.

8. Looking Ahead

With the significant cash flow improvements and compliance, the Board and management are ready to grow and diversify business in 2019 provided we are able to raise funds from our Bank or through an asset sale. This is the challenge for 2019 and beyond and we are excited with the great opportunities that lie ahead.

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 into the future.

Annual General Meeting 2018 at Studio 6 conference room.

The Board Of Directors

Adi Koila Mara Nailatikau
Chairperson

Isireli Mokunitulevu
Deputy Chairman

Jiu Daunivalu
Director

Tevita Peni Mau
Director

Ilaisa Kacisolomone
Director

Sialeni Vuetaki
Director

Savenaca Tuivaga
Director

Aisea Taoka
Director

Dr. Esther Williams
Director

Parayame Cakacaka
Director

Corporate Governance

ROLE OF THE BOARD:

The Board of Directors is 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 process and procedures for the election and nomination of the 9 Directors to be appointed, where appropriate, by the shareholders at the Annual General Meetings.

As at 31st December 2018, the following directors were in office;

Adi Koila Nailatikau (Chairperson),
Isireli Mokunitulevu (Deputy Chairperson),
Ilaisa Kacisolomone (Deceased 20th February 2019),
Savenaca Tuivaga (Retired 27th June 2018),
Sialeni Vuetaki (Retired 27th June 2018),
Jiu Daunivalu, Sikeli Taoi (Resigned 27th March 2018),
Fusi Vave (Deceased 25th February 2018),
Peni Mau (Deceased 3rd October 2018),
Aisea Taoka, Dr Esther Williams, Parayame Cakacaka and Sakeasi Tawaketini (Resigned 31st December 2018).

MEETINGS OF THE BOARD AND ITS SUBCOMMITTEE:

1.0. Board Meetings:

The Board met 8 times during 2018 and details of their attendance is provided below:

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

Special Board Meetings:

The Board met 3 times during 2018 and details of their attendance is provided below:

	Directors	No. Of Meeting Entitled to attend	No. Of Meetings attended	No. Of Meetings apology given
1	Adi Koila Nailatikau - Chair	3	3	n/a
2	Dr Esther Williams	3	3	n/a
3	Savenaca Tuivaga	3	3	n/a
4	Sialeni Vuetaki	3	3	n/a
5	Sireli Mokunitulevu	3	2	1
6	Jiu Daunivalu	3	3	n/a
7	Ilaisa Kacisolomone	3	3	n/a
8	Peni Mau	3	2	1
9	Aisea Taoka	3	3	n/a

Corporate Governance (cont'd)

2.0. Board Subcommittees:

The 3 subcommittees are Finance, Audit & Investment Subcommittee, Human Resources Subcommittee and Properties Subcommittee.

2.1. Finance, Audit & Investment Subcommittee:

The Finance, Audit & Investment Subcommittee met 7 times during the year.

	Directors	No. Of Meeting Entitled to attend	No. Of Meetings attended	No. Of Meetings apology given
1	Dr Esther Williams - Chair	7	7	n/a
2	Adi Koila Nailatikau	7	7	n/a
3	Aisea Taoka	7	7	n/a
4	Sialeni Vuetaki	3	3	n/a
5	Sakeasi Tawaketini	4	2	2
6	Jiu Daunivalu	7	5	2
7	Peni Mau	4	4	n/a
8	Isikeli Taoi	1	1	n/a
9	Savenaca Tuivaga	3	2	1

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

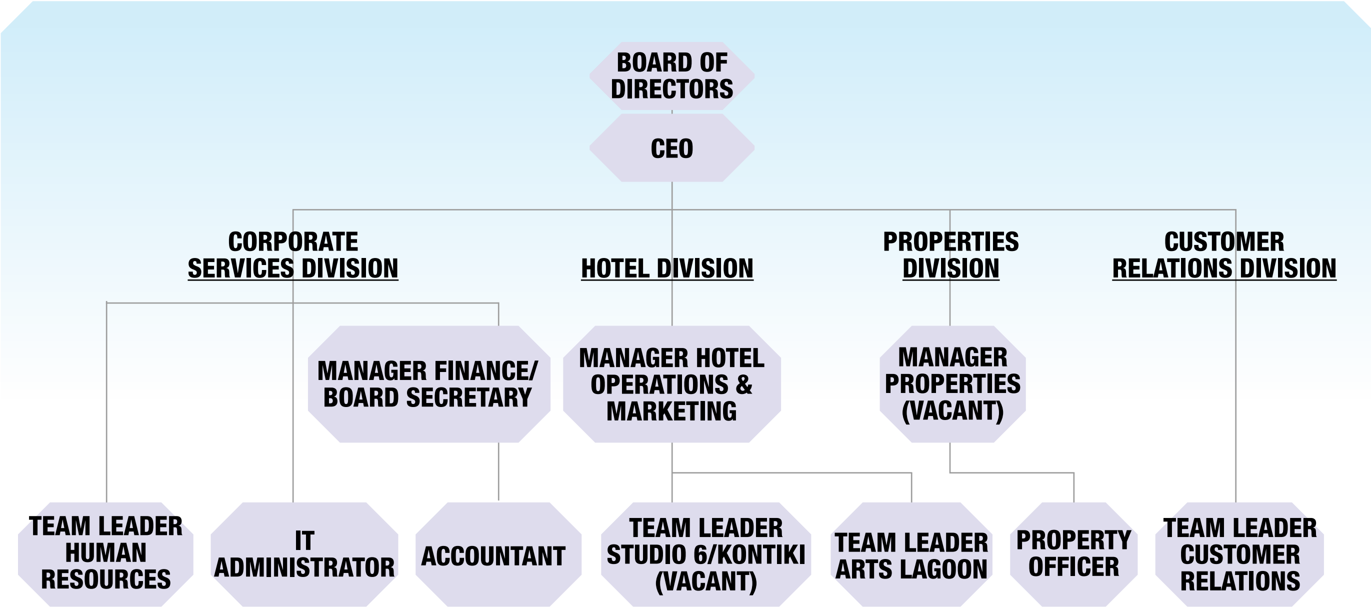
2.2. Human Resources:

The Human Resources Subcommittee met 2 times during the year.

	Directors	No. Of Meeting Entitled to attend	No. Of Meetings attended	No. Of Meetings apology given
1	Jiu Daunivalu - Chair	2	2	n/a
2	Adi Koila Nailatikau	2	2	n/a
3	Dr Esther Williams	2	2	n/a
4	Sireli Mokunitulevu	2	2	n/a
5	Ilaisa Kacisolomone	2	2	n/a
6	Aisea Taoka	2	2	n/a
7	Parayame Cakacaka	2	2	n/a
8	Sakeasi Tawaketini	1	1	n/a
9	Savenaca Tuivaga	1	1	n/a
10	Peni Mau	1	1	n/a

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 (YLCL) Group recorded an **Operating Profit (Without Fair Value) of $616,215** against $215,331 recorded for 2017. This represented an increase of 186% or $400,884. Total net profit after tax (including Fair Market Value for Investment Properties) decreased by 59% in comparison to last year (2018: $1,066,744.00; 2017: $2,640,771).

1.2 Revenue Growth

The total revenue achieved for the group was $5,944,484 for the year compared to $5,890,368 recorded in 2017. This was an increase of 1% largely due to the growth in rental income.

1.3 Expenditures

The total expenses for the group decreased by 6% from $5,328,269 recorded for the year compared to $5,675,037 in 2017. This was largely due to a 26% reduction in administration expenses recorded at $1,075,054 compared to $1,464,739 in 2017. The Fiji Revenue and Customs Service (FRCS) imposed penalty charges on unpaid VAT of $739,796 which the Company settled through the sale of its Mead Road property in December 2018. Thus, resulting in the decrease of The VAT Liability by 64% (2018:$198,092; 2017:$557,269).

1.4 Group Assets

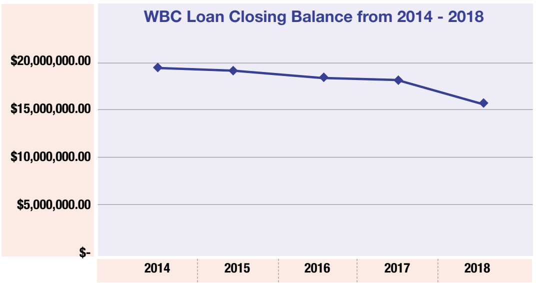
The total Group's assets reduced by 2% from $63,511,090 compared to $64,983,499 in 2017. Total liabilities for the year also decreased by 10% (2018:$24,065,580; 2017:$26,744,660) while Net assets were recorded at $39,445,510 compared to $38,238,839 for 2017 (3% increase).

The Yatu Lau Company Limited - Board of Directors and Chief Executive Officer of Yatu Lau.

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

1.5 Interest Bearing Borrowings

The total interest bearing debt of Yatu Lau Company Limited Group in 2017 was $16,907,947 which has decreased by $1,079,314 compared to the loan balance recorded at $15,828,633 in 2018. The reduction in the debt level is due to the loan repayments made during the year and is presented in the table below:

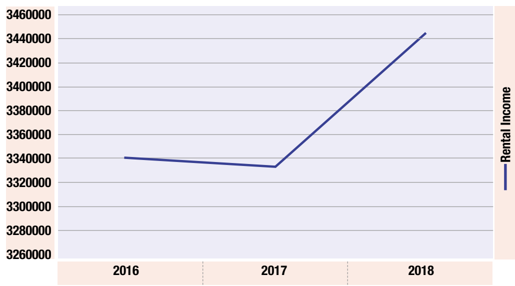


1.6 Working Capital & Cash Flow

The main challenge that the Company continued to face during the year was the negative working capital. In spite of the payments made through the sale of the Mead Road property towards the VAT Liability, penalty by FRCS and other Creditors, the Group still recorded a negative working capital of $1,634,460 against $657,116 recorded in 2017.

2.0 Rental Income Growth

Rental income has increased by $115,014 from $3,331,662 in 2017 to $3,446,676 in 2018. This was due to the review and subsequent increase in rental leases for Waimanu Road Property and Yatu Lau Arcade tenants. This is presented in the graph below:

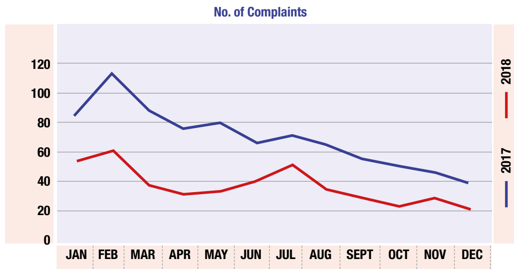


Everyday shoppers at Yatu Lau Arcade.

2.1 Customer Complaints Register

In order to improve customer satisfaction all complaints are registered and targeted for resolution within five working days. With the exception of technical complaints which can at times take a longer period of time.

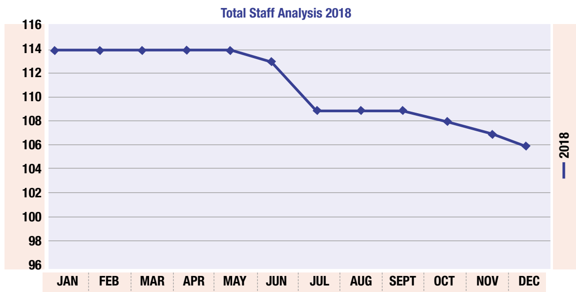
Graph 4: Technical Complaints Analysis (Jan – Dec)



3.0 HUMAN RESOURCE AND ADMINISTRATION

3.1 The total number of staff has decreased from 114 in 2017 to 106 recorded this year. This is a reduction of 8 positions and also the suspension of filling these vacant positions during the year.

Graph 5

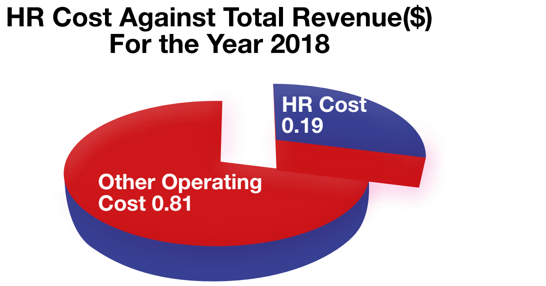


3.2 Total Salaries and wages cost for 2018 was $1,118,391compared to $1,233,990 in 2017 which resulted in a cost savings of $115,599 or 9.4%.

Staff at a Labour management committee meeting

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

Graph 6: HR Cost in a Dollar



The HR cost for the year was $1,118,391 and is about 19 percent of our total revenue compared to 23% in 2017.

3.3 Training and Staff Development.

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

	Type of Training	Date of Training
1	NFA Training Fire Warden Training	22/2/2018
2	OHS Training level 1 & 2	14/3-15/3/2018
3	Leadership Training	20/6/2018

4.0 INFORMATION TECHNOLOGY

We have successfully implemented Registry software which was a direct result of data cleansing that guaranteed accuracy and completeness of master data for the shareholders registry. This is a milestone achievement for the Company.

An extensive assessment of the IT infrastructure has been done to ensure compatibility with the vastly changing technological trend revealing the need to upgrade communication equipment at our key operations. This exercise has identified the need for IP based PABX, MATV and CCTV upgrades which has been the cornerstone for the ongoing upgrades planned for 2019.

Our engagement with leading technology partners in the hotel industry through forums and training provided the stepping stone for constructing the requirements needed to implement a Property Management System which is currently in the preliminary stage.

We have extensively explored the technological boundaries within the Hotel and Property sector.

Having a good foundation and spending the time and effort to create valid and accurate requirements has been a hurdle but a necessity for automation projects that are already taking form.

On a daily basis our IT Network operated smoothly during the year with no downtime and for any IT related complaints this was attended to promptly.

5.0 SHAREHOLDERS

New Flexima Software for Shares Registry

– A major highlight was the introduction and successful installation of Flexima Registry Software that automates the registry process .It is exceptionally efficient and simple to use.

5.1 2018 Shareholding summary:

Class A shares constitute 54% of the total number of shares as provided below:

Class A – 4,445,243 shares

Class B –3,833,773 shares

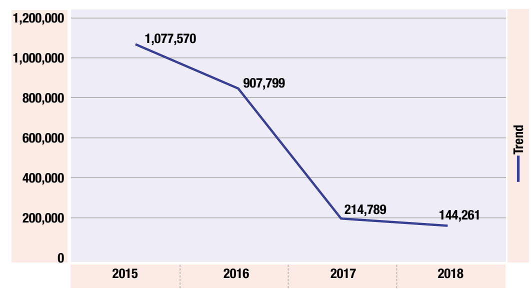
TOTAL -8,279,016 shares

5.2 2018 – Dividend Payments & Unpaid Dividend Balance.

Total of $8,694.84 dividend was paid out during the year with a remaining balance of $144,261 recorded. With the new Flexima Software, Management will carry out an 'Awareness Program' in 2019 to pay out or re-invest unpaid dividends.

Class A	$8,633.78	$118,049.44
Class B	$61.06	$26,211.56
TOTAL	**$8,694.84** (payments)	**$144,261** (balance)

5.3 Unpaid Dividend Trend (2015 – 2018)



Management successfully reduced Unpaid Dividends from $1,077,570 in 2015 to $144,261 in 2018. Major reductions were due to the re-investment of Fiji National Provident Fund (FNPF) and Lau Provincial Council dividends.

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

6.0 PROPERTY MANAGEMENT

The ongoing repairs, maintenance and upgrading of our major properties continue to be the key challenge with an investment of approximately $400,000.

6.1 Major Asset Improvements

Listed below are the main improvements for each property:

6.1.1. Arts Village (Tiki Pool & Bar) – Internal and external upgrades. Works involved roofing repairs, fencing, painting, plumbing and electrical.

6.1.2. Arts Village - New roofing and guttering installations.

6.1.3. Kontiki Hotel – Room renovations, roofing works, new air condition installation and car park upgrading works.

6.1.4. Rodwell road (Arcade) – Roof leakage repairs, guttering works and waterproofing works.

6.1.5. Studio 6 Hotel – Internal room upgrades, installation of new counters in rooms, painting of interior and exterior walls, plumbing works and guttering works.

6.1.6. Lagoon Resort – New guttering installations and room renovations.

6.1.7. Berry road apartment – Room renovations

6.2 Engineer Cyclone Certification

All 10 properties excluding Dinem House property require a cyclone certification upgrade. This however could not be done due to cash flow constraints and a freeze on new loans with our Bank. Management and the Board will take up the challenge in 2019 to seek funds from the Bank or through the sale of a non-performing asset to carry out the upgrade. The delay is exposing the Company to a significant risk.

6.3 Properties Expenses

6.3.1. The total expenses on Properties Maintenance for 2018 were $ 394,668 compared to 2017 of $331,707 an increase of $62,961.

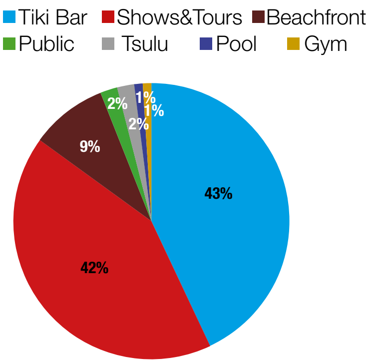
6.3.2. The table below shows the summary of the repairs & maintenance expenses by property for the year 2018 compared to 2017.

#	Property	Property Maintenance Expenses for 2018 ($)	Property Maintenance Expenses for 2017 ($)
1	Yatu Lau Arcade	88,366	54,834
2	Dinem House	29,774	34,807
3	Total House	-	-
4	Waimanu Road	254	31,206
5	Studio 6 Hotel	106,122	74,997
6	Arts Village	122,973	91,803
7	Art Village - Beachfront	1,073	2,344
8	Lagoon Resort	16,970	32,260
9	Kontiki Hotel	26,540	5,959
10	Mead Road Apartments	67	-
11	Berry Road Apartments	2,530	3,492
12	Amy St Apartments	-	-
	Total	**394,668**	**331,707**

7.0 HOTEL ACTIVITIES REPORT

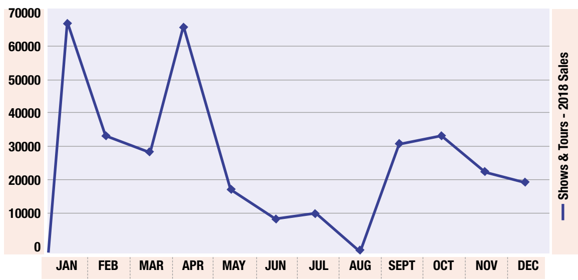
7.1 Arts Village

Revenue Generated 2018



7.2 Shows & Tours

Revenue from shows & tours has decreased in 2018 with 39 visits to Arts Village in comparison to 46 visits in 2017. There was however an increased number of primary schools and kindergartens who patronized the cultural show as part of their end of term tour and culture curriculum.



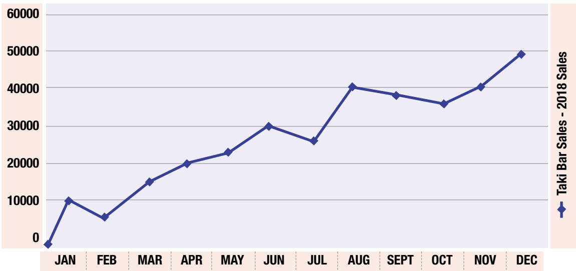
The Chief Executive Officer's Report (cont'd)

I. The graph indicates the sales from cruise ships where there is a decline from May to August given the low peak season. Total sales were $252,132 in 2018 compared to $385,652 in 2017.

Cruise-liner tourists at Arts Village.

7.3 Tiki Pool Bar

Tiki Pool Bar is one of the highest revenue earners for the Arts Village. It has become the ideal venue for events and fundraising activities for the community in Pacific Harbour and Navua.



i. Tiki Bar achieved total sales of $266,487 in 2018 compared to $161,597 in 2017.

ii. This is expected to significantly grow in the future.

Highlights for the Year

1). Movie Filming done at Arts Village

2). Renovations to Tiki Pool Bar

Opportunities for the Tiki Bar

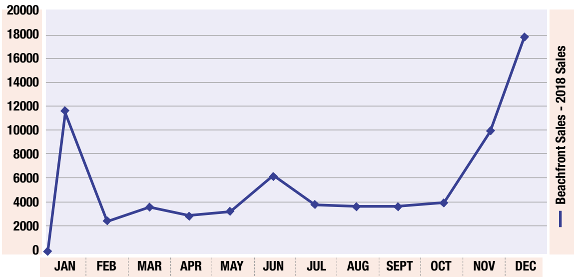
1) Events Venue - Promotions of products, work functions, family celebrations

2) Sports club

Recently renovated Tiki Bar at the Arts Village.

Conference workshop at Studio 6 Hotel.

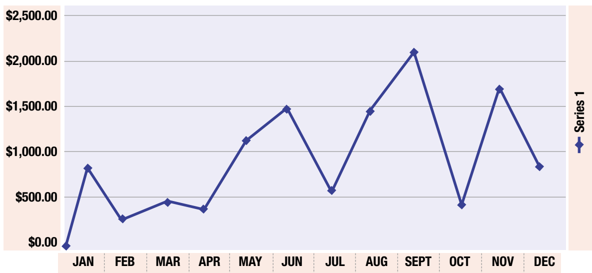
7.4 Beachfront (Picnic) Sales



The increased sales are during the holiday period of November to January. Total sales of $67,228 were recorded in 2018 compared to $57,281 in 2017. It has also become an additional tour option for cruise liner guests

Cruise-liner guests enjoying the day at the beach.

7.5 T-Sulu Bunkhouse



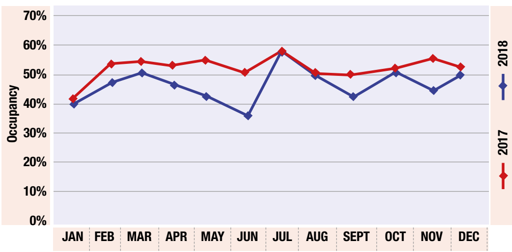
Total sales recorded were $8,625 in 2018 compared to $14,739 in 2017. The facility will be maintained to cater for sporting groups considering Uprising Resort will be opening their internationally recognized sporting ground in 2019. Management intends to aggressively market this facility to capture new business.

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

8.0 HOTEL OCCUPANCY

8.1 The three Hotel accommodation properties (Studio 6 Apartments, Kontiki Private Hotel and Lagoon Resort) achieved an average occupancy rate of 46% in 2018 compared to 52% in 2017.

Graph: Average Occupancy level for Yatu Lau Hotels 2017 & 2018

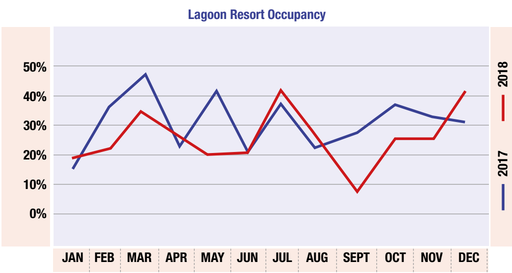


8.2 Lagoon Resort

8.2.1 Hotel Occupancy averaged 27% in 2018 compared to 31% in 2017.

8.2.2 Due to competition and cancellation in bookings in the second and fourth quarters as reflected above, occupancy was low. Sales however improved due to an increased number of workshops, weddings and birthdays, events and meetings. Our workshop package that is offered to corporate and civil service organizations continues to be marketed.

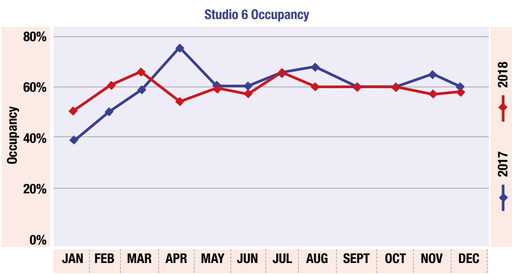
Graph: Lagoon Resort Occupancy 2017 & 2018



9.0 STUDIO 6 APARTMENTS RENTAL & APTC

9.1 Highlights during the year for the property included:
i. Renewed APTC student accommodation agreement with total of 45 rooms
ii. Board approved to procure a new commercial laundry machine.
iii. Purchase of linen for rooms and conferencing

Graph Studio 6 Hotel Occupancy 2017 & 18



9.2 2018 Occupancy for Studio 6 improved in the first three months compared to 2017.

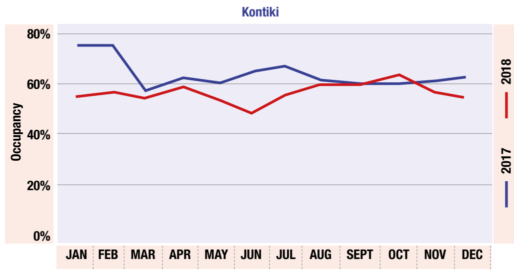
9.3 The decrease in occupancy from April to June was due to renovations to the interior of the rooms. The Hotel achieved an average of 60% from July onwards.

Conference staff at Studio 6 Hotel.

10.0 KONTIKI PRIVATE HOTEL

10.1 The property achieved an average occupancy of 56% in 2018 compared to 64% in 2017

Graph: Kontiki Occupancy 2017 & 2018



10.2 The Highlights for the year included:

1) Renovation works - painting of the interior of the hotel and upgrading of rooms, repairs to the roof and ceiling, landscaping work and repairs to the car park.

2) New Linen (towels & hand towels)

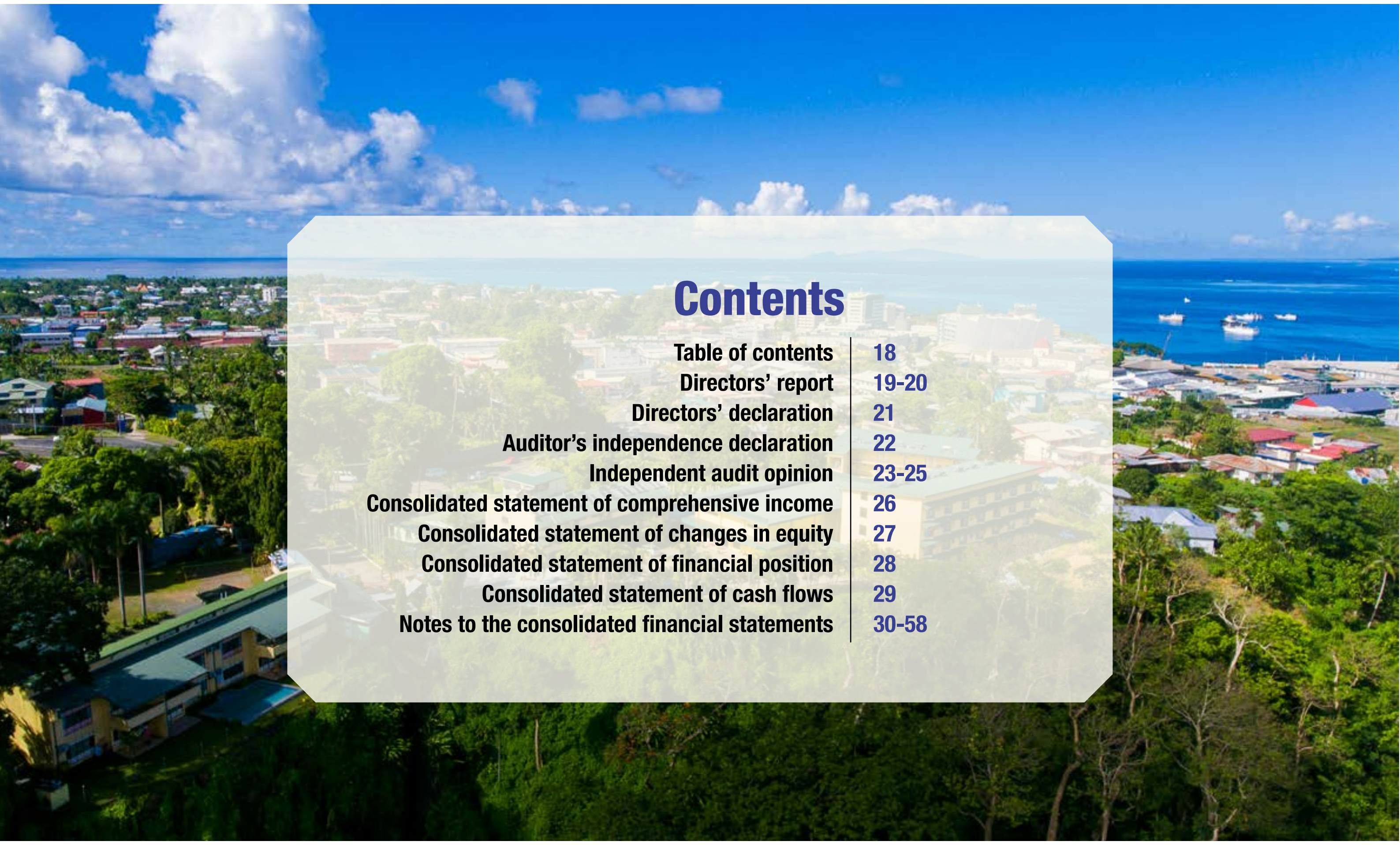
3) Purchase of new television sets and air-conditioning units

10.3 Opportunities for the property

1) Liquor Bar/Shop
2) Swimming Pool
3) Event Venue
4) And transfers & tours/ taxi service

10.4 The property offers great potential given the location of the hotel is not far from Nadi Town and the Airport with accessibility to public transport. The Hotel will target tertiary students, tourism industry workers, backpackers and civil servants.

YATU LAU COMPANY LIMITED and Subsidiary
Financial Statements
For The Year Ended 31 December 2018



Contents

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 2018, 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
Ilaisa Kacisolomone (Deceased 20th February 2019)
Aisea Taoka
Fusi Vave (Deceased 25th February 2018)
Dr Esther Williams
Jiu Daunivalu
Savenaca Tuivaga (Retired 27th June 2018)
Isireli Mokunitulevu - Deputy Chairperson
Parayame Cakacaka
Isikeli Taoi (Resigned 27th March 2018)
Tevita Peni Mau (Deceased on 3rd October 2018)
Sakeasi Tawaketini (Resigned 31st December 2018)
Tom Ricketts (Retired 28th July 2017)
Sialeni Vuetaki (Retired 27th June 2018)

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 $616,215 (2017: $215,331). The operating profit for the holding Company for the year was $618,965 (2017: $217,331).

Net Profit after tax and Unrealised Revaluation Gain

The consolidated net profit after income tax and revaluation gain for the year was $1,066,744 (2017: $2,640,771) after providing for income tax expense and unrealised valuation gain of $10,638 (2017: $1,264,580) and $461,167 (2017: $3,690,020) respectively.

The net profit after income tax for the holding Company for the year was $1,069,494 (2017: $2,642,771) after providing for income tax expense and unrealised valuation gain of $10,638 (2017: $1,264,580) and $461,167 (2017: $3,690,020) respectively.

Dividends

The directors proposed that no dividend be paid for the year (2017: Nil).

Reserves

In 2017, 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.

Significant events

During the year, the Company sold its Mead Road property.

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

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company and the Group, the results of those operations, or the state of affairs of the Company and the Group in future financial years.

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 17th day of May 2019.

Koila M Nailatikau

Adi Koila Mara Nailatikau
Chairperson

YATU LAU COMPANY LIMITED and Subsidiary
Directors' Declaration
For The Year Ended 31 December 2018

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 2018:

(i) give a true and fair view of the financial position of the Company and the subsidiary as at 31 December 2018 and of the performance of the Company and the subsidiary for the year ended 31 December 2018; 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 of Directors and in accordance with a resolution of the directors.

Dated this 17th day of May 2019.

Koila M Nailatikau

Adi Koila Mara Nailatikau
Chairperson

Pacific House
Level 7
1 Butt Street Suva Fiji
PO Box 1359 Suva Fiji

Tel: +679 331 4166
Fax: +679 330 0612
ey.com

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 2018, 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: 17 May 2019.

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Pacific House
Level 7
1 Butt Street Suva Fiji
PO Box 1359 Suva Fiji

Tel: +679 331 4166
Fax: +679 330 0612
ey.com

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 2018, 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 2018, 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 2018, the Company recorded a negative working capital of $1,521,908 (2017: $547,314). The Group also recorded a negative working capital of $1,634,460 (2017: $657,116). 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.

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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.

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working world

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: 17 May 2019.

YATU LAU COMPANY LIMITED and Subsidiary
Consolidated Statement Of Comprehensive Income
For The Year Ended 31 December 2018

		Group		Company	
	Notes	2018 $	2017 $	2018 $	2017 $
Revenue					
Rental income	2(a)	3,446,676	3,331,662	3,446,676	3,331,662
Hotel revenue	2(b)	2,488,414	2,511,531	2,488,414	2,511,531
		5,935,090	5,843,193	5,935,090	5,843,193
Other revenue					
Interest income	3(b)	250	433	250	433
Other income		9,144	46,742	9,144	46,742
Total revenue		5,944,484	5,890,368	5,944,484	5,890,368
Expenses					
Property maintenance expenses	3(a)	(939,383)	(1,126,735)	(939,383)	(1,126,735)
Hotel operating expense	3(a)	(2,448,084)	(2,208,514)	2,448,084)	(2,208,514)
Administration expenses	3(a)	(1,075,054)	(1,464,739)	(1,072,304)	(1,462,739)
Finance costs	3(c)	(865,748)	(875,049)	(865,748)	(875,049)
Total expense		(5,328,269)	(5,675,037)	(5,325,519)	(5,673,037)
Profit from operations		**616,215**	**215,331**	**618,965**	**217,331**
Change in fair value of investment properties		461,167	3,690,020	461,167	3,690,020
Profit before income tax		**1,077,382**	**3,905,351**	**1,080,132**	**3,907,351**
Income tax expense	4	(10,638)	(1,264,580)	(10,638)	(1,264,580)
Net profit for the year		**1,066,744**	**2,640,771**	**1,069,494**	**2,642,771**
Other comprehensive income					
Revaluation of land and buildings	27	97,715	647,665	97,715	647,665
Income tax effect	4	(19,543)	(129,533)	(19,543)	(129,533)
Total comprehensive income, net of tax		**1,144,916**	**3,158,903**	**1,147,666**	**3,160,903**
Attributable to:					
Equity holders of the company		1,144,916	3,158,903		
Earnings per share					
Basic and diluted earnings per share - cents	17	12.46	36.16		
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 2018

	Notes	Group 2018 $	Group 2017 $	Company 2018 $	Company 2017 $
Share capital					
At 1 January		8,734,858	7,121,380	8,734,858	7,121,380
Movement during the year		453,495	1,613,478	453,495	1,613,478
At 31 December	15	9,188,353	8,734,858	9,188,353	8,734,858
Capital reserve					
At 1 January		396,635	396,635	396,635	396,635
At 31 December		396,635	396,635	396,635	396,635
Investment revaluation reserve					
At 1 January		32,964	32,964	-	-
At 31 December		32,964	32,964	-	-
Asset revaluation reserve					
At 1 January		4,700,832	4,182,700	4,700,832	4,182,700
Movement during the year		78,172	518,132	78,172	518,132
At 31 December	27	4,779,004	4,700,832	4,779,004	4,700,832
Share premium					
At 1 January		-	908,749	-	908,749
Movement during the year		-	(908,749)	-	(908,749)
At 31 December	16	-	-	-	-
Retained earnings					
At 1 January		24,373,550	21,732,779	24,233,351	21,590,580
Operating profit after income tax		1,066,744	2,640,771	1,069,494	2,642,771
Bonus share issue		(391,740)	-	(391,740)	-
At 31 December		25,048,554	24,373,550	24,911,105	24,233,351
		39,445,510	**38,238,839**	**39,275,097**	**38,065,676**

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 2018

		Group		Company	
	Notes	2018 $	2017 $	2018 $	2017 $
Assets					
Current assets					
Cash and cash equivalents	5	156,979	31,945	156,979	31,945
Trade and other receivables	6	317,890	388,450	317,890	388,450
Other assets	7	180,641	214,357	224,070	257,786
Inventories	8	39,550	23,652	39,550	23,652
		695,060	658,404	738,489	701,833
Non-current asset held for sale	26	-	2,375,000	-	2,375,000
		695,060	3,033,404	738,489	3,076,833
Non-current assets					
Investment properties	9	46,449,418	45,813,968	46,449,418	45,813,968
Financial assets	10	282,965	282,965	-	-
Property, plant and equipment	11	15,920,433	15,688,342	15,920,433	15,688,342
Deferred tax assets	4	163,214	164,820	163,214	164,820
		62,816,030	61,950,095	62,533,065	61,667,130
Total assets		**63,511,090**	**64,983,499**	**63,271,554**	**64,743,963**
Current liabilities					
Trade and other payables	12	1,120,857	2,266,019	1,051,734	2,199,646
Interest bearing borrowings	13	1,044,006	1,239,180	1,044,006	1,239,180
Employee benefit liability	14	47,964	43,015	47,964	43,015
Income tax liability		116,693	142,306	116,693	142,306
		2,329,520	3,690,520	2,260,397	3,624,147
Non-current liabilities					
Trade and other payables	12	301,555	304,396	301,555	304,396
Interest bearing borrowings	13	14,922,616	16,072,406	14,922,616	16,072,406
Deferred tax liability	4	6,511,889	6,677,338	6,511,889	6,677,338
		21,736,060	23,054,140	21,736,060	23,054,140
Total liabilities		**24,065,580**	**26,744,660**	**23,996,457**	**26,678,287**
Net assets		**39,445,510**	**38,238,839**	**39,275,097**	**38,065,676**
Shareholders' equity					
Share capital	15	9,188,353	8,734,858	9,188,353	8,734,858
Capital reserve		396,635	396,635	396,635	396,635
Investment revaluation reserve		32,964	32,964	-	-
Asset revaluation reserve	27	4,779,004	4,700,832	4,779,004	4,700,832
Retained earnings		25,048,554	24,373,550	24,911,105	24,233,351
Total shareholders' equity		**39,445,510**	**38,238,839**	**39,275,097**	**38,065,676**

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 2018

	Note	Group 2018 $	Group 2017 $	Company 2018 $	Company 2017 $
Operating Activities					
Receipts from tenants and customers		6,349,509	5,947,578	6,349,509	5,947,578
Payments to suppliers and employees		(5,306,486)	(3,889,377)	(5,306,486)	(3,889,377)
Cash generated from operations		1,043,023	2,058,201	1,043,023	2,058,201
Interest received		250	433	250	433
Income tax paid		(219,636)	-	(219,636)	-
Interest paid		(865,748)	(875,049)	(865,748)	(875,049)
Net cash (used in)/provided by Operating Activities		**(42,111)**	**1,183,585**	**(42,111)**	**1,183,585**
Investing Activities					
Payments for property, plant and equipment		(313,608)	(360,342)	(313,608)	(360,342)
Proceed from property, plant and equipment		-	15,400	-	15,400
Payments for investment properties		(174,283)	(143,340)	(174,283)	(143,340)
Proceeds from sale of investment property		2,000,000	-	2,000,000	-
Net cash provided by/(used in) Investing Activities		**1,512,109**	**(488,282)**	**1,512,109**	**(488,282)**
Financing Activities					
Repayment of borrowings		(1,089,727)	(789,667)	(1,089,727)	(789,667)
Net cash flow used in financing Activities		**(1,089,727)**	**(789,667)**	**(1,089,727)**	**(789,667)**
Net increase/(decrease) in cash and cash equivalents		**380,271**	**(94,364)**	**380,271**	**(94,364)**
(Overdraft) at 1 January		(223,292)	(128,928)	(223,292)	(128,928)
Cash and cash equivalent/ (overdraft) at 31 December	5	**156,979**	**(223,292)**	**156,979**	**(223,292)**

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

1 Corporate Information

The consolidated financial statements of Yatu Lau Company Limited and its subsidiary for the year ended 31 December 2018 were authorised for issue in accordance with a resolution of the directors on 17th May 2019. 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. IFRS 16 is not expected to have significant impact on the financial statements.

Reference	Summary	Application date of standard.	Application date for the Company.
IFRS 16 Leases	Requires operating leases to be recognized on balance sheet.	1 January 2019	1 January 2019

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.

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 2018. 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.

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 Changes in significant accounting policies

The Entity initially applied IFRS 15 and IFRS 9 from 1 January 2018.

(a) IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – a point in time or over point in time – requirements judgement.

The Entity has adopted IFRS 15 using the cumulative effective method with the effect of initially applying this standard recognised at the date of initial application (i.e 1 January 2018) and applying the requirements to only contracts that are not completed contracts at the date of initial application. Accordingly the information presented for 2017 has not been restated – i.e it is presented, as previously reported, under IAS 18 and related interpretations. Additionally the disclosure requirements of IFRS 15 have not generally been applied to comparative information.

The adoption of this standard did not have any quantitative impact as at 1 January 2018 of transition to IFRS 15 as all contracts as at 1 January 2018 were determined to have been completed.

(b) IFRS 9 Financial Instruments

IFRS 9 sets out requirements for recognising and measuring financial assets and financial liabilities. The standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

As a result of the adoption of IFRS 9 Financial Instruments, the Entity adopted consequential amendments to IAS 1 Presentation of Financial Statements, which require impairment of financial assets to be presented in a separate line item in the statement of profit or loss and OCI. Previously, no impairment losses on trade receivable was recorded.

Additionally, the Entity adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to disclosures about 2018 but generally have not been applied to comparative information.

The adoption of this standard did not have any quantitative impact as at 1 January 2018 of transition to IFRS 9.

i) Classification and measurement of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, FVOCI (fair value through other comprehensive income) and FVTPL (fair value through profit or loss). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of "held to maturity" and "loans and receivables".

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

The adoption of IFRS 9 has not had a significant effect on the Entity's accounting policies for financial liabilities.

1.4 Changes in significant accounting policies (continued)

(b) IFRS 9 Financial Instruments (continued)

i) Classification and measurement of financial assets and financial liabilities (continued)

The following table and accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Entity's financial assets and financial liabilities as at 1 January 2018.

The effect of adopting IFRS 9 on the carrying amounts of financial assets at 1 January 2018 relates to solely the new impairment requirements.

	Note	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Financial Assets				**$**	**$**
Cash and cash equivalents	5	Loans and receivables	Amortised cost	31,945	31,945
Trade and other receivables	6	Loans and receivables	Amortised cost	388,450	388,450
Other assets	7	Loans and receivables	Amortised cost	257,786	257,786
				678,181	**678,181**
Financial labilities					
Trade payables	12	Other financial liabilities	Amortised cost	486,626	486,626
Other creditors and accruals	12	Other financial liabilities	Amortised cost	2,017,416	2,017,416
				2,504,042	**2,504,042**

ii) Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets, debt investments at FVOCI and loan commitments issued, but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39 – see Note 1.5 (b) (i).

For assets in the scope of IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Entity has determined that the application of IFRS 9's impairment requirements at 1 January 2018 results in no additional allowance for impairment.

Additional information about how the Entity measures allowance for impairment is described in Note 24.

iii) Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below:

- The Entity has used the exemption note to restate comparative information prior periods with respect to classification and measurement (including impairment) requirements. Therefore comparative years have not been restated and is not comparable to the information presented for 2018 under IFRS 9.

- The determination of the business model within which a financial asset is held is an assessment that has been made on the basis of the facts and circumstances that existed at the date of initial application.

1.4 Summary of significant accounting policies

(a) Financial instruments

i) Recognition and measurement

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Entity becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

ii) Classification and measurement

Financial assets – policy applicable from 1 January 2018

On initial recognition, a financial asset is classified as measured at amortised cost, FVOCI or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Entity changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost as described above are measured at FVTPL. On initial recognition, the Entity may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets: Business model assessment - Policy applicable from 1 January 2018

The Entity makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Entity's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected;
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and demonstrate why those sales do not reflect a change in the entity's business model.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Entity's continuing recognition of the assets.

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

1.5 Summary of significant accounting policies (continued)

(a) Financial instruments (continued)

ii) Classification and measurement (continued)

Financial assets: Business model assessment - Policy applicable from 1 January 2018 (continued)

In assessing whether the contractual cash flows are solely payments of principal and interest, the Entity considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Entity considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Entity's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract.

Financial assets: Subsequent measurement and gains and loss - Policy applicable from 1 January 2018

Financial assets that are measured at amortised costs are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial assets – policy applicable before 1 January 2018

The Entity classified its financial assets as loans and receivable.

Financial assets: Subsequent measurement and gains and loss- Policy applicable before 1 January

Loans and receivables - measured at amortised cost using the effective interest method.

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified and measured at amortised cost or FVTPL. A financial liability is classified at FVTPL if it is classified as held-for trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit and loss. Any gains or loss on derecognition is also recognised in profit or loss.

iii) Derecognition

Financial assets

The Entity derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Entity neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Entity enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets In these cases the transferred assets are not derecognised.

Financial liabilities

The Entity derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Entity also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

1.5 Summary of significant accounting policies (continued)

a) Financial instruments (continued)

iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Entity currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

b) Impairment

i) Non-derivative financial assets

Policy applicable from 1 January 2018

The Entity recognises loss allowances for ECLs on financial assets measured at amortised cost.

The Entity measures loss allowances at an amount equal to lifetime ECL, except for the following, which are measured as 12-month ECL:

- other receivables and cash at bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Entity considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Entity's historical experience and informed credit assessment and including forward-looking information.

The Entity assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Entity considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Entity in full, without recourse by the Entity to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

The Entity considers another receivable or cash balance to have low credit risk when its credit risk rating is equivalent to the globally understood definition of "investment grade". The Entity considers this to be Aaa3 or a higher rating per Moody's.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Entity is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flow due to the entity in accordance with the contract and the cash flows that the Entity expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Entity assesses whether financial assets carried at amortised cost are credit impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Credit-impaired financial assets

Evidence that a financial asset is credit-impaired includes the following observable data:

Policy applicable from 1 January 2018

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Entity on terms that the Entity would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; and
- the disappearance of an active market for a security because of financial difficulties.

1.5 Summary of significant accounting policies (continued)

b) Impairment (continued)

i) Non-derivative financial assets (continued)

Policy applicable from 1 January 2018

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Entity determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Entity's procedures for recovery of amounts due.

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and the loss event had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Entity on terms that the Entity would not consider otherwise and indications that a debtor will enter bankruptcy.

The Entity considers evidence of impairment for receivables at a specific asset level.

In assessing impairment the Entity uses historical information of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss with respect to a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

ii) Non - financial assets

The carrying amounts of the Entity's non-financial assets, other than inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU").

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

An impairment loss is reversed only to the extent that the asset's carrying amount cannot exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss has been recognised.

1.5 Summary of significant accounting policies (continued)

c) 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.

d) 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.

e) 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.

f) 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 off-set 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.

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.

1.5 Summary of significant accounting policies (continued)

g) 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:

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.

1.5 Summary of significant accounting policies (continued)

(h) 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.

(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.

In the consolidated statement of comprehensive income of the reporting period, and of the comparable period of the previous year, income and expenses from discontinued operations are reported separately from income and expenses from continuing operations, down to the level of profit after taxes, even when the Group retains a non-controlling interest in the subsidiary after the sale. The resulting profit or loss (after taxes) is reported separately in the statement of comprehensive income.

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.

1.5 Summary of significant accounting policies (continued)

(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.

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) 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.

(q) Leases

Group as lessor

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

(r) Comparative figures

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

1.5 Summary of significant accounting policies (continued)

(s) Revenue recognition

Policy applicable from 1 January 2018

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Entity recognises revenue when it transfers control over a product or service to a customer.

The Entity principally generates revenue from the sale of the Entity's products and is stated net of Value Added Tax, Service Turnover Tax and Environmental & Climate Adaptation Levy.

Policy applicable before 1 January 2018

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, and sales taxes or duty. The Entity assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Entity has concluded that it is acting as a principal in all of its revenue arrangements.

(t) 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.

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.

		Group		Company	
2	**REVENUE**	**2018**	**2017**	**2018**	**2017**
(a)	Rental income	**$**	**$**	**$**	**$**
	Amy Street	8,220	23,880	8,220	23,880
	Arts Village	713,233	728,921	713,233	728,921
	Berry Road	116,641	119,461	116,641	119,461
	Dinem House	573,056	577,056	573,056	577,056
	Mead Road	12,050	20,400	12,050	20,400
	Total House	89,000	89,000	89,000	89,000
	Waimanu Road	140,637	119,655	140,637	119,655
	Yatu Lau Arcade	1,793,839	1,653,289	1,793,839	1,653,289
		3,446,676	3,331,662	3,446,676	3,331,662
(b)	Hotel revenue	**$**	**$**	**$**	**$**
	Accommodation sales	1,478,118	1,516,008	1,478,118	1,516,008
	Conference sales	277,915	264,077	277,915	264,077
	Food and beverage	388,791	258,774	388,791	258,774
	Miscellaneous	343,590	472,672	343,590	472,672
		2,488,414	2,511,531	2,488,414	2,511,531
3	**EXPENSES**	**$**	**$**	**$**	**$**

Profit before income tax has been determined after charging the following expenses:

		Group 2018	Group 2017	Company 2018	Company 2017
(a)	Operating expenses				
	Auditor's remuneration				
	- audit services	17,750	17,750	15,750	15,750
	- other services	6,105	3,000	5,355	3,000
	Accounting services	11,087	5,796	11,087	5,796
	Depreciation	179,232	155,178	179,232	155,178
	Directors' fees	66,240	82,486	66,240	82,486
	Directors and officers liability insurance	7,458	6,038	7,458	6,038
	Doubtful debts	56,941	73,083	56,941	73,083
	FNPF contributions	123,279	121,716	123,279	121,716
	Fringe benefit tax	2,112	1,454	2,112	1,454
	Salaries, wages, bonus and allowances	1,118,391	1,233,990	1,118,391	1,233,990
	Security costs	181,905	189,649	181,905	189,649
	Fiji National University levy	13,373	13,036	13,373	13,036
	Motor vehicle expenses	40,804	37,960	40,804	37,960
	Telephone and internet	42,747	55,012	42,747	55,012
	Travelling and Accommodation	40,137	65,309	40,137	65,309
	Penalties	18,440	758,236	18,440	758,236
	Postage and stationery	49,111	53,559	49,111	53,559
	Insurance	187,825	186,669	187,825	186,669
	Repairs and maintenance	128,370	144,393	128,370	144,393
	Other expenses	2,171,214	1,595,674	2,171,214	1,595,674
		4,462,521	4,799,988	4,459,771	4,797,988

		Group		Company	
3	**EXPENSES (cont'd)**	**2018 $**	**2017 $**	**2018 $**	**2017 $**
(b)	Finance income				
	Interest income on financial assets	250	433	250	433
(c)	Finance expense				
	Interest on borrowings	865,748	875,049	865,748	875,049
4	**INCOME TAX EXPENSE**	**$**	**$**	**$**	**$**
	Operating profit before tax	1,077,382	3,905,351	1,080,132	3,907,351
	Prima facie tax there on at 20%	215,476	781,070	216,026	781,470
	Non-deductible items	33,915	167,410	33,365	167,010
	Underprovision from prior year	4,548	72,745	4,548	72,745
	Restatement of deferred balances	(243,301)	243,355	(243,301)	243,355
	Income tax expense reported in the statement of comprehensive income	10,638	1,264,580	10,638	1,264,580
	Deferred tax related to items charged or credited directly to OCI during the year:				
	Net gain on revaluation of buildings	19,543	129,533	19,543	129,533
	Income tax charged directly to other comprehensive income	19,543	129,533	19,543	129,533
	Net deferred liability at 31 December relates to the following:				
	Deferred tax assets/(liability)				
	Doubtful debts	153,621	156,217	153,621	156,217
	Provision for employee entitlements	9,593	8,603	9,593	8,603
	Accelerated depreciation and revaluation	(6,511,889)	(6,677,338)	(6,511,889)	(6,677,338)
		(6,348,675)	(6,512,518)	(6,348,675)	(6,512,518)
	Reflected in the consolidated statement of financial position as follows:				
	Deferred tax assets	163,214	164,820	163,214	164,820
	Deferred tax liability	(6,511,889)	(6,677,338)	(6,511,889)	(6,677,338)
	Net deferred tax liability	(6,348,675)	(6,512,518)	(6,348,675)	(6,512,518)

	Group		Company	
5 CASH AND CASH EQUIVALENTS	**2018 $**	**2017 $**	**2018 $**	**2017 $**

Cash and cash equivalents consist of cash on hand and balances with banks net of bank overdraft.

Cash on hand	2,301	2,300	2,301	2,300
Cash at bank	154,678	29,645	154,678	29,645
Cash and cash equivalents	156,979	31,945	156,979	31,945

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

Cash and cash equivalents	156,979	31,945	156,979	31,945
Bank overdraft	-	(255,237)	-	(255,237)
Total cash and cash equivalents	156,979	(223,292)	156,979	(223,292)

6 TRADE AND OTHER RECEIVABLES	**$**	**$**	**$**	**$**
Current				
Trade receivables	556,136	589,164	556,136	589,164
Less: provision for doubtful debts	(321,465)	(281,180)	(321,465)	(281,180)
Total trade receivables	234,671	307,984	234,671	307,984
Prepayments	18,887	16,134	18,887	16,134
Deposits	64,332	64,332	64,332	64,332
Other receivable	297,360	297,360	297,360	297,360
Less: provision for doubtful debts	(297,360)	(297,360)	(297,360)	(297,360)
Total other receivables	83,219	80,466	83,219	80,466
Total trade and other receivables	317,890	388,450	317,890	388,450

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	578,540	568,864	578,540	568,864
Additional provision	40,285	9,676	40,285	9,676
At 31 December	618,825	578,540	618,825	578,540

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

Year	Total	Neither past due nor impaired	30 - 60 days	60 - 90 days	>90 days
Group	$	$	$	$	$
2018	234,671	142,570	35,413	-	56,688
2017	307,984	116,924	81,646	15,660	93,754

			Group		Company	
		Notes	2018 $	2017 $	2018 $	2017 $
7	**OTHER ASSETS**					
	Staff advances	(a)	141,302	158,363	141,302	158,363
	Less: provision for doubtful debts		(97,324)	(80,669)	(97,324)	(80,669)
	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
	Share deposit					
	Bua Investments		1,000	1,000	1,000	1,000
	Less: provision for doubtful debts		(144,279)	(144,279)	(51,958)	(51,958)
			180,641	214,357	224,070	257,786

(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	39,550	23,652	39,550	23,652

9	**INVESTMENT PROPERTIES**	$	$	$	$
	At 1 January	45,813,968	44,355,608	45,813,968	44,355,608
	Additions from capital expenditure	174,283	143,340	174,283	143,340
	Property reclassified as held for sale	-	(2,375,000)	-	(2,375,000)
	Net gain from fair value adjustments	461,167	3,690,020	461,167	3,690,020
	At 31 December	46,449,418	45,813,968	46,449,418	45,813,968

The investment properties are stated at fair value based on independent valuations at open market value prepared on January 2019 by registered valuer Pacific Valuations Limited. The valuation has been adopted as at 31 December 2018.

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

10 FINANCIAL ASSETS

	Notes	Group 2018 $	Group 2017 $	Company 2018 $	Company 2017 $
(a) *Financial assets*					
Investments					
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	-	-
Investment in subsidiary					
Yatu Lau Property Development Limited		-	-	239,327	239,327
Provision for impairment		-	-	(239,327)	(239,327)
Total financial assets		282,965	282,965	-	-
Total financial assets		**282,965**	**282,965**	**-**	**-**

Reconciliation for available-for-sale financial assets for associates companies

	Group 2018 $	Group 2017 $	Company 2018 $	Company 2017 $
At 1 January	282,965	282,965	-	-
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) 2018 $	Ordinary shares ($1) 2017 $	% Shareholding 2018 $	% Shareholding 2017 $
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.

11 PROPERTY, PLANT AND EQUIPMENT	2018 $	2017 $	2018 $	2017 $
Freehold land				
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	3,545,000
Building				
Valuation:				
At 1 January	11,456,032	10,764,392	11,456,032	10,764,392
Additions	91,835	43,974	91,835	43,974
Revaluation	97,715	647,666	97,715	647,666
At 31 December	11,645,582	11,456,032	11,645,582	11,456,032
Depreciation and impairment:				
At 1 January	-	-	-	-
Reversal of depreciation	-	-	-	-
Depreciation charge for the year	-	-	-	-
At 31 December	-	-	-	-
Net book value	15,190,582	15,001,032	15,190,582	15,001,032
Furniture, fittings and equipment				
Cost:				
At 1 January	2,276,101	2,079,823	2,276,101	2,079,823
Additions	194,501	196,278	194,501	196,278
At 31 December	2,470,602	2,276,101	2,470,602	2,276,101
Depreciation and impairment:				
At 1 January	1,896,299	1,762,144	1,896,299	1,762,144
Depreciation charge for the year	148,156	134,155	148,156	134,155
At 31 December	2,044,455	1,896,299	2,044,455	1,896,299
Net book value	426,147	379,802	426,147	379,802
Motor vehicles				
Cost:				
At 1 January	191,005	137,869	191,005	137,869
Disposal	-	(66,956)	-	(66,956)
Additions	-	120,092	-	120,092
At 31 December	191,005	191,005	191,005	191,005
Depreciation and impairment:				
At 1 January	66,921	109,608	66,921	109,608
Disposals	-	(63,710)	-	(63,710)
Depreciation charge for the year	31,323	21,023	31,323	21,023
At 31 December	98,244	66,921	98,244	66,921
Net book value	92,761	124,084	92,761	124,084

		Notes	2018 $	2017 $	2018 $	2017 $
11	**PROPERTY, PLANT AND EQUIPMENT (cont'd)**					
	Work in progress					
	At 1 January		183,424	183,424	183,424	183,424
	Movement during the year		27,519	-	27,519	-
	At 31 December		210,943	183,424	210,943	183,424
	Net book value at 31 December		15,920,433	15,688,342	15,920,433	15,688,342

The Group's land and building are stated at fair value based on independent valuations prepared on January 2019 by registered valuer Pacific Valuations Limited. The valuation has been adopted as at 31 December 2018.

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)	144,339	214,789	144,339	214,789
	Dividend tax payable		-	78,883	-	78,883
	Payable to Benatil Limited		47,942	47,942	-	-
	Trade payables and accrued	(b)	605,564	505,057	584,383	486,626
	Rent received in advance		72,360	51,808	72,360	51,808
	Penalties		18,440	758,236	18,440	758,236
	Environmental levy		21,325	32,522	21,325	32,522
	Service Turnover Tax payable		12,795	19,513	12,795	19,513
	Value Added Tax payable		198,092	557,269	198,092	557,269
			1,120,857	2,266,019	1,051,734	2,199,646
	Non-current					
	Rental deposits		301,555	304,396	301,555	304,396
			301,555	304,396	301,555	304,396
	Total trade and other payables		1,422,412	2,570,415	1,353,289	2,504,042

(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.

13 INTEREST BEARING BORROWINGS	2018 $	2017 $	2018 $	2017 $
Current				
Bank overdraft	-	255,237	-	255,237
Bank of South Pacific loan	24,956	22,827	24,956	22,827
Westpac Banking Corporation loans	1,019,050	961,116	1,019,050	961,116
	1,044,006	1,239,180	1,044,006	1,239,180
Non-current				
Bank of South Pacific loan	91,646	125,576	91,646	125,576
Westpac Banking Corporation loans	14,830,970	15,946,830	14,830,970	15,946,830
	15,966,622	17,311,586	15,966,622	17,311,586

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 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;

		2018	2017	2018	2017
14	**EMPLOYEE BENEFIT LIABILITY**	**$**	**$**	**$**	**$**
	Annual leave	47,964	43,015	47,964	43,015

15	**SHARE CAPITAL**	**$**	**$**	**$**	**$**
	Issued and paid up capital				
	4,174,059 A class ordinary shares	5,536,303	5,082,808	5,536,303	5,082,808
	3,652,050 B class ordinary shares	3,652,050	3,652,050	3,652,050	3,652,050
		9,188,353	8,734,858	9,188,353	8,734,858

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.

During the year, the Board approved the capitalization of $61,755 of dividends as A class ordinary shares. In addition, the members approved a bonus share issue of 5% of A class ordinary shares.

16	**SHARE PREMIUM**	**$**	**$**	**$**	**$**
	At 1 January	-	908,749	-	908,749
	Movement	-	(908,749)	-	(908,749)
	At 31 December	-	-	-	-

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

17	**EARNING PER SHARE**	**$**	**$**
	Net profit for the year	1,144,916	3,158,903
	Weighted average number of ordinary shares	9,188,353	8,734,858
	Basic and diluted earnings per shares - cents	12.46	36.16

18	**COMMITMENTS**	**$**	**$**	**$**	**$**
	Capital expenditure				
	- Approved by the board and committed	-	-	-	-
		-	-	-	-

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 leases are expected to be received approximately as follows:

	2018 $	2017 $	2018 $	2017 $
Not later than one year	3,382,721	3,228,257	3,382,721	3,228,257
Later than one year but not later than two years	3,382,721	3,228,257	3,382,721	3,228,257
Later than two years but not later than five years	4,436,548	4,350,316	4,436,548	4,350,316
	11,201,990	10,806,830	11,201,990	10,806,830

20 CONTINGENT LIABILITIES

Contingent liabilities at balance date amounted to Nil (2017: Nil)

21 INVESTMENT IN SUBSIDIARY

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

22 SEGMENT INFORMATION

(a) Operating segment - group
<u>*31 December 2018*</u>

	Hotel	Property	Unallocated/ Elimination	Consolidated
	$	$	$	$
Revenue				
External sales	2,488,414	3,446,676	-	5,935,090
Fair value gain	-	461,167	-	461,167
Other revenue	-	-	9,144	9,144
	2,488,414	3,907,843	9,144	6,405,401
Results				
Segment result	40,330	2,968,460	9,144	3,017,934
Unallocated expenses	-	-	(1,075,054)	(1,075,054)
Profit from operating activities	40,330	2,968,460	(1,065,910)	1,942,880
Finance costs (net)	-	-	(865,498)	(865,498)
Profit before income tax	40,330	2,968,460	(1,931,408)	1,077,382
Income tax expense	-	-	(10,638)	(10,638)
Net profit	40,330	2,968,460	(1,942,046)	1,066,744

22 SEGMENT INFORMATION (cont'd)

(a) Operating segment - group

31 December 2017

	Hotel	Property	Unallocated/ Elimination	Consolidated
	$	$	$	$
Revenue				
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
Results				
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)	-	-	(817,704)	(817,704)
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

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
Ilaisa Kacisolomone (Deceased 20th February 2019)
Aisea Taoka
Fusi Vave (Deceased 25th February 2018)
Dr Esther Williams
Jiu Daunivalu
Savenaca Tuivaga (Retired 27th June 2018)
Isireli Mokunitulevu - Deputy Chairperson
Parayame Cakacaka
Isikeli Taoi (Resigned 27th March 2018)
Tevita Peni Mau (Deceased on 3rd October 2018).
Sakeasi Tawaketini (Resigned 31st December 2018).
Sialeni Vuetaki (Retired 27th June 2018)

(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:

Name	Title
Alipate Naiorosui	Chief Executive Officer

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 2018 and 2017 with approximate transaction values are summarised as follows:

Name	Relationship	Nature of transaction	2018 $	2017 $
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	8,289
Yatu Lau Property Development Limited	Subsidiary	135,749	135,749
Lau Shipping Limited	Shareholder	50,958	50,958
Oneata Island Holding Limited	Shareholder	20,389	20,389
		215,385	215,385

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.

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 2018			
Secured financial liabilities			
Bank loans (Note 13)	1,044,006	14,922,616	15,966,622
	1,044,006	14,922,616	15,966,622
31 December 2017			
Financial liabilities			
Bank overdraft (Note 13)	255,237	-	255,237
Bank loans (Note 13)	983,943	16,072,406	17,056,349
	1,239,180	16,072,406	17,311,586

(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).

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.

31 December 2018	Less than 1 year	Between 1 and 2 years	Total
	$	$	$
Financial assets:			
Cash and cash equivalents	156,979	-	156,979
Trade and other receivables	317,890	-	317,890
Other assets	180,641	-	180,641
	655,510	-	655,510
Financial liabilities:			
Trade and other payables	1,120,857	301,555	1,422,412
Interest bearing borrowings	1,044,006	14,922,616	15,966,622
	2,164,863	15,224,171	17,389,034

31 December 2017	Less than 1 year	Between 1 and 2 years	Total
Financial assets:	$	$	$
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
Financial liabilities:			
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

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.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated statement of financial position) less cash and cash equivalents and short term deposits. Total capital is calculated as 'equity' as shown as the consolidated statement of financial position plus net debt.

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

Capital risk management (cont'd)

The gearing ratios at 31 December were as follows:	Group 2018 $	Group 2017 $
Total borrowings including bank overdraft (Note 13)	15,966,622	17,311,586
Less: Cash and cash equivalents (Note 5)	(156,979)	(31,945)
Net debt	15,809,643	17,279,641
Total equity	39,445,510	38,238,839
Total capital (total equity plus net debt)	55,255,153	55,518,480
Gearing ratio % (net debt/total capital)	29%	31%

25 SUBSEQUENT EVENTS

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company and the Group, the results of those operations, or the state of affairs of the Company and the Group in future financial years.

26 NON-CURRENT ASSET HELD FOR SALE

	Group		Company	
	2018 $	2017 $	2018 $	2017 $
Mead Road	-	2,375,000	-	2,375,000

27 ASSET REVALUATION RESERVE

	$	$	$	$
Balance at 1 January	4,700,832	4,182,700	4,700,832	4,182,700
Revaluation reserve (decrement)/surplus	97,715	647,665	97,715	647,665
Income tax effect	(19,543)	(129,533)	(19,543)	(129,533)
Balance at 31 December	4,779,004	4,700,832	4,779,004	4,700,832

28 GOING CONCERN

Without further qualification of the opinion expressed above, attention is drawn to Note 28 of the consolidated financial statements. At 31 December 2018, the Company recorded a negative working capital of $1,521,908 (2017: $547,314). The Group also recorded a negative working capital of $1,634,460 (2017: $657,116). 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.

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

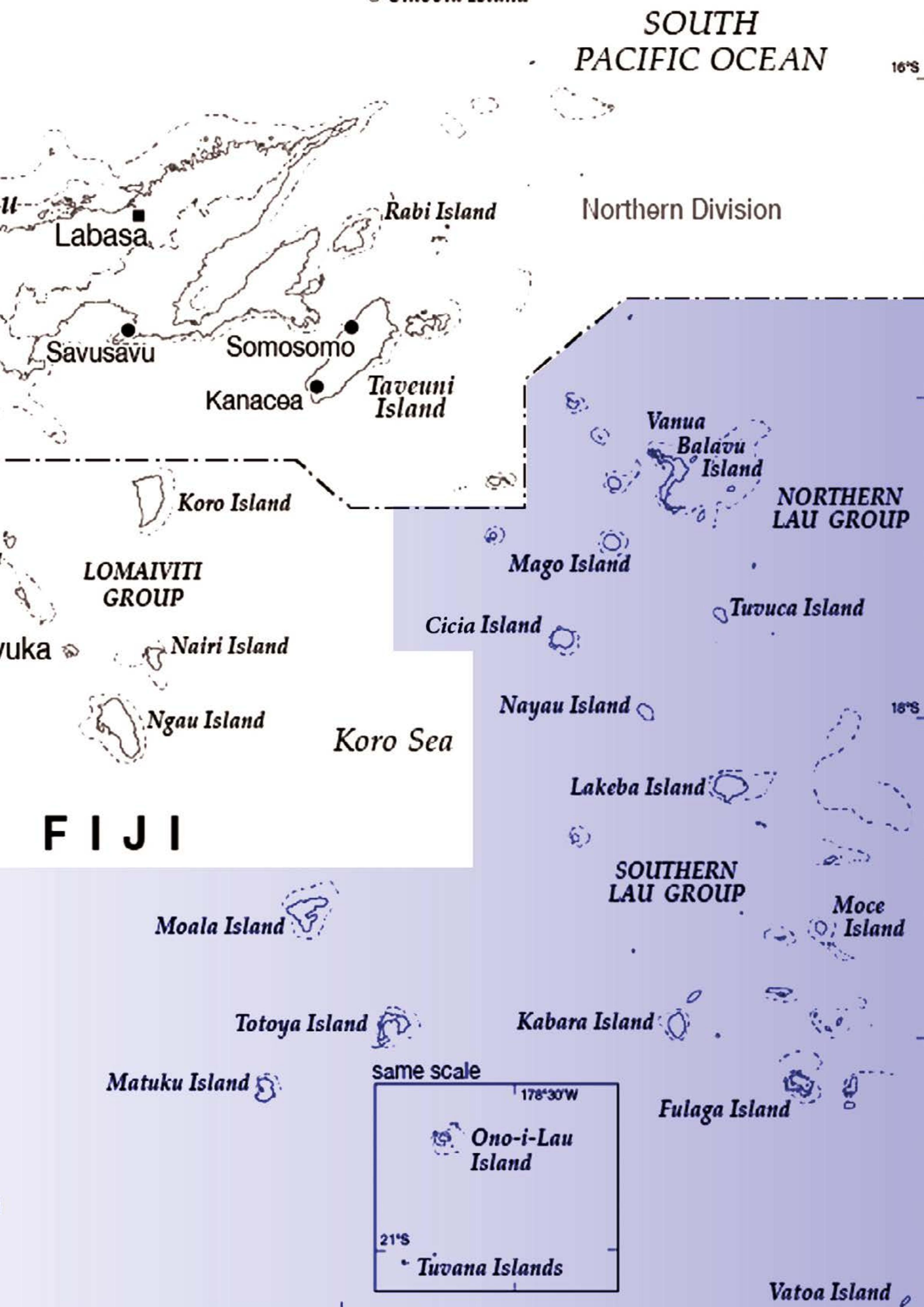
The principal activities of the subsidiary entity during the year were of equity investments and property development.

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
Labasa
Rabi Island
Savusavu
Somosomo
Kanacea
Taveuni
Island
Vanua
Balavu
Island
NORTHERN
LAU GROUP
Koro Island
LOMAIVITI
GROUP
Mago Island
Tuvuca Island
Cicia Island
Nairi Island
Nayau Island
16°S
Ngau Island
Koro Sea
Lakeba Island
FIJI
SOUTHERN
LAU GROUP
Moce
Island
Moala Island
Totoya Island
Kabara Island
same scale
Matuku Island
178°30'W
Fulaga Island
Ono-i-Lau
Island
21°S
Tuvana Islands
Vatoa Island

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