



Yatu Lau Company Limited

2020

**ANNUAL REPORT**



## **Vision**

To be the leading, respected and trusted Investment of Choice.

## **Mission**

We aim to provide unique and sustainable investment opportunities to the satisfaction of our shareholders, customers and other stakeholders and effectively provide value to communities we serve.

## **Values**

Our core values are defined by our firm belief in the divine precepts of our Lord Jesus Christ. They define our attitude and approach in our daily business and in our interactions with our customers, stakeholders and importantly our shareholders.

### **Integrity and honesty**

Yatu Lau will operate its businesses in an honest and ethical manner.

### **Accountability**

We will report and disclose information transparently and comply fully with relevant regulations and laws.

### **Innovation**

We will continuously review processes and products/services to meet the ever changing customer needs.

### **Customer service excellence**

We strive for excellence in providing quality and cost effective services to our customers so that they continue to enjoy doing business with us.

### **Transparency**

We will ensure that good governance and principles are strictly observed in our daily business and we are transparent in our dealings

# Table Of Contents

Financial Highlights.....	1
Top 30 Shareholders.....	2
Chair Persons Report.....	3
Property Portfolio.....	5
Corporate Governance Report.....	6
Directors' report.....	8
Directors' declaration.....	11
Auditor's independence declaration.....	12
Independent auditor's report.....	13
Consolidated statement of profit or loss and other comprehensive income.....	16
Consolidated statement of changes in equity.....	17
Consolidated statement of financial position.....	18
Consolidated statement of cash flows.....	19
Notes to the consolidated financial statements.....	20

# Financial Highlights

	2020	2019	2018	2017	2016	2015
<b>Operating Results</b>						
Operating Revenue	\$4,686,667	\$6,022,909	\$5,944,484	\$5,890,368	\$5,749,316	\$5,682,913
EBIT	\$1,803,417	\$2,884,731	\$1,945,880	\$4,780,400	\$5,453,097	\$4,561,387
EBITDA	\$(179,689)	\$3,073,481	\$2,125,112	\$4,935,578	\$5,611,899	\$4,805,394
Net Earnings	\$1,165,312	\$1,468,388	\$1,069,494	\$2,640,771	\$2,024,675	\$3,217,114
<b>Shares</b>						
Earnings Per Share	\$0.13	\$0.16	\$0.12	\$0.36	\$0.35	\$0.45
Net Tangible Asset Per Share	\$7.26	\$7.38	\$6.79	\$4.38	\$4.83	\$4.49
Dividend Per Share	\$-	\$-	\$-	\$0.0007	\$0.02	\$0.07
<b>Financial Position Ratios</b>						
Total Debt to Total Equity Ratio	48%	55%	61%	70%	76%	77%
Current Ratio	0.60	0.48	0.33	0.82	0.23	0.25
Interest Cover	1.51	2.95	2.25	5.46	5.90	4.49
<b>Cash Flow</b>						
Net Cash flow from Operating Activities	\$1,025,901	\$1,011,167	\$(42,111)	\$1,189,831	\$1,102,438	\$805,419
Capital Expenditure	\$156,170	\$291,904	\$313,608	\$503,682	\$350,425	\$253,982
<b>Profitability</b>						
Return on Assets	1.72%	2.14%	2%	7%	9%	8%
Return on Equity	3%	3%	3%	13%	16%	14%
<b>Total Assets</b>	<b>\$67,894,856</b>	<b>\$68,575,206</b>	<b>\$63,271,554</b>	<b>\$64,983,499</b>	<b>\$60,521,151</b>	<b>\$56,497,024</b>

# Top 30 Shareholders

	Shareholders as at 31/12/2020	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	Vanuabalavu Vision Limited	289,521	
6	Lakeba Tikina	184,186	
7	Lawedua Trust Company Limited	145,187	
8	Moce Tikina	144,057	
9	Matuku Tikina	130,644	
10	Ono-I-Lau Tikina	124,621	
11	Ratu Sir KKT Mara Scholarship Fund	115,500	
12	Oneata Island Holdings Limited	85,285	
13	Yavusa Tonga Holdings Company Limited	73,182	
14	Solo Hire Services Limited	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 Prabhudas 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 Company Limited	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
	<b>TOTAL</b>	<b>3,139,673</b>	<b>3,666,021</b>

# Chairperson's Report

## Dear Valued Shareholders,

On behalf of the Board of Directors I am pleased to present to you Yatu Lau Company Limited's Annual Report for the financial year ended 31<sup>st</sup> December 2020.

Before doing so I wish to refer to my 2019 Chairperson's address where I had mentioned that the Yatu Lau Company had felt the domino effect of the world economy rapidly changing and that our risk management policies and strategies we have in place should assist us in keeping afloat and sailing forward. The COVID-19 crisis hit us at a time when the economy was already heading downwards. I further mentioned that being a Vanua based Company we value that our kinship ties spread as far as our oceans do and appreciate that our digital platform has enabled us to become accessible and transparent to all our shareholders and stakeholders during this economic downturn. Adjusting to this is something that we will also be emphasizing and utilizing in the near future.

This year has been a year of survival for the Company like most in Fiji, the region and the world. Keeping our heads above water has not been easy but we have been able to achieve a net operating profit of \$605,544. In comparison to 2019 it is however, a reduction of 48% from \$1,178,361. Similarly, the Yatu Lau Group recorded a net profit after tax of \$1,165,312 a reduction of 20% from \$1,468,388 in 2019. This is indicative of the downturn in economic activity that COVID-19 has brought upon us all.

It has caused widespread hardship in all communities from business closures to laying off workers. The struggles show that the impact of the pandemic does not discriminate regardless of land mass, population and geographic location. Everyone has been affected in one way or another. On the economic front for most Pacific countries that relied on the tourism industry which represented the lifeblood for the domestic market, farmers, growers and the most vulnerable communities at grass root level, the pandemic has effectively removed that critical revenue earner.

Overnight, the Yatu Lau Company has been forced to reevaluate its primary core business streams-Hotel and Property Rental income, staffing and future direction. It took some time to adjust and accept that this was not a compromise but was in fact a long term impact. This process has also meant reducing costs. We have had to scale back on hours of our current employees, reduce staff and unfortunately close our Pacific Harbour and Nadi Hotel operations temporarily so that we can sustain operations in the long term.

Although the Yatu Lau Company is seen as rich in assets it is challenged with cash flow issues that require urgent improvement. It is critical that we must practice a more disciplined approach to maintaining a tight budget and review our strategies to ensure that our business and property ventures remain sustainable and that we are able to adapt successfully come what may.

## Acknowledgements

I want to take this opportunity to thank each and every one of our employees who continued to work despite the cut backs and ensured that even during the most difficult periods the Company continued to tread water and stay afloat. I also want to thank their families who are part of our bigger Yatu Lau family for their support and understanding.

Much has been said about resilience in this era of COVID-19 and climate change however I would also like to reiterate that responsiveness is just as important. In this ever changing world we cannot afford to be complacent and we must be able to be prepared and vigilant to respond to situations that arise that we have not planned for or foreseen.

To the Board, the managers, the employees, our customers and shareholders I thank you for being understanding of this difficult period and challenges we have had but also for responding to the needs of the company during the year when it needed it most.

*Koila M Nailatikau*

Adi Koila Mara Nailatikau  
Chairperson



# Property Portfolio

Property	Sector	Principal Tenant
1 Yatu Lau Arcade, 64 Rodwell Road, Suva	Commercial	Various
2 Studio 6 Hotel, Suva	Hotel   Conference   Rental	APTC, Local & Regional customer base
3 Dinem House, Suva	Office	Ministry of Health Headquarters
4 Amy Street Building, Suva	Residential   Commercial	Vacant
5 22 Berry Road, Suva	Residential	Various
6 Rona Street, Suva	Office	Total Fiji
7 Waimanu Road , Suva	Office	Peace Corp
8 Arts Village, Pacific Harbour	Residential   Commercial	Various
9 Lagoon Resort, Pacific Harbour	Hotel   Conference   Rental	Local & Regional customer
10 Kontiki Hotel, Nadi	Hotel	Local customer base
11 Yatu Lau Beachfront	Leisure	Local, Regional, cruise ship



# Corporate Governance Report

The Corporate Governance Charter of the Yatu Lau Company Limited (YLCL) lays down the principles on which the Board, its Directors and its Committees operate. It is also guided by the Company's Articles of Association and internal regulations.

## Eight Fundamental Principles of YLCL Corporate Governance

**1. Belief:** The Board upholds and acknowledges the sovereignty of the Lord Jesus Christ in its governance and business practices.

**2. Leadership:** an effective Board leads and steers the Company to meet its business purpose in the short and long term.

**3. Capability:** An appropriate mix of skills, experience and independence enables its members to discharge their duties and responsibilities effectively.

**4. Accountability:** the Board communicates to the Company's shareholders and stakeholders, at regular intervals, a fair, balanced, and understandable statement of how the Company is achieving its business purpose and meeting its responsibilities.

**5. Integrity:** the Company conducts its business in a fair and transparent manner that can withstand scrutiny by shareholders.

**6. Sustainability:** The Board guides the business to create value and allocate it fairly and sustainably to reinvestment and distributions to shareholders, directors, employees and customers.

**7. Transparency:** The Board is open and willing to provide clear information to shareholders and other stakeholders.

**8. Risk governance:** The Board is responsible for risk governance and ensures that the company develops and executes a comprehensive and robust system of risk management. The Board should ensure the maintenance of a sound internal control system.

## The Role of the Board

The Board is collectively responsible for the long term success of the Company and are accountable to the shareholders and other stakeholders for the efficient operation of the Company.

## Directors

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

Jeke Pai (deceased on 30th June 2020)

Dr Esther Batiri Williams (retired 6th November 2020)

Parayame Cakacaka (retired 6th November 2020)

Jiu Daunivalu

Watisoni Nata

Meli Saubulinayau (elected 6th November 2020)

Peni Gavidu (elected 6th November 2020)

Akapusi Tuifagalele (elected 6th November 2020)

## Essential Duties of a Director

- Act in good faith in the best interests of the Company
- Act with reasonable care and diligence
- Not improperly use information or position
- Avoid conflicts of interest
- Statutory duties in relation to financial record keeping and reporting
- Statutory duties in the areas of financial services, consumer law, the environment and workplace health and safety law

# Corporate Governance Report

## Board Subcommittees

The Board has appointed four subcommittees to cover specific operations: 1) Finance, 2) Audit & Investment, 3) Human Resources and 4) Property Rental and Hotels. The Board performs a detailed analysis of the various parts of the Business through the subcommittees and receives reports from the Management highlighting matters requiring the Board's further attention or noting.

## Joint Finance Audit & Investment and Human Resources Subcommittee

In accordance with the YLCL Articles of Association (Section 80.1) the Board may delegate any of its powers to a Committee of Directors. The existing Committees are: (1) Finance, Audit and Investment and (2) Human Resources.

In the absence of the Chief Executive Officer position becoming vacant in October 2019, the Company has continued to successfully operate under this arrangement until November 2020.

## Directors Meeting Attendance Summary

The table below sets out the number of Board and subcommittee meetings held during the year and the number attended by each Director post their Appointment date

	Board of Directors			Joint FAISC & HR		
	Held	No. Of Meetings apology given	Attended	Held	No. Of Meetings apology given	Attended
Adi Koila Nailatikau	7		7	7	1	6
Isireli Mokunitulevu	7	3	4	7		7
Jiu Daunivalu	7	1	6	7	1	6
Dr Esther Williams	7	2	5	7	1	6
Jeke Pai	7		2	7		5
Parayame Cakacaka	7		5	7		7
Watisoni Nata	7		7	n/a	n/a	n/a
Meli Saubulinayau	7		2			
Peni Gavidid	7		2			
Akapusi Tuifagalele	7		2			

	Property Rental & Hotels Subcommittee		Finance & Investment Subcommittee	
	Held	Attended	Held	Attended
Adi Koila Nailatikau	2	2	2	2
Isireli Mokunitulevu	2	2	2	2
Jiu Daunivalu	2	2	2	2
Watisoni Nata	2	2	2	2
Meli Saubulinayau	2	2	2	2
Peni Gavidid	2	2	2	2
Akapusi Tuifagalele	2	2	2	2



# **Yatu Lau Company Limited and Subsidiary**

Financial Statements  
For the Year Ended 31 December 2020

**YATU LAU COMPANY LIMITED and Subsidiary**  
**DIRECTORS' REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

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In accordance with a resolution of the Board of Directors, the Directors herewith submit the consolidated statement of financial position of Yatu Lau Company Limited (the Company) and the subsidiary company (collectively the Group) as at 31 December 2020, the consolidated statement of profit or loss and other 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  
Isireli Mokunitulevu - Deputy Chairperson  
Jeke Pai (deceased on 30th June 2020)  
Dr Esther Batiri Williams (retired 6th November 2020)  
Parayame Cakacaka (retired 6th November 2020)  
Jiu Daunivalu  
Watisoni Nata  
Meli Saubulinayau (elected 6th November 2020)  
Peni Gavidu (elected 6th November 2020)  
Akapusi Tuifagalele (elected 6th November 2020)

**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 \$670,154 (2019: \$1,175,611). The operating profit for the holding company for the year was \$605,544 (2019: \$1,178,361).

*Net profit after tax and unrealised revaluation loss*

The consolidated net profit after income tax and revaluation gain for the year was \$1,229,922 (2019: \$1,465,638) after providing for income tax benefit and unrealised valuation loss of \$2,715,682 (2019: income tax expense of \$439,288) and \$2,155,914 (2019: unrealised valuation gain of \$729,315) respectively.

The net profit after income tax for the holding company for the year was \$1,165,312 (2019: \$1,468,388) after providing for income tax benefit and unrealised valuation loss of \$2,715,682 (2019: income tax expense of \$439,288) and \$2,155,914 (2019: unrealised valuation gain of \$729,315) respectively.

**Dividends**

The Directors proposed that no dividend be paid for the year (2019: \$Nil).

**Reserves**

The Directors recommend that no transfer be made to reserves.

**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 debts and allowance for impairment loss**

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 making of allowance for impairment loss. In the opinion of the Director, no further allowance for impairment loss is required.

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 allowance for impairment loss 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.

#### **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.

#### **Significant events during the year**

The coronavirus disease (COVID-19) outbreak has developed rapidly, bringing a significant health impact globally. Measures taken to contain the virus are already having a significant impact on global markets and economic activity. Fiji is also feeling the impact with business disruption and levels of activity already reducing in several market sectors.

The Company and the Group has remained operational since this declaration and continues to engage in its principal activities. We have seen a significant impact on our business to date. Directors and management are carefully considering the impact of the COVID-19 outbreak on the Company and the Group and assessing future operational options. The future financial impacts, however, cannot be reasonably estimated at this time, as they will be largely the product of matters the Company and the Group cannot control.

Directors and management believe the Company and the Group have sufficient financial resources together with arrangements with their customers and suppliers at this time to be able to successfully manage their business risks despite the current uncertain economic outlook due to the COVID-19 outbreak.

#### **Events subsequent to balance date**

Subsequent to the end of the financial year, on 25 April 2021, in response to the COVID-19 pandemic, the Government announced a number of measures including lockdown of certain containment areas within Viti Levu. Under the lockdown restrictions, all non-essential businesses are required to be closed unless the workplace was deemed part of a permitted industry as set out by the Government. The introduction of these restrictions have not had a material effect on the Company's and the Group's financial statements at 31 December 2020.

**Events subsequent to balance date *continued***

Apart from the exception above, no other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company and the Group, the results or cash flows 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 and the Group misleading or inappropriate.

**Directors' benefits**

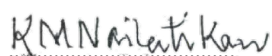
Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than those included in the aggregate amount of emoluments received or due and receivable by Directors shown in the financial statements or received as the fixed salary of a full-time 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 6.

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

Dated this 22nd day of September 2021.



Adi Koila Mara Nailatikau  
Chairperson

**YATU LAU COMPANY LIMITED and Subsidiary  
DIRECTORS' DECLARATION  
FOR THE YEAR ENDED 31 DECEMBER 2020**

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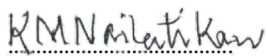
This Directors' declaration is required by the Companies Act 2015.

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 the subsidiary for the financial year ended 31 December 2020:
  - (i) give a true and fair view of the financial position of the Company and the subsidiary as at 31 December 2020 and of the performance of the Company and the subsidiary for the year ended 31 December 2020; and
  - (ii) have been made out in accordance with the 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 22nd day of September 2021.



**Adi Koila Mara Nailatikau**  
Chairperson




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

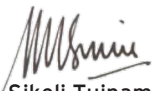
As lead auditor for the audit of Yatu Lau Company Limited for the financial year ended 31 December 2020, I declare to the best of my knowledge and belief, there have been:

- (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

22nd September 2021

## **INDEPENDENT AUDITOR'S 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) and its subsidiary, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other 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 present fairly in all material respects the consolidated financial position of the Company and the Group as at 31 December 2020, its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

#### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the 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.

#### **Material uncertainty related to going concern**

We draw attention to note 27 in the consolidated financial statements, which indicates that the Company recorded a net profit of \$1,165,312 (2019: \$1,468,388) and the Group also recorded a net profit of \$1,229,922 (2019: \$1,465,638) during the year ended 31 December 2020 and, as of that date, the Company's current liabilities exceeded its total assets by \$615,108 and the Group by \$665,800. As stated in Note 27, these event or conditions, along with other matters as set forth in Note 27, indicate that a material uncertainty exists that may cast significant doubt on the Company's and Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

#### **Other information**

The Directors and management are responsible for the other information. The other information comprises the information in the Directors' Report for the year ended 31 December 2020 but does not include the financial statements and the auditor's report thereon.

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

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

## **INDEPENDENT AUDITOR'S REPORT *continued***

### **Responsibilities of management and those charged with governance for the Consolidated Financial Statements**

The Directors and management are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs and the Companies Act 2015, and for such internal control as the Directors and management 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 Directors and management 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 Directors and management either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the 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 ISAs 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 ISAs, 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 Directors' and management's 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.

**INDEPENDENT AUDITOR'S REPORT *continued***

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

We communicate with those charged with governance 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 those charged with governance 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.

**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

22nd September 2021

YATU LAU COMPANY LIMITED and Subsidiary  
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	Group		Company	
		2020	2019	2020	2019
		\$	\$	\$	\$
Revenue					
Rental income	2(a)	3,354,967	3,554,883	3,354,967	3,554,883
Hotel revenue	2(b)	1,310,622	2,420,522	1,310,622	2,420,522
		<u>4,665,589</u>	<u>5,975,405</u>	<u>4,665,589</u>	<u>5,975,405</u>
Other revenue					
Interest income	3(b)	-	230	-	230
Other income		21,078	47,274	21,078	47,274
Total revenue		<u>4,686,667</u>	<u>6,022,909</u>	<u>4,686,667</u>	<u>6,022,909</u>
Property maintenance expenses	3(a)	(677,889)	(780,140)	(677,889)	(780,140)
Hotel operating expense	3(a)	(1,329,587)	(2,301,487)	(1,329,587)	(2,301,487)
Administration expenses	3(a)	(811,164)	(788,616)	(875,774)	(785,866)
Finance costs	3(c)	(1,197,873)	(977,055)	(1,197,873)	(977,055)
Total expense		<u>(4,016,513)</u>	<u>(4,847,298)</u>	<u>(4,081,123)</u>	<u>(4,844,548)</u>
Profit from operations		670,154	1,175,611	605,544	1,178,361
Change in fair value of investment properties	9	(2,155,914)	729,315	(2,155,914)	729,315
(Loss)/profit before income tax		(1,485,760)	1,904,926	(1,550,370)	1,907,676
Income tax benefit/(expense)	4	2,715,682	(439,288)	2,715,682	(439,288)
Net profit for the year		1,229,922	1,465,638	1,165,312	1,468,388
Other comprehensive income					
Revaluation of land and buildings	26	716,613	4,362,931	716,613	4,362,931
Income tax effect	4	(143,323)	(872,586)	(143,323)	(872,586)
Total comprehensive income, net of tax		<u>1,803,212</u>	<u>4,955,983</u>	<u>1,738,602</u>	<u>4,958,733</u>
Attributable to:					
Equity holders of the Company		<u>1,803,212</u>	<u>4,955,983</u>		
Earnings per share					
Basic and diluted earnings per share - cents	16	<u>19.62</u>	<u>53.94</u>		
Dividends per share - cents		<u>-</u>	<u>-</u>		

The accompanying notes form an integral part of this consolidated Statement of Profit or Loss and Other Comprehensive Income.

YATU LAU COMPANY LIMITED and Subsidiary  
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	Group		Company	
		2020	2019	2020	2019
		\$	\$	\$	\$
Share capital					
At 1 January		9,188,353	9,188,353	9,188,353	9,188,353
At 31 December	15	<u>9,188,353</u>	<u>9,188,353</u>	<u>9,188,353</u>	<u>9,188,353</u>
Capital reserve					
At 1 January		396,635	396,635	396,635	396,635
At 31 December		<u>396,635</u>	<u>396,635</u>	<u>396,635</u>	<u>396,635</u>
Investment revaluation reserve					
At 1 January		32,964	32,964	-	-
At 31 December		<u>32,964</u>	<u>32,964</u>	<u>-</u>	<u>-</u>
Asset revaluation reserve					
At 1 January		8,269,349	4,779,004	8,269,349	4,779,004
Movement during the year		573,290	3,490,345	573,290	3,490,345
At 31 December	26	<u>8,842,639</u>	<u>8,269,349</u>	<u>8,842,639</u>	<u>8,269,349</u>
Retained earnings					
At 1 January		26,514,192	25,048,554	26,379,493	24,911,105
Operating profit after income tax		1,229,922	1,465,638	1,165,312	1,468,388
At 31 December		<u>27,744,114</u>	<u>26,514,192</u>	<u>27,544,805</u>	<u>26,379,493</u>
		<u>46,204,705</u>	<u>44,401,493</u>	<u>45,972,432</u>	<u>44,233,830</u>

*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 2020

	Notes	Group		Company	
		2020	2019	2020	2019
		\$	\$	\$	\$
Assets					
Current assets					
Cash and cash equivalents	5	512,392	86,444	512,392	86,444
Trade and other receivables	6	357,883	285,806	357,883	285,806
Other assets	7	63,361	169,322	63,361	212,751
Inventories	8	6,283	22,790	6,283	22,790
		<u>939,919</u>	<u>564,362</u>	<u>939,919</u>	<u>607,791</u>
Non-current assets					
Investment properties	9	45,695,960	47,405,960	45,695,960	47,405,960
Financial assets	10(a)	282,965	282,965	-	-
Property, plant and equipment	11	21,033,579	20,385,534	21,033,579	20,385,534
Deferred tax assets	4	225,398	175,921	225,398	175,921
		<u>67,237,902</u>	<u>68,250,380</u>	<u>66,954,937</u>	<u>67,967,415</u>
Total assets		<u>68,177,821</u>	<u>68,814,742</u>	<u>67,894,856</u>	<u>68,575,206</u>
Current liabilities					
Trade and other payables	12	767,308	861,975	716,616	790,102
Interest-bearing borrowings	13	791,730	351,781	791,730	351,781
Employee benefit liability	14	29,660	28,978	29,660	28,978
Income tax liability		17,021	105,757	17,021	105,757
		<u>1,605,719</u>	<u>1,348,491</u>	<u>1,555,027</u>	<u>1,276,618</u>
Non-current liabilities					
Trade and other payables	12	344,924	325,443	344,924	325,443
Interest-bearing borrowings	13	14,902,770	15,052,270	14,902,770	15,052,270
Deferred tax liability	4	5,119,703	7,687,045	5,119,703	7,687,045
		<u>20,367,397</u>	<u>23,064,758</u>	<u>20,367,397</u>	<u>23,064,758</u>
Total liabilities		<u>21,973,116</u>	<u>24,413,249</u>	<u>21,922,424</u>	<u>24,341,376</u>
Net assets		<u>46,204,705</u>	<u>44,401,493</u>	<u>45,972,432</u>	<u>44,233,830</u>
Shareholders' equity					
Share capital	15	9,188,353	9,188,353	9,188,353	9,188,353
Capital reserve		396,635	396,635	396,635	396,635
Investment revaluation reserve		32,964	32,964	-	-
Asset revaluation reserve	26	8,842,639	8,269,349	8,842,639	8,269,349
Retained earnings		<u>27,744,114</u>	<u>26,514,192</u>	<u>27,544,805</u>	<u>26,379,493</u>
Total shareholders' equity		<u>46,204,705</u>	<u>44,401,493</u>	<u>45,972,432</u>	<u>44,233,830</u>

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 2020

	Note	Group		Company	
		2020	2019	2020	2019
		\$	\$	\$	\$
Operating activities					
Receipts from tenants and customers		4,525,511	5,969,234	4,525,511	5,969,234
Payments to suppliers and employees		(2,507,134)	(3,821,865)	(2,507,134)	(3,821,865)
Cash generated from operations		2,018,377	2,147,369	2,018,377	2,147,369
Interest received		-	230	-	230
Income tax paid		(133,196)	(159,377)	(133,196)	(159,377)
Interest paid		(859,280)	(977,055)	(859,280)	(977,055)
Net cash provided by operating activities		1,025,901	1,011,167	1,025,901	1,011,167
Investing activities					
Payments for property, plant and equipment		(156,170)	(291,904)	(156,170)	(291,904)
Payments for investment properties		(395,639)	(227,227)	(395,639)	(227,227)
Net cash used in investing activities		(551,809)	(519,131)	(551,809)	(519,131)
Financing activities					
Proceeds from borrowings		225,050	-	225,050	-
Repayment of borrowings		(230,138)	(656,797)	(230,138)	(656,797)
Net cash flow used in financing activities		(5,088)	(656,797)	(5,088)	(656,797)
Net increase/(decrease) in cash and cash equivalents		469,004	(164,761)	469,004	(164,761)
(Overdraft)/cash and cash equivalents at 1 January		(7,782)	156,979	(7,782)	156,979
Cash and cash equivalents/(overdraft) at 31 December		461,222	(7,782)	461,222	(7,782)

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

YATU LAU COMPANY LIMITED and Subsidiary  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020

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1.1 Corporate Information

The consolidated financial statements of Yatu Lau Company Limited (the Company) and its subsidiary (collectively the Group) for the year ended 31 December 2020 were authorised for issue in accordance with a resolution of the Directors on 22 September 2021. Yatu Lau Company Limited is a limited liability public 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 28 and 29.

1.2 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRSs) 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.

1.3 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 2020.

*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 profit or loss and other 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.

1.4 Changes in accounting policies and disclosures

*New and amended standards and interpretations*

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

#### 1.4 Changes in accounting policies and disclosures *continued*

##### New and amended standards and interpretations *continued*

##### Amendments to IFRS 3: *Definition of a Business*

The amendment to IFRS 3 *Business Combinations* clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the consolidated financial statements of the Group, but may impact future periods should the Group enter into any business combinations.

##### Amendments to IFRS 7, IFRS 9 and IAS 39 *Interest Rate Benchmark Reform*

The amendments to IFRS 9 and IAS 39 *Financial Instruments: Recognition and Measurement* provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no material impact on the consolidated financial statements of the Group.

##### Amendments to IAS 1 and IAS 8 *Definition of Material*

The amendments provide a new definition of material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the consolidated financial statements of, nor is there expected to be any future impact to, the Group.

##### Conceptual Framework for Financial Reporting issued on 29 March 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the consolidated financial statements of the Group.

### 1.5 Standards issued but not yet effective

The new and amended 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 new and amended standards and interpretations, if applicable, when they become effective. These amendments are not expected to have a material impact on the Group.

New standards and amendments	Effective date
Amendments to IAS 1 – Classification of Liabilities as Current or Non-current (including Amendment to IAS 1 – Classification of Liabilities as Current or Non-current – Deferral of Effective Date issued in July 2020)	1 January 2023
Amendments to IAS 37 – Onerous Contracts: – Cost of Fulfilling a Contract	1 January 2022
Amendments to IAS 16 – Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
AIP (2018-2020 cycle): IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a First-time Adopter	1 January 2022
AIP (2018-2020 cycle): IFRS 9 Financial Instruments – Fees in the '10 per cent' Test for Derecognition of Financial Liabilities	1 January 2022
Amendments to IFRS 3 – Reference to the Conceptual Framework	1 January 2022
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform – Phase 2	1 January 2021

### 1.6 Significant accounting judgments, estimates and assumptions

The preparation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of 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 Group'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 Group 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.

1.6 Significant accounting judgments, estimates and assumptions *continued*

*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 profit or loss. 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 2020. 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.

*Deferred tax liabilities*

Deferred tax liability is recognised on taxable temporary differences over accounting and tax carrying amounts in respect of the Group's 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.

1.7 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 Group 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

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 Group 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.

1.7 Summary of significant accounting policies *continued*

(a) Financial instruments *continued*

ii) Classification and measurement *continued*

Financial assets *continued*

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 Group 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

The Group 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 Group'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; and
- 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 Group'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 Group'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.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group 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 Group 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 Group's claim to cash flows from specified assets (e.g. non-recourse features).

1.7 Summary of significant accounting policies *continued*

(a) Financial instruments *continued*

ii) Classification and measurement *continued*

Financial assets: Business model assessment *continued*

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

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 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 Group 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 Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group 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 Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group 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.

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 Group 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.



1.7 Summary of significant accounting policies *continued*

(b) Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

(c) Impairment

i) Non-derivative financial assets

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

The Group 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 Group 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 Group's historical experience and informed credit assessment and including forward-looking information.

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

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

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

1.7 Summary of significant accounting policies *continued*

(c) Impairment *continued*

i) Non-derivative financial assets *continued*

The Group 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 Group 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 Group 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 Group in accordance with the contract and the cash flows that the Group expects to receive).

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

At each reporting date, the Group 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:

- 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 Group on terms that the Group 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.

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 Group 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 Group'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.

1.7 Summary of significant accounting policies *continued*

(c) Impairment *continued*

i) Non-derivative financial assets *continued*

Write-off *continued*

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

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

In assessing impairment the Group 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 Group'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.

(d) Functional and presentation currency

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

(e) 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 profit or loss and other 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.

1.7 Summary of significant accounting policies *continued*

(f) 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 profit or loss and other 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.

(g) 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 profit or loss and other 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 profit or loss and other 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.

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 profit or loss and other 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.

1.7 Summary of significant accounting policies *continued*

(h) 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 profit or loss and other 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 profit or loss and other 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.

1.7 Summary of significant accounting policies *continued*

(h) Taxes *continued*

*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.

(i) 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.

(j) 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.

(k) 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 profit or loss and other comprehensive income in the year in which they arise.

(l) 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 profit or loss and other 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 profit or loss and other comprehensive income.

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

1.7 Summary of significant accounting policies *continued*

(m) 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 profit or loss and other comprehensive income.

(n) 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.

(o) 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.

(p) Provisions

Provisions are recognised when the Group 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.



1.7 Summary of significant accounting policies *continued*

(q) Dividend distribution

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

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

(r) Leases

*Group as lessor*

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

(s) Comparative figures

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

(t) Revenue recognition

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

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

(u) Earnings per share

*Basic earnings per share*

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

*Diluted Earnings per share*

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

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 21.

(b) Geographical segment

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

YATU LAU COMPANY LIMITED and Subsidiary  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*  
FOR THE YEAR ENDED 31 DECEMBER 2020

	Group		Company	
	2020	2019	2020	2019
	\$	\$	\$	\$
2. REVENUE				
(a) <u>Rental income</u>				
Amy Street	1,195	2,025	1,195	2,025
Arts Village	140,035	149,561	140,035	149,561
Beachfront	30,545	58,350	30,545	58,350
Berry Road	12,019	79,971	12,019	79,971
Dinem House	555,056	555,056	555,056	555,056
Lagoon	443,628	491,360	443,628	491,360
Total House	89,000	89,000	89,000	89,000
Waimanu Road	207,000	207,000	207,000	207,000
Yatu Lau Arcade	1,876,489	1,922,560	1,876,489	1,922,560
	<u>3,354,967</u>	<u>3,554,883</u>	<u>3,354,967</u>	<u>3,554,883</u>
(b) <u>Hotel revenue</u>	\$	\$	\$	\$
Accommodation sales	1,030,673	1,371,647	1,030,673	1,371,647
Conference sales	62,907	266,385	62,907	266,385
Food and beverage	69,679	466,262	69,679	466,262
Shows and tours	86,928	215,866	86,928	215,866
Miscellaneous	60,435	100,362	60,435	100,362
	<u>1,310,622</u>	<u>2,420,522</u>	<u>1,310,622</u>	<u>2,420,522</u>
3. EXPENSES	\$	\$	\$	\$
Profit before income tax has been determined after charging the following expenses:				
(a) <u>Operating expenses</u>				
Auditor's remuneration - audit services	17,750	17,750	15,750	15,750
- other services	4,069	8,030	3,319	7,280
Accounting services	-	500	-	500
Depreciation	172,808	188,750	172,808	188,750
Directors' fees	25,075	42,685	25,075	42,685
Directors and officers liability insurance	8,081	7,853	8,081	7,853
Expected credit loss	257,456	82,520	324,816	82,520
Fiji National University levy	7,201	12,163	7,201	12,163
Fiji National Provident Fund contributions	46,402	117,136	46,402	117,136
Fringe benefit tax	1,002	1,064	1,002	1,064
Insurance	191,860	200,693	191,860	200,693
Motor vehicle expenses	34,035	41,450	34,035	41,450
Other expenses	952,417	1,458,630	952,417	1,458,630
Penalties	-	81	-	81
Postage and stationery	30,850	53,752	30,850	53,752
Repairs and maintenance	84,248	117,119	84,248	117,119
Salaries, wages, bonus and allowances	757,305	1,244,495	757,305	1,244,495
Security costs	160,859	191,666	160,859	191,666
Telephone and internet	33,260	41,826	33,260	41,826
Travelling and accommodation	33,962	42,080	33,962	42,080
	<u>2,818,640</u>	<u>3,870,243</u>	<u>2,883,250</u>	<u>3,867,493</u>

YATU LAU COMPANY LIMITED and Subsidiary  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*  
FOR THE YEAR ENDED 31 DECEMBER 2020

3. EXPENSES <i>continued</i>	Group		Company	
	2020	2019	2020	2019
(a) <u>Other expenses is further analysed as:</u>	\$	\$	\$	\$
Advertising expense	7,663	27,809	7,663	27,809
Amortisation expense	1,655	985	1,655	985
Annual leave	683	(17,640)	683	(17,640)
Bank fees	54,101	49,859	54,101	49,859
Board meeting expenses	4,855	7,710	4,855	7,710
Cleaning expenses	117,116	205,974	117,116	205,974
Cost of goods sold:				
- Arts Village	41,057	261,396	41,057	261,396
- Kontiki	-	800	-	800
- Lagoon	12,595	74,293	12,595	74,293
- Studio 6	21,066	15,250	21,066	15,250
Commission expense	751	3,471	751	3,471
Computer expenses	11,638	3,854	11,638	3,854
Consultancy fees	8,403	21,902	8,403	21,902
Donation expense	-	4,000	-	4,000
Entertainment expense	21,558	23,255	21,558	23,255
Fire service expense	9,115	14,223	9,115	14,223
Funeral contribution	8,290	5,921	8,290	5,921
General expense	6,274	11,743	6,274	11,743
Hotel expenses	23,922	117,834	23,922	117,834
Hotel - guest entertainment expense	14,150	36,655	14,150	36,655
Licence and rates expenses	130,214	133,406	130,214	133,406
Property related legal fees	4,312	-	4,312	-
Staff meeting expenses	366	1,376	366	1,376
Staff safety expense	4,074	6,861	4,074	6,861
Staff training expense	3,196	4,795	3,196	4,795
Sub committee meetings	30,760	9,011	30,760	9,011
Utilities expenses:				
- Electricity	196,942	257,344	196,942	257,344
- Gas	1,846	9,057	1,846	9,057
- Water	121,487	111,290	121,487	111,290
Valuation expense	23,450	20,506	23,450	20,506
Waste removal	68,970	35,690	68,970	35,690
Workers compensation	1,908	-	1,908	-
	<u>952,417</u>	<u>1,458,630</u>	<u>952,417</u>	<u>1,458,630</u>
(b) <u>Finance income</u>				
Interest income on financial assets	<u>-</u>	<u>230</u>	<u>-</u>	<u>230</u>
(c) <u>Finance expense</u>				
Interest on borrowings	<u>1,197,873</u>	<u>977,055</u>	<u>1,197,873</u>	<u>977,055</u>

YATU LAU COMPANY LIMITED and Subsidiary  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*  
FOR THE YEAR ENDED 31 DECEMBER 2020

	Group		Company	
4. INCOME TAX EXPENSE	2020	2019	2020	2019
	\$	\$	\$	\$
Operating (loss)/profit before tax	(1,485,760)	1,904,926	(1,550,370)	1,907,676
Prima facie tax thereon at 20%	(297,152)	380,985	(310,074)	381,535
Non-deductible items	(24,200)	12,493	(11,278)	11,943
Under provision from prior year	587	10,383	587	10,383
Restatement of deferred balances	-	35,427	-	35,427
Impact of change to blended approach	(2,394,917)	-	(2,394,917)	-
Income tax (benefit)/expense reported in the statement of profit or loss and other comprehensive income	(2,715,682)	439,288	(2,715,682)	439,288

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

Net gain on revaluation of buildings	143,323	872,586	143,323	872,586
Income tax charged directly to other comprehensive income	143,323	872,586	143,323	872,586

Net deferred liability at 31 December relates to the following:

*Deferred tax assets/(liability)*

Allowance for expected credit loss	219,466	170,125	219,466	170,125
Provision for employee entitlements	5,932	5,796	5,932	5,796
Accelerated depreciation and revaluation	(5,119,703)	(7,687,045)	(5,119,703)	(7,687,045)
	(4,894,305)	(7,511,124)	(4,894,305)	(7,511,124)

Reflected in the consolidated statement of financial position as follows:

Deferred tax assets	225,398	175,921	225,398	175,921
Deferred tax liability	(5,119,703)	(7,687,045)	(5,119,703)	(7,687,045)
Net deferred tax liability	(4,894,305)	(7,511,124)	(4,894,305)	(7,511,124)

5. CASH AND CASH EQUIVALENTS	\$	\$	\$	\$
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Cash and cash equivalents consist of cash on hand and balances with banks net of bank overdraft.

Cash on hand	2,300	2,300	2,300	2,300
Cash at bank	510,092	84,144	510,092	84,144
Cash and cash equivalents	512,392	86,444	512,392	86,444

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash above net of bank overdraft.

Cash and cash equivalents	512,392	86,444	512,392	86,444
Bank overdraft	(51,170)	(94,226)	(51,170)	(94,226)
Total cash and cash equivalents/(overdraft)	461,222	(7,782)	461,222	(7,782)

YATU LAU COMPANY LIMITED and Subsidiary  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*  
 FOR THE YEAR ENDED 31 DECEMBER 2020

	Group		Company	
6. TRADE AND OTHER RECEIVABLES	2020	2019	2020	2019
	\$	\$	\$	\$
<i>Current</i>				
Trade receivables	767,312	608,267	767,312	608,267
Less: allowance for expected credit loss	(495,904)	(406,994)	(495,904)	(406,994)
Total trade receivables	271,408	201,273	271,408	201,273
Prepayments	22,143	20,032	22,143	20,032
Deposits	64,332	64,332	64,332	64,332
Other receivable	297,529	297,529	297,529	297,529
Less: allowance for expected credit loss	(297,529)	(297,360)	(297,529)	(297,360)
Total other receivables	86,475	84,533	86,475	84,533
Total trade and other receivables	357,883	285,806	357,883	285,806

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	704,354	618,825	704,354	618,825
Additional provision	89,079	85,529	89,079	85,529
At 31 December	793,433	704,354	793,433	704,354

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	\$	\$	\$	\$	\$
2020	271,407	148,301	42,955	-	80,151
2019	201,273	63,451	78,359	20,309	39,154

7. OTHER ASSETS		\$	\$	\$	\$
Staff advances (a)		113,333	126,974	113,333	126,974
Less: allowance for expected credit loss		(94,315)	(94,315)	(94,315)	(94,315)
<u>Advances:</u>					
Shareholder advances (b)		44,343	44,343	44,343	44,343
Advances to associate company (b)		235,599	235,599	50,958	50,958
Less: allowance for expected credit loss (b)		(235,599)	(143,279)	(50,958)	(50,958)
Advances to subsidiary (b)		-	-	157,623	135,749
Less: allowance for expected credit loss		-	-	(157,623)	-
<u>Share deposit</u>					
Bua Investments		1,000	1,000	1,000	1,000
Less: allowance for expected credit loss		(1,000)	(1,000)	(1,000)	(1,000)
		63,361	169,322	63,361	212,751

YATU LAU COMPANY LIMITED and Subsidiary  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*  
 FOR THE YEAR ENDED 31 DECEMBER 2020

7. OTHER ASSETS *continued*

- (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.

	Group		Company	
	2020	2019	2020	2019
	\$	\$	\$	\$
8. INVENTORIES				
Consumables and merchandise	6,283	22,790	6,283	22,790
9. INVESTMENT PROPERTIES	\$	\$	\$	\$
At 1 January	47,405,960	46,449,418	47,405,960	46,449,418
Additions from capital expenditure	395,639	227,227	395,639	227,227
Transfer from work in progress	50,275	-	50,275	-
Net gain from fair value adjustments	(2,155,914)	729,315	(2,155,914)	729,315
At 31 December	45,695,960	47,405,960	45,695,960	47,405,960

The investment properties are stated at fair value based on independent valuations at open market value prepared on February 2021 by registered valuer Rolle Associates. The valuation has been adopted as at 31 December 2020.

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

10. FINANCIAL ASSETS	\$	\$	\$	\$
(a) <i>Financial assets</i>				
<u>Investments</u>				
Investment in associates (i)	432,965	432,965	150,000	150,000
Less: provision for impairment	(150,000)	(150,000)	(150,000)	(150,000)
	282,965	282,965	-	-
<u>Investment in subsidiary</u>				
Yatu Lau Property Development Limited	-	-	239,327	239,327
Less: provision for impairment	-	-	(239,327)	(239,327)
	-	-	-	-
Total financial assets	282,965	282,965	-	-
<i>Reconciliation for financial assets for associates companies</i>				
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		% Shareholding	
		2020	2019	2020	2019
Innovative Investment Company Limited	Fiji	1	1	25%	25%
Benatil Limited	Fiji	250,000	250,000	25%	25%
		250,001	250,001		

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

YATU LAU COMPANY LIMITED and Subsidiary  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*  
FOR THE YEAR ENDED 31 DECEMBER 2020

11. PROPERTY, PLANT AND EQUIPMENT

<u>Group:</u>	Freehold land	Building	Furniture, fittings and equipment	Motor vehicles	Work in progress	Total
<u>Valuation/cost</u>	\$	\$	\$	\$	\$	\$
At 1 January 2019	3,545,000	11,645,582	2,470,602	191,005	210,943	18,063,132
Additions	-	120,526	123,121	-	-	243,647
Revaluation	-	4,362,931	-	-	-	4,362,931
Movement during the year	-	-	-	-	48,257	48,257
At 31 December 2019	3,545,000	16,129,039	2,593,723	191,005	259,200	22,717,967
Additions	-	73,387	79,909	-	2,874	156,170
Transfers	-	-	-	-	(50,275)	(50,275)
Revaluation	-	716,613	-	-	-	716,613
At 31 December 2020	3,545,000	16,919,039	2,673,632	191,005	211,799	23,540,475
<u>Depreciation</u>						
At 1 January 2019	-	-	2,044,455	98,244	-	2,142,699
Depreciation charge for the year	-	-	159,021	30,713	-	189,734
At 31 December 2019	-	-	2,203,476	128,957	-	2,332,433
Depreciation charge for the year	-	-	150,445	24,018	-	174,463
At 31 December 2020	-	-	2,353,921	152,975	-	2,506,896
<u>Net book value</u>						
At 31 December 2020	3,545,000	16,919,039	319,711	38,030	211,799	21,033,579
At 31 December 2019	3,545,000	16,129,039	390,247	62,048	259,200	20,385,534

YATU LAU COMPANY LIMITED and Subsidiary  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*  
 FOR THE YEAR ENDED 31 DECEMBER 2020

11. PROPERTY, PLANT AND EQUIPMENT *continued*

<u>Company:</u>	Freehold land	Building	Furniture, fittings and equipment	Motor vehicles	Work in progress	Total
<u>Valuation/cost</u>	\$	\$	\$	\$	\$	\$
At 1 January 2019	3,545,000	11,645,582	2,470,602	191,005	210,943	18,063,132
Additions	-	120,526	123,121	-	-	243,647
Revaluation	-	4,362,931	-	-	-	4,362,931
Movement during the year	-	-	-	-	48,257	48,257
At 31 December 2019	3,545,000	16,129,039	2,593,723	191,005	259,200	22,717,967
Additions	-	73,387	79,909	-	2,874	156,170
Revaluation	-	716,613	-	-	-	716,613
Transfers	-	-	-	-	(50,275)	(50,275)
At 31 December 2020	3,545,000	16,919,039	2,673,632	191,005	211,799	23,540,475
<u>Depreciation</u>						
At 1 January 2019	-	-	2,044,455	98,244	-	2,142,699
Depreciation charge for the year	-	-	159,021	30,713	-	189,734
At 31 December 2019	-	-	2,203,476	128,957	-	2,332,433
Depreciation charge for the year	-	-	150,445	24,018	-	174,463
At 31 December 2020	-	-	2,353,921	152,975	-	2,506,896
<u>Net book value</u>						
At 31 December 2020	3,545,000	16,919,039	319,711	38,030	211,799	21,033,579
At 31 December 2019	3,545,000	16,129,039	390,247	62,048	259,200	20,385,534

The Group's land and building are stated at fair value based on independent valuations prepared on February 2021 by independent valuers. The valuation has been adopted as at 31 December 2020.

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



YATU LAU COMPANY LIMITED and Subsidiary  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*  
FOR THE YEAR ENDED 31 DECEMBER 2020

		Group		Company	
		2020	2019	2020	2019
		\$	\$	\$	\$
12. TRADE AND OTHER PAYABLES					
<i>Current</i>					
Dividends payable (a)		138,461	143,663	138,461	143,663
Payable to Benatil Limited		47,942	47,942	-	-
Trade payables and accruals (b)		502,027	535,391	499,277	511,460
Rent received in advance		50,418	50,418	50,418	50,418
Environmental levy		5,325	18,649	5,325	18,649
Service Turnover Tax payable		-	11,635	-	11,635
Value Added Tax payable		23,135	54,277	23,135	54,277
		<u>767,308</u>	<u>861,975</u>	<u>716,616</u>	<u>790,102</u>
<i>Non-current</i>					
Rental deposits		<u>344,924</u>	<u>325,443</u>	<u>344,924</u>	<u>325,443</u>
Total trade and other payables		<u>1,112,232</u>	<u>1,187,418</u>	<u>1,061,540</u>	<u>1,115,545</u>

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

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

13. INTEREST-BEARING BORROWINGS		\$	\$	\$	\$
<i>Current</i>					
Bank overdraft		51,170	94,226	51,170	94,226
Bank of South Pacific loan		28,859	27,084	28,859	27,084
Westpac Banking Corporation loans		711,701	230,471	711,701	230,471
		<u>791,730</u>	<u>351,781</u>	<u>791,730</u>	<u>351,781</u>
<i>Non-current</i>					
Bank of South Pacific loan		29,466	57,742	29,466	57,742
Westpac Banking Corporation loans		14,873,304	14,994,528	14,873,304	14,994,528
		<u>14,902,770</u>	<u>15,052,270</u>	<u>14,902,770</u>	<u>15,052,270</u>
Total interest-bearing borrowings		<u>15,694,500</u>	<u>15,404,051</u>	<u>15,694,500</u>	<u>15,404,051</u>

Particulars relating to secured borrowings:

Bank overdraft and bank loans from Westpac Banking Corporation (WBC Bank). C1298 is subject to interest at 7.75% per annum. Bank loans is secured by the following:

- (i) Registered fixed and floating charge by Company over all its assets and undertakings including its uncalled but unpaid capital;
- (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;

YATU LAU COMPANY LIMITED and Subsidiary  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*  
 FOR THE YEAR ENDED 31 DECEMBER 2020

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13. INTEREST-BEARING BORROWINGS *continued*

*Particulars relating to secured borrowings continued:*

- 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;
  - Certificate of title number 9813, over the beach front property situated along Queens Road, Pacific Harbour; and
- (iii) Assignment of the Companies rights title and interest in each policy and assignment of its rights title and interest in or all amount payable (including by way of refund of premium) under the policies.

	Group		Company	
	2020	2019	2020	2019
	\$	\$	\$	\$
14. EMPLOYEE BENEFIT LIABILITY				
Annual leave	29,660	28,978	29,660	28,978
15. SHARE CAPITAL	\$	\$	\$	\$
<i>Issued and paid up capital</i>				
4,174,059 A class ordinary shares	5,536,303	5,536,303	5,536,303	5,536,303
3,652,050 B class ordinary shares	3,652,050	3,652,050	3,652,050	3,652,050
	9,188,353	9,188,353	9,188,353	9,188,353

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.

YATU LAU COMPANY LIMITED and Subsidiary  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*  
FOR THE YEAR ENDED 31 DECEMBER 2020

	Group		Company	
	2020	2019	2020	2019
16. EARNING PER SHARE	\$	\$		
Net profit for the year	1,803,212	4,955,983		
Weighted average number of ordinary shares	9,188,353	9,188,353		
Basic and diluted earnings per shares - cents	<u>19.62</u>	<u>53.94</u>		

17. COMMITMENTS	\$	\$	\$	\$
<i>Capital expenditure</i>				
- Approved by the Board and committed	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

18. 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:

	\$	\$	\$	\$
Within one year	3,264,460	3,294,745	3,264,460	3,294,745
Later than one year but less than two years	3,264,460	3,294,745	3,264,460	3,294,745
Later than two years but less than five years	6,528,920	6,589,490	6,528,920	6,589,490
	<u>13,057,840</u>	<u>13,178,980</u>	<u>13,057,840</u>	<u>13,178,980</u>

19. CONTINGENT LIABILITIES

Contingent liabilities at balance date amounted to \$Nil (2019: \$Nil)

20. INVESTMENT IN SUBSIDIARY

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

YATU LAU COMPANY LIMITED and Subsidiary  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*  
FOR THE YEAR ENDED 31 DECEMBER 2020

21. SEGMENT INFORMATION	\$	\$	\$	\$
(a) Operating segment - Group				
<u>31 December 2020</u>	Hotel	Property	Unallocated/ Elimination	Consolidated
External sales	1,310,622	3,354,967	-	4,665,589
Fair value gain	-	(2,155,914)	-	(2,155,914)
Other revenue	-	-	21,078	21,078
	<u>1,310,622</u>	<u>1,199,053</u>	<u>21,078</u>	<u>2,530,753</u>
Results				
Segment result	(18,965)	521,164	21,078	523,277
Unallocated expenses	-	-	(811,164)	(811,164)
Profit from operating activities	<u>(18,965)</u>	<u>521,164</u>	<u>(790,086)</u>	<u>(287,887)</u>
Finance costs (net)	-	-	(1,197,873)	(1,197,873)
Profit before income tax	(18,965)	521,164	(1,987,959)	(1,485,760)
Income tax expense	-	-	2,715,682	2,715,682
Net profit	<u>(18,965)</u>	<u>521,164</u>	<u>727,723</u>	<u>1,229,922</u>
<u>31 December 2019</u>				
Revenue				
External sales	2,420,522	3,554,883	-	5,975,405
Fair value gain	-	729,315	-	729,315
Other revenue	-	-	47,274	47,274
	<u>2,420,522</u>	<u>4,284,198</u>	<u>47,274</u>	<u>6,751,994</u>
Results				
Segment result	119,035	3,504,058	47,274	3,670,367
Unallocated expenses	-	-	(788,616)	(788,616)
Profit from operating activities	<u>119,035</u>	<u>3,504,058</u>	<u>(741,342)</u>	<u>2,881,751</u>
Finance costs (net)	-	-	(976,825)	(976,825)
Profit before income tax	119,035	3,504,058	(1,718,167)	1,904,926
Income tax expense	-	-	(439,288)	(439,288)
Net profit	<u>119,035</u>	<u>3,504,058</u>	<u>(2,157,455)</u>	<u>1,465,638</u>

Segment assets and liabilities

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

22. 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

Dr Esther Batiri Williams (retired 6th November 2020)

Jeke Pai (deceased on 30th June 2020)

Jiu Daunivalu

Peni Gavidi (elected 6th November 2020)

Isireli Mokunitulevu - Deputy Chairperson

Parayame Cakacaka (retired 6th November 2020)

Watisoni Nata

Meli Saubulinayau (elected 6th November 2020)

Akapusi Tuifagalele (elected 6th November 2020)

YATU LAU COMPANY LIMITED and Subsidiary  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*  
 FOR THE YEAR ENDED 31 DECEMBER 2020

22. RELATED PARTY TRANSACTIONS *continued*

(b) Key Management Personnel

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

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

<u>Name</u>	<u>Title</u>
Dr Esther Williams	Chair, Finance Audit & Investment Subcommittee
Jiu Daunivalu	Chair, Human Resources Subcommittee
Adi Koila Nailatikau	Joint Finance & Human Resources Subcommittee
Parayame Cakacaka	Joint Finance & Human Resources Subcommittee
Jeke Pai (deceased on 30th June 2020)	Joint Finance & Human Resources Subcommittee
Isireli Mokunitulevu	Managing Director (July-Oct 2020),
Peni Gavidi	Director
Watisoni Nata	Director
Meli Saubulinayau	Director
Akapusi Tuifagalele	Director

(c) Ownership interest

The ownership interest in related companies are disclosed in Note 20 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 2020 and 2019 with approximate transaction values are summarised as follows:

Name	Relationship	Nature of transaction	2020 \$	2019 \$
Lau Provincial Council	Shareholder	Rental income	6,540	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:

Kabara Tikina Council	Shareholder	8,289	8,289
Yatu Lau Property Development Limited	Subsidiary	157,623	135,749
Lau Shipping Limited	Shareholder	50,958	50,958
Oneata Island Holding Limited	Shareholder	20,389	20,389
		<u>237,259</u>	<u>215,385</u>

23. 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.

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *continued*

(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.

(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
	\$	\$	\$
<i>31 December 2020</i>			
<u>Secured financial liabilities</u>			
Bank overdraft (Note 13)	51,170	-	51,170
Bank loans (Note 13)	740,560	14,902,770	15,643,330
	<u>791,730</u>	<u>14,902,770</u>	<u>15,694,500</u>
<i>31 December 2019</i>			
<u>Financial liabilities</u>			
Bank overdraft (Note 13)	94,226	-	94,226
Bank loans (Note 13)	257,555	15,052,270	15,309,825
	<u>351,781</u>	<u>15,052,270</u>	<u>15,404,051</u>

(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.

YATU LAU COMPANY LIMITED and Subsidiary  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*  
FOR THE YEAR ENDED 31 DECEMBER 2020

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *continued*

(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).

(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 2020	Less than 1 year	Between 1 and 2 years	Total
<u>Financial assets:</u>	\$	\$	\$
Cash and cash equivalents	512,392	-	512,392
Trade and other receivables	357,883	-	357,883
Other assets	63,361	-	63,361
	<u>933,636</u>	<u>-</u>	<u>933,636</u>
<u>Financial liabilities:</u>			
Trade and other payables	767,308	344,924	1,112,232
Bank overdraft	51,170	-	51,170
Interest-bearing borrowings	740,560	14,902,770	15,643,330
	<u>1,559,038</u>	<u>15,247,694</u>	<u>16,806,732</u>
31 December 2019	Less than 1 year	Between 1 and 2 years	Total
<u>Financial assets:</u>	\$	\$	\$
Cash and cash equivalents	86,444	-	86,444
Trade and other receivables	285,806	-	285,806
Other assets	169,322	-	169,322
	<u>541,572</u>	<u>-</u>	<u>541,572</u>
<u>Financial liabilities:</u>			
Trade and other payables	861,975	325,443	1,187,418
Bank overdraft	94,226	-	94,226
Interest-bearing borrowings	257,555	15,052,270	15,309,825
	<u>1,213,756</u>	<u>15,377,713</u>	<u>16,591,469</u>

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.

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *continued*

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), trade and other payables 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.

	Group	
	2020	2019
	\$	\$
Total borrowings including bank overdraft (Note 13)	15,694,500	15,404,051
Trade and other payables	1,112,232	1,061,540
Less: cash and cash equivalents (Note 5)	(512,392)	(86,444)
Net debt	16,294,340	16,379,147
Total equity	46,204,705	44,401,493
Total capital (total equity plus net debt)	62,499,045	60,780,640
Gearing ratio % (net debt/total capital)	26%	27%

24. SIGNIFICANT EVENTS DURING THE YEAR

The coronavirus disease (COVID-19) outbreak has developed rapidly, bringing a significant health impact globally. Measures taken to contain the virus are already having a significant impact on global markets and economic activity. Fiji is also feeling the impact with business disruption and levels of activity already reducing in several market sectors.

The Company and the Group has remained operational since this declaration and continues to engage in its principal activities. We have seen a significant impact on our business to date. Directors and management are carefully considering the impact of the COVID-19 outbreak on the Company and the Group and assessing future operational options. The future financial impacts, however, cannot be reasonably estimated at this time, as they will be largely the product of matters the Company and the Group cannot control.

Directors and management believe the Company and the Group have sufficient financial resources together with arrangements with their customers and suppliers at this time to be able to successfully manage their business risks despite the current uncertain economic outlook due to the COVID-19 outbreak.

25. SUBSEQUENT EVENTS

Subsequent to the end of the financial year, on 25 April 2021, in response to the COVID-19 pandemic, the Government announced a number of measures including lockdown of certain containment areas within Viti Levu. Under the lockdown restrictions, all non-essential businesses are required to be closed unless the workplace was deemed part of a permitted industry as set out by the Government. The introduction of these restrictions have not had a material effect on the Company's and the Group's financial statements at 31 December 2020.



YATU LAU COMPANY LIMITED and Subsidiary  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *continued*  
 FOR THE YEAR ENDED 31 DECEMBER 2020

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25. SUBSEQUENT EVENTS *continued*

Apart from the exception above, no other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company and the Group, the results or cash flows of those operations, or the state of affairs of the Company and the Group in future financial years.

	Group		Company	
	2020	2019	2020	2019
	\$	\$	\$	\$
26. ASSET REVALUATION RESERVE				
Balance at 1 January	8,269,349	4,779,004	8,269,349	4,779,004
Revaluation reserve surplus	716,613	4,362,931	716,613	4,362,931
Income tax effect (Note 4)	(143,323)	(872,586)	(143,323)	(872,586)
Balance at 31 December	<u>8,842,639</u>	<u>8,269,349</u>	<u>8,842,639</u>	<u>8,269,349</u>

27. GOING CONCERN

At 31 December 2020, the Company recorded a negative working capital of \$615,108 (2019: \$668,827). The Group also recorded a negative working capital of \$665,800 (2019: \$784,129). 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 reduce the deficiency in the forthcoming year by reducing operating cost, increasing revenue and negotiating payment arrangement with creditors.

28. 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.

29. 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





