***For Public Release***

**02 September 2020**

**FHL Group Total Assets increases by 2.78%.**

FHL group total assets increased by 2.78% while a reduction of 12% was recorded in its revenue for financial year ending 30th June 2020. The effects of COVID-19 was widely felt across the group shutting down the tourism sector completely from March 2020. All other business sectors also had a difficult 3 months toward the closing of financial year as the group was challenged to sustain its revenue streams.

FHL group recorded net profit before tax of $11.10m compared to $45.44m for the same period last year. The shortfall in performance by 75.55% is largely attribute to the performance of Basic Industries Pte Limited (BIL), Pacific Cement Pte Limited and Serendib Investment Pte Limited (SIL).

South Sea Cruises Pte Limited (SSC) and Merchant Finance Pte Limited (MFL) whilst not reporting losses did suffer a huge drop in it profits largely due to the impact of COVID-19.

The restoration of the tourism sectors remains critical for the group performance as the trickledown effect in other business sectors is largely related to tourism.

Construction sectors were also affected by the lockdown in March and April causing major deficiency in its revenue streams. Major construction projects were also put on hold causing further pressure on sales for Basic Industry and Humes.

The financial sector in FHL portfolio had a proactive approach in managing its lending with strict credit terms whilst assisting existing customers with relevant moratorium.

The Acting Chairman Mr Yogesh Karan said "that this is unprecedented times and the board and management of FHL Group are monitoring the operations on a daily basis with strict cost control measures already in effect." He also advised that the group is looking at sustainability and ensuring adequate liquidity is available for the operation of the group.

As at 30th June 2020, Group Assets stands at $658.73m while the shareholders' funds is reported at $297.76m.

END

**Authorized Signatories** **Authorized Signatories**

*For further information, please contact Mr. Sitiveni Koya on 3305017 or email Sitiveni.Koya@fijianholdings.com.fj*

**FIJIAN HOLDINGS LIMITED**
**AND SUBSIDIARY COMPANIES**
**CONSOLIDATED FINANCIAL STATEMENTS**
**30 JUNE 2020**

## INDEX

## DIRECTORS' REPORT

In accordance with a resolution of the Board of Directors, the directors of Fijian Holdings Limited ('the Company") present their report together with the financial statements of the Fijian Holdings Limited Group ("the Group") being the Company, its controlled entities (see note 20 for investments in subsidiaries, individually referred to as "group entities") and associates for the year ended 30 June 2020.

### 1. DIRECTORS

The following were directors of the Company at any time during the financial year and up to the date of this report:

Adrian Sofield – Chairman – Resigned 4 January 2020
Yogesh Karan – Acting Chairman – Appointed 8 January 2020
Sakiusa Raivoce
Aisea Waka Vosailagi – Resigned 4 January 2020
Anthony Whitton
Sanjit Patel – Resigned 4 January 2020
Litiana Loabuka
Kalpana Lal
Mereia Volavola – Appointed 15 August 2020
Savendra Dayal – Appointed 15 August 2020
Eseta Nadakuitavuki – Appointed 15 August 2020

### 2. PRINCIPAL ACTIVITIES

The principal activities of the Group are the production and sale of cement, concrete and concrete products, investment and rental of property, fund management, stock broking, asset, loan financing and acceptance of term deposits, provision of sea transportation services and boat charters, cruise ship operations, commercial free to air broadcasting services, selling and servicing of radio, television and communications, retailing and wholesaling of general merchandise, printing and publishing, sale of stationery, and owners and administrators of properties.

### 3. TRADING RESULTS

The profit after income tax of the Group attributable to the members of the Company for the year ended 30 June 2020 was $8.998 million (2019: $27.661 million).

### 4. DIVIDENDS

The directors declared and paid a final dividend of $3.747 million (2019: $3.717 million) from the profits for the year ended 30 June 2019. The Company also paid an interim dividend of $3.778 million (2019: $3.747 million) during the year.

### 5. BAD DEBTS AND ALLOWANCE FOR EXPECTED CREDIT LOSS

The directors took reasonable steps before the Group's financial statements were made out to ascertain that all known bad debts were written off and adequate allowance was made for expected credit loss.

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 amount of the allowance for expected credit loss, inadequate to any substantial extent.

**DIRECTORS' REPORT (continued)**

## 6. ASSETS

The directors took reasonable steps before the Group's financial statements were made out to ascertain that the assets of the Group were shown in the accounting records at a value equal to or below the value that would be expected to be realised in the ordinary course of business.

At the date of this report, the directors are not aware of any circumstances which would render the values attributable to the assets in the financial statements misleading.

## 7. SIGNIFICANT EVENTS

The social, health and economic consequences of the COVID-19 pandemic continue to evolve rapidly and have major impacts across the globe. Since its declaration as a pandemic in March 2020, COVID-19 and the associated government, business and consumer response has had an impact on the operations and financial performance of the Group.

The unprecedented travel bans imposed as a response to minimising the spread of COVID-19 is adversely impacting the tourism segment of the Group.

Further, an economic slow-down in the construction segment of the Group was being felt at the start of the year and this has been further hit by COVID-19 as the level of construction has significantly reduced.

For the media segment of the group, the subsidiary company, Life Cinema Pte Limited, which was already making losses was severely impacted by COVID-19 due to cinema closures from March 2020.

The finance segment of the Group has also been adversely impacted by COVID-19. Forward looking economic assumptions have been used in determining the provision against loans including a fall in GDP of 21.7%. In assessing forecast economic conditions, consideration has been given to both significant government support measures being undertaken and relief offered to borrowers by the Group. This includes deferred repayment periods of loans.

While the ultimate disruption which may be caused by the outbreak is uncertain, it may result in an adverse impact on the Group's financial position, performance and cash flows, should it result in ongoing economic downturn.

The Group continues to monitor developments of the COVID-19 pandemic and the measures being implemented to control and slow the outbreak. Given the dynamic nature of these circumstances and the significant increase in economic uncertainty, the Group's consolidated results of operations, cash flows and financial condition is significantly impacted by the estimates and underlying assumptions which have been used to determine certain balances including impairment of loans, advances and receivables, impairment of property, plant and equipment, goodwill impairment and valuation of investment and island properties.

## 8. RELATED PARTY TRANSACTIONS

In the opinion of the directors all related party transactions have been adequately recorded and disclosed in the financial statements of the group entities.

**DIRECTORS' REPORT (continued)**

## 9. OTHER CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements which render any amounts stated in the financial statements misleading.

## 10. UNUSUAL TRANSACTIONS

The results of the Group's operations during the financial year have not, in the opinion of the directors, been substantially affected by any item, transaction or event of a material and unusual nature other than those disclosed in the financial statements.

## 11. EVENTS SUBSEQUENT TO BALANCE DATE

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in subsequent financial years.

## 12. GOING CONCERN

The directors consider that the Group will continue as a going concern. The directors believe that the basis of preparation of financial statements is appropriate and the Group will be able to continue its operations for at least 12 months from the date of signing this report.

## 13. DIRECTORS' INTERESTS

Interests of directors and any additions thereto during the year and up to the date of this report in the ordinary shares of the Company are as follows:

| | Beneficially | | Non-beneficially | |
|---|---|---|---|---|
| | **Additions** | **Holding** | **Additions** | **Holding** |
| Sakiusa Raivoce | - | 1,313,739 | - | - |

No director of the Company has, since the end of the previous financial year, received or become entitled to receive a benefit (other than a benefit included in the total amount of emoluments received or due and receivable by directors as shown in the financial statements) by reason of a contract made by the Company or related corporation with the director or with a firm of which the director is a member, or with a Company in which the director has a substantial financial interest.

For and on behalf of the Board of Directors by authority of a resolution of the Directors.

Dated this 31st day of August 2020.

..................................
**Acting Chairperson**

..................................
**Director**

## STATEMENT BY DIRECTORS

In the opinion of the directors:

(a) the accompanying statement of profit or loss and other comprehensive income of the Group is drawn up so as to give a true and fair view of the results of the Group for the year ended 30 June 2020;

(b) the accompanying statement of financial position of the Group is drawn up so as to give a true and fair view of the state of the affairs of the Group as at 30 June 2020;

(c) the accompanying statement of changes in equity of the Group is drawn up so as to give a true and fair view of the movement in shareholders' funds for the year ended 30 June 2020;

(d) the accompanying statement of cash flows of the Group is drawn up so as to give a true and fair view of the cash flows of the Group for the year ended 30 June 2020;

(e) at the date of this statement, there are reasonable grounds to believe that the group entities will be able to pay their debts as and when they become due and payable;

(f) all related party transactions have been adequately recorded in the books of the group entities; and

(g) the financial statements have been prepared in accordance with the Companies Act 2015.

For and on behalf of the Board of Directors by authority of a resolution of the Directors.

Dated this 31st. day of August 2020.

.................................
**Acting Chairperson**

.................................
**Director**

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF FIJIAN HOLDINGS LIMITED**

## Report on the Audit of the Financial Statements

### Opinion

We have audited the consolidated financial statements of Fijian Holdings Limited ("the Company") and its controlled entities (the "Group"), which comprise the consolidated statement of financial position as at 30 June 2020, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information as set out in notes 1 to 35.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with International Ethics Standards Board for Accountants Code of Ethics for Professional Accountant (IESBA), the Companies Act 2015 and the ethical requirements that are relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Emphasis of Matter

We draw attention to Note 1.5 of the consolidated financial statements, which describes the effects of COVID-19 on the tourism segment of the Group. Our opinion is not modified in respect of this matter.

### Key Audit Matters

***Key Audit Matters*** are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

**Goodwill amount ($53m)**

Refer to Notes 2.9 and 18 to the financial statements

| **The key audit matter** | **How the matter was addressed in our audit** |
|---|---|
| A key audit matter for us was the Group's annual testing of goodwill for impairment, given the size of the balance (being 8% of total assets) and the higher estimation uncertainty continuing from the business disruption impact of the COVID-19 global pandemic. Certain conditions impacting the Group increased the judgement applied by us when evaluating the evidence available. We focussed on the significant forward-looking assumptions the Group applied in their value in use models, including:<br>• Forecast cash flows – the Group has experienced significant business disruption as a result of COVID-19. This impacted the Group through a complete shutdown of the subsidiary company, South Sea Cruises Pte Limited, for 3 months during the year ended 30 June 2020, stand down of significant employee numbers for the subsidiary company and loss of revenue. | Working with our valuation specialists our procedures included:<br>• considering the appropriateness of the value in use method applied by the Group to perform the annual test of goodwill for impairment against the requirements of the accounting standards.<br>• assessing the integrity of the value in use model used, including the accuracy of the underlying formulas applied.<br>• meeting with management to understand the impact of COVID-19 to the Group. This included understanding changes in the Group's plans resulting from COVID-19, and potential future impacts to the Group. |

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF FIJIAN HOLDINGS LIMITED

## Report on the Audit of the Financial Statements (continued)

### Key Audit Matters (continued)

<table>
<tr><th>The key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>
These conditions and the uncertainty of their continuation increase the possibility of goodwill being impaired, plus the risk of inaccurate forecasts or a significantly wider range of possible outcomes for us to consider. We focused on the expected rate of recovery for the Group and what the Group considers as its future business model when assessing the feasibility of the Group's revised COVID-19 forecast cash flows.
<ul>
<li>forecast growth rates and terminal growth rates – In addition to the uncertainties described above, the Group's models are highly sensitive to small changes in these assumptions, reducing available headroom and indicating possible impairment. This drives additional audit effort specific to their feasibility and consistency of application to the Group's strategy.</li>
<li>discount rate - these are complicated in nature and vary according to the conditions and environment the specific Cash Generating Unit (CGU) is subject to from time to time, together with the models approach to incorporating risks into the cash flows or discount rates. The Group's modelling is highly sensitive to small changes in the discount rate. We involve our valuations specialists with the assessment.</li>
</ul>
The Group uses complex models to perform their annual testing of goodwill for impairment. The models are largely manually developed, use adjusted historical performance, and a range of internal and external sources as inputs to the assumptions. Complex modelling, using forward-looking assumptions tend to be prone to greater risk for potential bias, error and inconsistent application. These conditions necessitate additional scrutiny by us, in particular to address the objectivity of sources used for assumptions, and their consistent application.<br><br>
We involved valuation specialists to supplement our senior audit team members in assessing this key audit matter.
</td><td>
<ul>
<li>comparing the forecast cash flows contained in the value in use models to revised forecasts reflecting the Group's COVID-19 adjusted working model.</li>
<li>assessing the accuracy of previous Group forecasts to inform our evaluation of forecasts incorporated in the models.</li>
<li>challenging the Group's significant forecast cash flow and growth assumptions in light of the expected continuation of unprecedented uncertainty of business disruption and impacts of the COVID-19 global pandemic. We compared forecast growth rates and terminal growth rates to authoritative published studies of industry trends and expectations, and considered differences for the Group's operations. We assessed key assumptions such as what the group considers as their future business model. We used our knowledge of the Group, business and customers, and our industry experience. We sourced authoritative and credible inputs from our specialists.</li>
<li>Checking the consistency of the growth rates to the Group's revised plans and our experience regarding the feasibility of these in the industry and COVID-19 economic environment in which they operate.</li>
<li>independently developing a discount rate range considered comparable using publicly available information for comparable entities, adjusted by risk factors specific to the Group and the industry it operates in.</li>
<li>considering the sensitivity of the models by varying key assumptions, such as forecast growth rates, terminal growth rates and discount rates, within a reasonably possible range. We did this to identify those CGUs at higher risk of impairment and those assumptions at higher risk of bias or inconsistency in application and to focus our further procedures.</li>
<li>assessing the disclosures in the financial report using our understanding obtained from our testing and against the requirements of the accounting standards.</li>
</ul>
</td></tr>
</table>

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF FIJIAN HOLDINGS LIMITED

## Report on the Audit of the Financial Statements (continued)

### Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, directors' report and South Pacific Stock Exchange listing requirements but does not include the financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we will 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 when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein of this other information, we are required to communicate that fact. We have nothing to report in relation to the directors' report and South Pacific Stock Exchange listing requirements.

### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Group's financial reporting process.

### Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management'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 a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

KPMG

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF FIJIAN HOLDINGS LIMITED

## Report on the Audit of the Financial Statements (continued)

### Auditors' Responsibilities for the Audit of the Financial Statements (continued)

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on Other Legal and Regulatory Requirements

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

In our opinion:

i) proper books of account have been kept by the Company, sufficient to enable financial statements to be prepared, so far as it appears from our examination of those books; and

ii) to the best of our knowledge and according to the information and explanations given to us the financial statements give the information required by the Companies Act 2015, in the manner so required.

The engagement partner on the audit resulting in this independent auditors' report is Steve Nutley.

KPMG

**KPMG**

**31 August, 2020**

**Suva, Fiji**

**Steve Nutley, Partner**


KPMG, a Fiji partnership, is part of the KPMG International network. KPMG International Cooperative ("KPMG International") is a Swiss entity.

KPMG

**INDEPENDENCE DECLARATION**
**FOR THE YEAR ENDED 30 JUNE 2020**

**AUDITORS INDEPENDENCE DECLARATION UNDER SECTION 395 OF THE COMPANIES ACT 2015**

To the Directors of Fijian Holdings Limited

As required under Section 395 of the Companies Act 2015, we declare that to the best of our knowledge and belief, in relation to the audit for the year ended 30 June 2020 and up to the date of this report there have been:

i. no contraventions of the Auditor independence requirements as set out in the Companies Act 2015 in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

**KPMG**

**31 August, 2020**

**Suva, Fiji**

**Steve Nutley, Partner**

**FIJIAN HOLDINGS LIMITED**
**AND SUBSIDIARY COMPANIES**

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**
**YEAR ENDED 30 JUNE 2020**

| | Note | 2020 $'000 | 2019 $'000 |
|---|---|---|---|
| **Revenue** | | | |
| Operating revenue | 34 | 290,184 | 325,584 |
| Other income | 5(a) | 1,000 | 5,174 |
| | | 291,184 | 330,758 |
| **Expenses** | | | |
| Changes in inventories of finished goods and work in progress | | (110,451) | (105,568) |
| Raw materials and consumables used | | (47,635) | (50,604) |
| Direct operating expenses | | (22,186) | (32,321) |
| Staff costs | | (29,205) | (30,076) |
| Depreciation and amortisation | 8, 15, 18 | (16,746) | (15,667) |
| Impairment loss on property, plant & equipment | 15 | (525) | - |
| Impairment loss on loans, advances and receivables | 12,13 | (11,580) | (3,441) |
| Other operating expenses | 5(b) | (41,071) | (48,170) |
| | | (279,399) | (285,847) |
| **Operating profit** | | 11,785 | 44,911 |
| Finance income – interest revenue | | 556 | 403 |
| Finance income – other | | 131 | 150 |
| Finance costs – other | | (6,705) | (5,159) |
| Net finance costs | 6 | (6,018) | (4,606) |
| Share of profit in associates, net of tax | 22 | 5,340 | 5,136 |
| **Profit before income tax** | | 11,107 | 45,441 |
| Income tax expense | 7(a) | (1,346) | (8,755) |
| **Profit after tax** | | 9,761 | 36,686 |
| **Other comprehensive income** | | | |
| **Items that will not be reclassified to profit or loss** | | | |
| Equity investments at FVOCI – net change in fair value | | (2,943) | 3,456 |
| Credit loss reserve derecognised | | (3,000) | - |
| Revaluation of property, plant and equipment | 15(e) | (1,305) | 4,140 |
| Total items that will not be reclassified to profit or loss | | (7,248) | 7,596 |
| **Items that are or may be reclassified subsequently to profit or loss** | | | |
| Net change in foreign currency translation reserve | | (2) | (8) |
| Total items that are or may be reclassified subsequently to profit or loss | | (2) | (8) |
| **Other comprehensive income, net of tax** | | (7,250) | 7,588 |
| **Total comprehensive income** | | 2,511 | 44,274 |

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the accompanying notes.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME- Continued**
**YEAR ENDED 30 JUNE 2020**

| | Note | 2020<br>$'000 | 2019<br>$'000 |
|---|---|---|---|
| Profit attributable to: | | | |
| Equity holders of the Company | | 8,998 | 27,661 |
| Non-controlling interest | 21 | 763 | 9,025 |
| | | 9,761 | 36,686 |
| Total comprehensive income attributable to: | | | |
| Equity holders of the Company | | 2,375 | 35,090 |
| Non-controlling interest | 21 | 136 | 9,184 |
| | | 2,511 | 44,274 |
| | | Cents | Cents |
| **Basic and diluted earnings per share** | 30 | 3 | 9 |

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the accompanying notes.

**FIJIAN HOLDINGS LIMITED**
**AND SUBSIDIARY COMPANIES**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020**

| | Note | 2020 $'000 | 2019 $'000 |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and cash equivalents | 10(a) | 32,787 | 20,038 |
| Debt securities | 11 | 6,232 | 10,942 |
| Inventories | 14 | 42,531 | 42,301 |
| Equity securities | 19 | 24,667 | 29,366 |
| Investments in associates | 22 | 38,964 | 30,784 |
| Trade and other receivables | 12 | 31,157 | 38,294 |
| Loans and advances | 13 | 161,164 | 164,974 |
| Current tax asset | 7(b) | 3,060 | 1,109 |
| Investment properties | 17 | 62,158 | 53,954 |
| Property, plant and equipment | 15 | 164,936 | 159,490 |
| Intangible assets | 18 | 60,865 | 61,450 |
| Right of use assets | 8 | 18,138 | 16,925 |
| Other assets | 16 | 3,199 | 4,765 |
| Deferred tax assets | 7(c) | 8,872 | 6,568 |
| **Total assets** | | **658,730** | **640,960** |
| **LIABILITIES** | | | |
| Payables | 23 | 31,272 | 27,237 |
| Contract liabilities | | 3,344 | 5,829 |
| Dividends payable | 25 | 4,180 | 4,045 |
| Employee entitlements | 24 | 1,013 | 1,919 |
| Lease liabilities | 8 | 16,644 | 17,866 |
| Borrowings | 26 | 290,362 | 258,940 |
| Deferred tax liabilities | 7(c) | 14,154 | 15,141 |
| **Total liabilities** | | **360,969** | **330,977** |
| **Net assets** | | **297,761** | **309,983** |
| **SHAREHOLDERS EQUITY** | | | |
| Share capital | 27 | 30,465 | 30,465 |
| Reserves | 28 | 29,492 | 38,667 |
| Retained earnings | | 186,352 | 184,879 |
| Attributable to members of the Company | | 246,309 | 254,011 |
| Non-controlling interest | 21 | 51,452 | 55,972 |
| **Total shareholders' equity** | | **297,761** | **309,983** |

These consolidated financial statements have been approved in accordance with a resolution of the Board of Directors.

For and on behalf of the Board.

**Acting Chairperson**

**Director**

The consolidated statement of financial position is to be read in conjunction with the accompanying notes.

**FIJIAN HOLDINGS LIMITED**
**AND SUBSIDIARY COMPANIES**

**CONSOLIDATED STATEMENT OF CASH FLOWS**
**YEAR ENDED 30 JUNE 2020**

| | Note | 2020<br>$'000 | 2019<br>$'000 |
|---|---|---|---|
| **Cash flows from operating activities:** | | | |
| Cash receipts from customers | | 278,315 | 301,195 |
| Cash paid to suppliers and employees | | (251,848) | (275,291) |
| Cash generated from operating activities | | 26,467 | 25,904 |
| Dividends received | | 4,373 | 3,738 |
| Management fees paid | | (3,781) | (3,219) |
| Net customer loans granted | | (6,550) | (34,394) |
| Net increase in deposits | | 17,282 | 26,859 |
| Interest received | | 25,111 | 24,652 |
| Other income received | | 29 | 645 |
| Interest paid | | (15,032) | (11,339) |
| Income taxes paid | 7(b) | (6,115) | (8,835) |
| **Net cash from operating activities** | | **41,784** | **24,011** |
| | | | |
| **Cash flows from investing activities:** | | | |
| Acquisition of property, plant and equipment and investment properties | | (27,525) | (30,131) |
| Payment for share deposit | | (310) | (592) |
| Investment in equity securities | | (6,800) | (353) |
| Proceeds from disposal of equity securities | | - | 18 |
| Proceeds from disposal of property, plant and equipment and assets held for sale | | 147 | 1,357 |
| Acquisition of intangible assets | | (124) | (155) |
| **Net cash used in investing activities** | | **(34,612)** | **(29,856)** |
| | | | |
| **Cash flows from financing activities:** | | | |
| Dividends paid to the Company's shareholders | 9 | (7,525) | (7,464) |
| Proceeds from debt securities, net | | 2,152 | 8,059 |
| Dividends paid to non-controlling interest | 21 | (4,118) | (4,669) |
| Payment for lease liabilities | | (1,242) | (2,421) |
| Proceed from issue of shares | | 100 | 1,535 |
| Net movement in related party loans | | - | (2,800) |
| Net movement in loans | 26 | 17,273 | 3,890 |
| **Net cash from/ (used in) financing activities** | | **6,640** | **(3,870)** |
| | | | |
| Net increase/ (decrease) in cash and cash equivalents | | 13,812 | (9,715) |
| Cash and cash equivalents at beginning of year | | (8,908) | 815 |
| Effect of exchange rate changes on cash held | | (2) | (8) |
| **Cash and cash equivalents at end of year** | 10(a) | 4,902 | (8,908) |

The consolidated statement of cash flows is to be read in conjunction with the accompanying notes.

| | Attributable to owners of the Company | | | | | |
|---|---|---|---|---|---|---|
| | Share Capital $'000 | Other Reserves[1] $'000 | Retained Earnings $'000 | Total $'000 | Non-controlling Interests $'000 | Total Equity $'000 |
| Balance 1 July 2018 | 30,465 | 31,300 | 164,682 | 226,447 | 51,529 | 277,976 |
| **Total comprehensive income** | | | | | | |
| Profit | - | - | 27,661 | 27,661 | 9,025 | 36,686 |
| Other comprehensive income | - | 7,429 | - | 7,429 | 159 | 7,588 |
| Total comprehensive income | - | 7,429 | 27,661 | 35,090 | 9,184 | 44,274 |
| **Transactions with owners of the Company** | | | | | | |
| **Contributions and distributions** | | | | | | |
| Dividends paid to owners of the Company | - | - | (7,464) | (7,464) | (6,318) | (13,782) |
| **Total contributions and distributions** | - | - | (7,464) | (7,464) | (6,318) | (13,782) |
| **Changes in ownership interests** | | | | | | |
| Acquisition of subsidiary with NCI | - | - | - | - | 1,579 | 1,579 |
| Decrease in non-controlling interest through acquisition | - | (62) | - | (62) | (2) | (64) |
| **Total changes in ownership interests** | - | (62) | - | (62) | 1,577 | 1,515 |
| **Total transactions with owners of the Company** | - | (62) | (7,464) | (7,526) | (4,741) | (12,267) |
| Balance at 30 June 2019 | 30,465 | 38,667 | 184,879 | 254,011 | 55,972 | 309,983 |
| | | | | | | |
| Balance 1 July 2019 | 30,465 | 38,667 | 184,879 | 254,011 | 55,972 | 309,983 |
| **Total comprehensive income** | | | | | | |
| Profit | - | - | 8,998 | 8,998 | 763 | 9,761 |
| Other comprehensive expense | - | (6,623) | - | (6,623) | (627) | (7,250) |
| Total comprehensive income | - | (6,623) | 8,998 | 2,375 | 136 | 2,511 |
| **Transactions with owners of the Company** | | | | | | |
| **Contributions and distributions** | | | | | | |
| Dividends paid to owners of the Company | - | - | (7,525) | (7,525) | (4,817) | (12,342) |
| **Total contributions and distributions** | - | - | (7,525) | (7,525) | (4,817) | (12,342) |
| **Changes in ownership interests** | | | | | | |
| Increase in non-controlling interest through disposal | - | 650 | - | 650 | 250 | 900 |
| Decrease in non-controlling interest through acquisition | - | (3,202) | - | (3,202) | (89) | (3,291) |
| **Total changes in ownership interests** | - | (2,552) | - | (2,552) | 161 | (2,391) |
| **Total transactions with owners of the Company** | - | (2,552) | (7,525) | (10,077) | (4,656) | (14,733) |
| Balance at 30 June 2020 | 30,465 | 29,492 | 186,352 | 246,309 | 51,452 | 297,761 |

(1) See note 28. The consolidated statement of changes in equity is to be read in conjunction with the accompanying notes.

## 1. GENERAL INFORMATION

Fijian Holdings Limited ("the Company") is incorporated and domiciled in Fiji and its registered office and principal place of business is located at 7th Floor, Ra Marama House, 91 Gordon Street, Suva, Fiji.

The consolidated financial statements of the Company as at and for the year ended 30 June 2020 comprise its subsidiaries (together referred to as "the Group" and individually as "group entities") and the group's interest in associates. The group entities are incorporated and domiciled in Fiji and PNG.

The principal activities of the Group are the production and sale of cement, concrete and concrete products, investment and rental of property, fund management, stock broking, asset and loan financing and acceptance of term deposits, provision of sea transportation services and boat charters, cruise ship operations, commercial free to air television broadcasting services, selling and servicing of radio, television and communications, retailing and wholesaling of general merchandise, printing and publishing, sale of stationery, and owners and administrators of properties. The Company is listed on the South Pacific Stock Exchange.

These consolidated financial statements were authorised for issue by the Board of Directors on 31 August 2020.

### 1.1 Statement of compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the International Accounting Standards Board and the requirements of Companies Act 2015.

### 1.2 Basis of accounting

These consolidated financial statements have been prepared under the historical cost basis, except for the following items, which are measured on an alternative basis at each reporting date.

| **Items** | **Measurement bases** |
|---|---|
| Equity securities | Fair value |
| Investment properties | Fair value |
| Island properties | Fair value |

**Standards issued but not yet effective**

A number of new and amended standards are effective for annual periods beginning after 1 July 2019 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

The following new and amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements.

- Amendments to References to Conceptual Framework in IFRS Standards.
- Definition of a Business (Amendments to IFRS 3).
- Definition of Material (Amendments to IAS 1 and IAS 8).
- IFRS 17 Insurance Contracts.

**New currently effective requirements**

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on 1 July 2019. The following interpretation was applicable to the Group:

In June 2017, the International Financial Reporting Standards Interpretations Committee (IFRIC) issued IFRIC 23 *Uncertainty over Income Tax Treatments*. IFRIC 23 clarifies the accounting for uncertainties in income taxes and is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 *Income Taxes*. As at 30 June 2020, the Group has adopted IFRIC 23. This did not have any impact on the Group.

In November 2019, the International Financial Reporting Standards Interpretations Committee (IFRIC) issued a final agenda decision, Lease Term and Useful Life of Leasehold Improvements, on how the lease term of a cancellable or renewable lease should be determined for both the lessor and lessee when applying IFRS 16. IFRIC clarifies that the broader economics and not only the contractual termination payments should be considered in determining lease terms. As at 30 June 2020, the Group has adopted this IFRIC Agenda Decision. This did not have a material impact on the Group.

## 1. GENERAL INFORMATION (continued)

### 1.2 Basis of accounting (continued)

**New currently effective requirements (continued)**

In April 2020, the International Accounting Standards Board ("IASB") proposed amendments to IFRS 16 *Leases* to provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a result of the COVID-19 pandemic. The exemption applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- Any reduction in lease payments affects only payments originally due in 2020; an
- There is no substantive change to other terms and conditions of the lease.

Under the amendments, a lessee generally accounts for the reduction in lease payments as a negative variable lease payment, in profit or loss in the period in which the event occurs. The lessee also makes a corresponding adjustment to the lease liability to derecognise any part of the lease liability that has been extinguished by the forgiveness of lease payments.

The Group has applied the amendments issued by the IASB to leases where rent concessions has been received as a result of COVID 19 in preparing these consolidated financial statements. Refer note 8 for further details.

### 1.3 Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are included in the following notes:

Note 2.1(i) – Business combinations
Note 2.4 – Equity investments at FVOCI
Note 2.4.6 – Impairment of financial assets
Note 2.6 – Valuation of investment properties
Note 2.10 – Impairment of property plant and equipment and Intangible assets

**COVID-19 impact on the use of estimates and assumptions**

On 11 March 2020, the World Health Organization declared COVID-19 a global pandemic. While COVID-19 is a health crisis, it has caused socioeconomic disruption on a domestic and global scale. The Group has considered the impact of COVID-19 when preparing the consolidated financial statements and related note disclosures.

The Group has developed various accounting estimates in these financial statements based on forecasts of economic conditions which reflect expectations and assumptions as at 30 June 2020 about future events that the Directors believe are reasonable in the circumstances. There is a considerable degree of judgement involved in preparing these forecasts. The underlying assumptions are also subject to uncertainties which are often outside the control of the Group. Accordingly, actual economic conditions may be different from those forecast since anticipated events may not occur as expected, and the effect of those differences may significantly impact accounting estimates included in these financial statements. The significant accounting estimates particularly impacted by these associated uncertainties are predominantly related to the recoverable amount assessments of non-financial assets and expected credit losses for trade and other receivables and loans and advances. The impact of the COVID-19 pandemic on each of these accounting estimates is discussed further below. Readers should carefully consider these disclosures in light of the inherent uncertainty described above.

## 1. GENERAL INFORMATION (continued)

### 1.3 Use of estimates and judgments

**COVID-19 financial reporting considerations in the preparation of the consolidated financial statements (continued)**

Given the increased economic uncertainties from COVID-19, the Group has enhanced its financial reporting procedures and governance practices surrounding the preparation of the consolidated financial statements. In addition to standard financial year end reporting practices, the Group has:

- Developed a detailed program of work to understand and analyse how COVID-19 may impact key disclosures in the consolidated financial statements;
- Implemented a risk register and held regular status meetings with component management to monitor, track and report business and financial reporting matters relating to COVID-19;
- Critically assessed estimates, judgments and assumptions used in the preparation of the consolidated financial statements, including updating the Group's outlook on economic conditions arising from COVID-19;
- Reviewed external publications and market communications to identify other potential COVID-19 impacts in the preparation of the consolidated financial statements;
- Considered emerging market practice and trends along with regulatory pronouncements to assess the completeness of assessed COVID-19 impacts in the preparation of the consolidated financial statements;
- Determined the impact COVID-19 has had on the reported amounts and disclosures in the consolidated financial statements and updated these disclosures accordingly;
- Increased scrutiny and review by management, Board and board committees; and
- Assessed the carrying value of the Group's assets and liabilities at reporting date. Where there is a significant use of estimates and judgments in determining the carrying value of the Group's assets and liabilities, the procedures in determining the carrying value of these assets and liabilities are summarised below.

**Impairment of goodwill**

The Group has tested its goodwill for impairment at reporting date. The assumptions underpinning the value-in-use calculations used to evaluate the supportability of goodwill were adjusted to reflect reasonable estimates of the impact of COVID-19 and the increased risks associated with the estimated cash flows. There is a heightened level of uncertainty around key assumptions in the current environment. This has the potential to materially impact the value-in-use assessment moving forward and potentially the carrying value of the respective goodwill. While the ongoing economic uncertainty from the COVID-19 global pandemic has impacted the cash flow forecasts and estimate and assumptions inherent in the goodwill impairment test, the results of the annual impairment test determined the goodwill allocated to the cash generating units (CGUs) is recoverable and no impairment loss was required (refer to note 18).

**Expected credit losses**

The COVID-19 pandemic, together with measures implemented to contain the virus, has had a profound impact on the Fijian and global economy, driving heightened levels of market uncertainty and a significant deterioration, or expected deterioration, in macroeconomic conditions, notably gross domestic product. This, in turn, has resulted in a significant impact on the provision for impairment on financial assets, as forecast macroeconomic conditions are a key factor in determining the expected credit loss (ECL) for loans, advances and receivables. There is a risk that the economic impacts of COVID-19 could be deeper or more prolonged than anticipated, which could result in higher credit losses than those modelled. Further details on the ECL model methodology, estimates and assumptions are outlined in note 4.1(b).

**Financial risk management**

The Group has adopted prudent practices to manage liquidity risk and to ensure an adequate level of liquidity is maintained to meet obligations as they fall due across a wide range of operating circumstances. Given the uncertain outlook, the Group has taken proactive steps to further strengthen the balance sheet. These actions included benefiting from the economic stimulus measures implemented by the Government which amongst other measures included moratorium on debt repayments. Consequently, the Group has been able to renegotiate its borrowing terms and conditions, including related debt covenants, with it's main lender.

The Group continues to monitor markets closely and take appropriate action when and if required.
For further details, please refer to note 4.1(c).

## 1. GENERAL INFORMATION (continued)

### 1.4 Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Fiji Dollars, which is the Group's functional and presentation currency.

### 1.5 Going Concern

As a result of COVID-19 the Fijian Government enacted its emergency plan which has seen the closure of the Fijian border from 19 March 2020 resulting in a complete closure of the country's tourism industry.

For the year ended 30 June 2020, COVID-19 impacted the subsidiary company, South Sea Cruises Pte Limited, by suspending of operations from 23 March 2020. The operations remain suspended as at the date of this report. This resulted in a significant reduction in the financial performance and cash flow of the subsidiary company.

Monthly repayments of principal and interest on all borrowings (except repayment on insurance premium funding facility) with its financers temporarily ceased from 22 April 2020 to 22 October 2020. During this temporary period, only interest is charged and this is capitalised to the loan balance on a monthly basis. Further, testing of debt covenant was deferred with the next testing to be conducted from 30 June 2021.

As at 30 June 2020, the subsidiary company had a working capital deficiency of $24,362,000 and an undrawn bank overdraft facility of $1,894,000.

The subsidiary company currently has no operations and has skeleton staff including management working at reduced hours. The main cash outflows currently being incurred are those relating to safeguarding and maintaining the subsidiary company's assets and wages and salaries of skeleton staff. Management have prepared cash flow forecasts for the period 30 June 2021 and anticipate that the existing overdraft facility of $5,200,000 would be fully exhausted by end of September 2020. At this point, support will be required from the Group.

The Group is also currently in further negotiations with its financers for further support. The Fijian Government in its budget announcement for 2020/2021 on 17 July 2020 announced that the Association of Banks have agreed to, on a case-by-case basis, extend loan deferments until 31 December 2020. The Group is of the opinion, that it would be able to further defer loan and interest repayments on existing borrowings under these provisions.

The Group has undrawn facilities with its financers of $10m which it can draw down on to support the subsidiary company.

At the date of signing these consolidated financial statements, there remains uncertainty on when tourism related activities will recommence and when and whether Fiji will be included in any travel bubble. The Directors acknowledge this uncertainty. However, as described above, the Directors have a reasonable expectation that the subsidiary company will receive adequate support to continue to operate in the foreseeable future.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented.

### 2.1 Principles of consolidation

*i. Business combinations*

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group.

For every business combination, the Group identifies the acquirer, which is the combining entity that obtains control of the other combining entities or businesses. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable. The acquisition date is the date on which control is transferred to the acquirer. Judgement is applied in determining the acquisition date and determining whether control is transferred from one party to another.

The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the profit or loss.

The Group measures goodwill as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. If the cost of the acquisition is less than the Group's share of the fair value of the identifiable net assets of the acquiree, the difference is recognised directly in profit or loss, but only after a reassessment of the identification and measurement of the net assets acquired.

The fair value of the identifiable net assets is based on valuations performed by independent experts.

Consideration transferred includes the fair values of the assets transferred and liabilities incurred by the Group to the previous owners of the acquiree. Consideration transferred also includes the fair value of any contingent consideration.

Transaction costs, other than those associated with the issue of debt or equity securities that the Group incurs in connection with a business combination are expensed as incurred.

*i. Subsidiaries*

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

*ii. Non-controlling interest*

The Group measures any non-controlling interest at its proportionate interest in the identifiable net assets of the acquiree at the date of acquisition. Changes in the Groups interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.1 Principles of consolidation (continued)

*iii. Loss of control*

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

*iv. Transactions eliminated on consolidation*

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses on these transactions are also eliminated. Unrealised gains on transactions between the group and its associates are eliminated to the extent of the group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

*v. Interests in equity accounted investees*

Associates are those entities over which the Group has significant influence but not control over the financial and operating policies. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost which includes transaction costs.

The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in reserves is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Dilution gains and losses arising on investments in associates are recognised in profit or loss.

### 2.2 Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisitions, are translated to the functional currency at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Fijian dollars at exchange rates at the dates of the transactions. Foreign currency differences are recognised in other comprehensive income and presented in the foreign currency translation reserve in equity. If the foreign operation is a non-wholly-owned subsidiary, then the relevant proportion of the translation difference is allocated to the non-controlling interests.

When a foreign operation is disposed of in its entirety or partially, such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to the foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes only part of an associate or joint venture while retaining significant influence or joint control the relevant proportion of the cumulative amount is reclassified to profit or loss.

### 2.3 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date. For the purposes of the statement of cash flows, cash and cash equivalents comprise cash on hand, deposits held at call with banks and bank overdrafts. Bank overdrafts are included within borrowings in liabilities on the statement of financial position.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.4 Financial instruments

### 2.4.1 Recognition and initial 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.

### 2.4.2 Classification and subsequent measurement

**Financial assets**

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; 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 model.

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.

A debt investment is measured at FVOCI 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 achieved by both collecting contractual cash flows and selling financial assets; 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.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI 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 or at FVOCI 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 expectations about future sales activity.

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.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.4 Financial instruments (continued)

### 2.4.2 Classification and subsequent measurement (continued)

**Financial assets: Assessment whether contractual cash flows are solely payments of principal and interest**

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).

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 losses***

*Financial assets at FVTPL*

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

*Financial assets at amortised cost*

These assets 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.

*Debt investments at FVOCI*

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

*Equity investments at FVOCI*

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

**Financial liabilities: Classification, subsequent measurement and gains and losses**

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as 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 or loss. Any gain or loss on derecognition is also recognised in profit or loss.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.4 Financial instruments (continued)

### 2.4.3 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.

### 2.4.4 Modifications of financial assets

If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised (see (2.4.3)) and a new financial asset is recognised at fair value.

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Group recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss. If such a modification is carried out because of financial difficulties of the borrower (see (2.4.6)), then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income (see (2.22)).

### 2.4.5 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.

### 2.4.6 Impairment

*Financial instruments*

The Group recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost and loan commitments issued.

No impairment loss is recognised on equity investment.

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

– debt securities that are determined to have low credit risk at the reporting date; and

– other debt securities and 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.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECL.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.4 Financial instruments (continued)

#### 2.4.6 Impairment (continued)

*Financial instruments (continued)*

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.

The Group considers a debt security 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 Baa3 or higher per rating agency Moody's or BBB‑ or higher per rating agency Standards & Poor'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. They are measured as follows:

- *financial assets that are not credit-impaired at the reporting date*: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive);
- *financial assets that are credit-impaired at the reporting date*: as the difference between the gross carrying amount and the present value of estimated future cash flows; and
- *undrawn loan commitments*: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive.

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

*Credit-impaired financial assets*

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVOCI 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.

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; or

– the disappearance of an active market for a security because of financial difficulties.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.4 Financial instruments (continued)

### 2.4.6 Impairment (continued)

*Presentation of allowance for ECL in the statement of financial position*

Loss allowances for ECL are presented in the statement of financial position as follows:

- *financial assets measured at amortised cost*: as a deduction from the gross carrying amount of the assets;
- *loan commitments*: generally, as a provision;
- *where a financial instrument includes both a drawn and an undrawn component, and the Group cannot identify the ECL on the loan commitment component separately from those on the drawn component*: the Group presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
- *debt instruments measured at FVOCI*: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

*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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.5 Property, plant and equipment

*(i) Owned assets*

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses except for island properties which are shown at fair value.

Freehold land is shown at cost and improvements are shown at cost less accumulated depreciation. Island properties are shown at fair value based on valuations by external independent valuers. All other items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

The value of property, plant and equipment recognised as a result of a business combination is the estimated amount for which a property could be exchanged on the date of acquisition between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably.

Subsequent to initial recognition, increases in the carrying amount arising on revaluation of island properties are credited to 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 equity, all other decreases are charged as an expense in profit or loss.

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (refer note 2.10).

*(ii) Subsequent expenditure*

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major improvements, renovations and overhaul expenditure, is capitalised. Other subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in profit or loss during the financial period in which they are incurred.

*(iii) Depreciation and amortisation*

Freehold land and island properties are not depreciated. Leasehold properties, plant and equipment and other assets are depreciated and amortised on the straight line basis over their estimated useful lives, using the following depreciation rates:

| | Rate |
|---|---|
| Leasehold land and improvements | Term of lease |
| Buildings | 1.25% - 10% |
| Plant and equipment: | |
| - machinery, furniture & fittings and office equipment | 2.50% - 40% |
| - motor vehicles | 15% - 33% |
| - vessels | 3% - 33% |
| Software | 20% |

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted as appropriate.

*(iv) Reclassification to investment property*

When the use of a property changes from owner- occupied to investment property, the property is remeasured to fair value and reclassified accordingly. Any gain arising on this remeasurement is recognised in profit or loss to the extent that it reverses a previous impairment loss on a specific property, with any remaining gain recognised in OCI and presented in the revaluation reserve. Any loss is recognised in profit or loss. However, to the extent that an amount is included in the revaluation surplus for that property, the loss is recognised in other comprehensive income and reduces the revaluation surplus within equity.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.6 Investment properties

Investment property is initially measured at cost and subsequently at fair value with any change therein recognised in profit or loss. Rental income from investment property is accounted for as described in accounting policy 2.16.

Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss. When investment property that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation reserve (see note 2.5(iv)) is transferred to retained earnings.

### 2.7 Assets held for sale and discontinued operations

Non-current assets (or disposal groups comprising assets and liabilities) are classified as held-for-sale if it is highly probable that their value will be recovered primarily through sale rather than through continuing use. Assets classified as held for sale are stated at the lower of their carrying amount and fair value less costs to sell and are no longer amortised or depreciated.

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to re-sale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

When an operation is classified as discontinued operations, the statement of profit or loss and other comprehensive income is re-presented as if the operations had been discontinued from the start of the comparative year.

### 2.8 Inventories

Inventories are stated at lower of cost and net realisable value. The cost of raw materials, stores and supplies includes all costs of acquisition, calculated on the first-in-first-out or weighted average cost basis. Finished goods and work in process are valued at the actual cost of conversion, including a proportion of fixed and variable factory overheads. Net realisable value is the estimated selling price in the ordinary course of business less applicable variable selling expenses. Inventory obsolescence is considered as part of determining the net realisable value, based on reviews of inventories.

### 2.9 Intangible assets

*(a) Goodwill*

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

The gain or loss on disposal of an entity includes the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment.

*(b) Management rights*

Management rights represent the initial cost paid in acquiring the rights and interest in the Management Agreement between RB Patel Group Limited (a subsidiary of FHL Retailing Pte Limited) and RB Patel & Co., a New Zealand partnership. Management rights is carried at cost less accumulated amortisation (based on the contract period of the management right) and impairment losses and is subject to annual impairment testing.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.10 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and depreciation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount exceeds its recoverable amount. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Any impairment losses are recognised in profit or loss in the period in which they arise. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separate identifiable cash flows.

### 2.11 Trade and other creditors

Trade and other creditors are stated at amortised cost. These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid.

### 2.12 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

### 2.13 Current and deferred income tax

Income tax comprises of current tax and deferred tax. It is recognised in profit or loss unless it relates to a business combination, or items recognised directly in equity or in OCI.

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date in the respective countries, where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences only to the extent that it is probable that future taxable profit will be available against which the deferred tax assets can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.14 Employee entitlements

Liabilities for annual leave are recognised in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

A liability for long service leave is recognised as the present value of estimated future cash outflows to be made in respect of services provided by employees up to the reporting date. The estimated future cash outflows are discounted using interest rates on government bonds which have terms to maturity that match, as closely as possible, the estimated future cash outflows. Factors which affect the estimated cash outflows, such as expected future salary increases, experience of employee departures and period of service, are incorporated in the measurement.

Obligations for contributions to defined contribution pension plans are recognised as an expense in profit or loss when they are incurred.

### 2.15 Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:
  - the Group has the right to operate the asset; or
  - the Group designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.15 Leases (continued)

**i. As a lessee**

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

– fixed payments, including in-substance fixed payments;
– variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date; and
– the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets and lease liabilities as separate line items in the statement of financial position (see note 8).

*Short-term leases and leases of low-value assets*

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of space that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.15 Leases (continued)

**ii. As a lessor**

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Group applies IFRS 15 to allocate the consideration in the contract.

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other income'.

### 2.16 Revenue recognition

**a. Significant accounting policy**

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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.16 Revenue recognition (continued)

#### b. Nature of goods and services

The following is a description of the principal activities – separated by reportable segments – from which the Group generates its revenue. For more detailed information about reportable segments, see Note 34.

**i. Construction**

**a) Sale of goods and services**

The construction segment of the Group manufactures and sells cement, ready-mix concrete, concrete blocks, pavers, aggregates, concrete pipes, beams, power poles, other pre-stressed concrete products, tile adhesives and services as customs clearing agents. The segment recognises revenue when the customer takes possession of the good, when the goods leave the factory premises having been shipped to the customer or when the customer receives the service. For customers that prepay, the amount received is recognised as contract liability and revenue is recognised as the segment satisfies its respective performance obligation for the product or service. There is no significant financing component in respect of contract liabilities.

**b) Construction services**

The construction segment includes the design and building of ready-made homes. The segment enters into individual contracts with each of its customers. Construction of a dwelling is deemed to represent a single performance obligation to the customer, which is a performance obligation satisfied over time. The performance obligation is satisfied progressively over the construction period, with performance being measured by reference to regular engineer's reports (which represents an output method for measuring progress). The customer controls the asset as it is being created and the segment's service is being performed. Depiction of the transfer or the control of the goods or service to the customer is recognised using the output method.

**ii. Property**

The property segment of the Group generates revenue from rental of investment properties and recognises rental income in accordance with note 2.15(ii).

**iii. Finance**

The finance segment of the Group generates interest from loans and advances to customers and recognises interest income in accordance with note 2.22.

**iv. Tourism**

The tourism segment of the Group principally generates revenue from providing island resort connections in the Mamanucas and Yasawas, island day cruises, holiday packaging in the Yasawa Islands, cruises to the Yasawa Islands, vessel hires and charters, and sale of food and beverage items. For customers that prepay, the amount received is recognised as contract liability and revenue is recognised as the segment satisfies the respective performance obligation for the product or service. There is no significant financing component in respect of contract liabilities.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.16 Revenue recognition (continued)

#### b. Nature of goods and services (continued)

##### iv. Tourism (continued)

| Products and services | Nature, timing of satisfaction of performance obligations and significant payment terms |
|---|---|
| Island resort connections in the Mamanucas and Yasawas | An island resort connection involves transferring a customer from Port Denarau Marina to an island resort or vice versa or within island resorts on board the vessels. The transfer can be a one way transfer or a return transfer. The Group recognises revenue as the service of the transfer is provided. |
| Island day cruises | The Group provides half and full day adventures to various island resorts which are owned and managed by third parties and also to islands which are owned and managed by the Group. An island day cruise package to an island resort includes boat transfers, utilisation of facilities at the island resorts and meals. The package is accounted for as a single performance obligation, as the Group provides a significant service of integrating the various services into a combined output. Revenue from island day cruises is recognised when the service is provided. |
| Holiday packaging in the Yasawa Islands | The Group provides holiday packages to its guests which includes Island Resort accommodations which are owned and managed by third parties and return transfers to the Island Resorts in the Yasawa Islands. The package is accounted for as a single performance obligation, as the Group provides a significant service of integrating the various services into a combined output. Revenue from holiday packages in the Yasawas is recognised when the guest departs for the package which is the point when the Group has satisfied its performance obligations. Under this arrangement the Group has been assessed to be the principal. |
| Cruise to the Yasawa Islands | This is a cruise on board the vessel, Fiji Princess. There are three types of cruise offered based on the number of nights being 3 nights, 4 nights and 7 nights cruise in the Yasawa Islands. Revenue from cruise is recognised over time when the cruise night has elapsed. |
| Vessel hires and charters | The Group provides its vessels for hires and charters where revenue is based on a fixed rate per trip made. Revenue is recognised when the service has been rendered. |
| Sale of food and beverage items | Sale of food and beverage items occurs on board the vessels and on the islands which the Group manages and owns. Revenue is recognised at the point of sale. |

##### v. Media

The media segment of the Group generates revenue from the operation of commercial free to air broadcasting services and the selling and servicing of radio, television and communications products and multiplex cinemas. Revenue is recognised 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.

| Products and services | Nature, timing of satisfaction of performance obligations and significant payment terms |
|---|---|
| Sale of communication equipment | The Group supplies communication equipment to customers.<br>The equipment to be supplied together with the quantity, prices and payment terms are governed by a contract and are not subject to change during the duration of the contract.<br>The Group delivers the equipment to the customer as and when they arrive. The contract states the specific price for each piece of equipment ordered and there is a breakdown of the amount for each equipment.<br>Revenue is recognised as and when the equipment gets delivered to the customer. |

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.16 Revenue recognition (continued)

#### b. Nature of goods and services (continued)

##### v. Media (continued)

| Products and services | Nature, timing of satisfaction of performance obligations and significant payment terms |
|---|---|
| Advertising | Advertising is based on the purchase orders received from the customers. Advertising slots have various prices based on the length and timing of the advertisement. The advertising schedule is agreed with the customer and entered into the system. Invoices are raised at month end and only includes the revenue for the advertisements that were aired during the month. |
| Sponsorship | Sponsorship is based on purchase orders received from the customers. The value of the purchase order is divided by the number of sponsored program episodes to determine the amount of revenue per episode. Invoice is raised at month end and only includes the revenue for the number of sponsored episodes that were aired during the month. |

##### vi. Retail

The retail segment of the Group generates revenue from the retailing and wholesaling of general merchandise. Revenue is recognised at a point in time when possession of the goods has transferred to the customer. This is generally when the goods are delivered to the customer. However, for export sales, control might also be transferred when delivered either to the port of departure or port of arrival, depending on the specific terms of the contract with a customer. There is limited judgement needed in identifying the point control passes: once physical delivery of the products to the agreed location has occurred, the Group no longer has physical possession, usually will have a present right to payment (as a single payment on delivery) and retains none of the significant risks and rewards of the goods in question.

##### vii. Investment

The investment segment of the Group generates revenue from equity investments in the form of dividends and recognises dividend income in accordance with note 2.4.

### 2.17 Dividend distribution

Provision is made for the amount of any dividend declared, determined or publicly recommended by the directors on or before the end of the financial year but not distributed at balance date. Dividends are subject to the provisions of the Fiji Income Tax Act and Income Tax (Dividend) Regulations 2001.

### 2.18 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

### 2.19 Basic and diluted earnings per share

Basic and diluted earnings per share is determined by dividing profit after income tax attributable to shareholders of the Company by the weighted average number of ordinary shares outstanding during the financial year. If the number of ordinary shares outstanding increases as a result of a capitalisation, bonus issue or share split, or decreases as a result of a reverse share split, the calculation of basic and diluted earnings per share for all periods presented is adjusted retrospectively.

### 2.20 Rounding

All amounts have been rounded to the nearest thousand dollars except where otherwise noted.

### 2.21 Foreign currency transactions and balances

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.22 Finance income and finance costs

The Group's finance income and finance costs include:

- interest income;
- interest expense;
- the foreign currency gain or loss on financial assets and financial liabilities; and
- Impairment losses (and reversals) on investments in debt securities carried at amortised cost.

Interest income or expense is recognised using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

### 2.23 Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk. A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When one is available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction. If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

### 2.24 Contract liabilities

Contract liabilities arise where a customer has paid an amount of consideration prior to the Group performing by transferring the related good or service to the customer. Generally the contract liability balance at the beginning of the period will be recognised as revenue during the year. The yearend contract liability balance represents advanced consideration received from customers.

### 2.25 Comparative figures

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

## 3. ACQUISITION OF INVESTMENTS

**Pernix (PNG) Limited**
The Company made an investment of $5.3 million in Pernix (PNG) Limited. The percentage shareholding is yet to be determined and will be finalised once Pernix (PNG) Limited is fully operational. Accordingly, the transaction is currently being treated as a share deposit and has been recorded as a non-current other receivable.

**Serendib Investment Limited**
On 18 January 2019, Serendib Investment Limited, a newly established subsidiary of the Company, entered into an asset sale agreement with the Government of Fiji to purchase Government Printing and Stationery Department's assets for an amount of $6 million (inclusive of VAT). The Company holds 75% of the shares and voting interest in Serendib Investment Limited.

The principal activities of Serendib Investment Limited is that of printing & publishing and sale of stationary from its bookshop. The acquisition will enable the Group to enter the printing industry sector which will further diversify the principal activities of the Group. Serendib Investment Limited will continue to be the designated Government printer and plans to venture into commercial printing with a vison to offer services in Fiji and the Pacific.

*Identifiable assets acquired*
The following table summarises the recognised amounts of assets acquired at the date of acquisition:

| | Note | $'000 |
|---|---|---|
| Property, plant and equipment | 15 | 5,461 |
| Inventories | | 741 |
| Total identifiable assets acquired | | 6,202 |

A gain on bargain purchase of $697,000 was recognised at acquisition date, which represents the excess of the assets acquired ($6,202,000) over the consideration paid ($5,505,000 (excluding VAT)).

*Acquisition-related costs*
The Group incurred acquisition-related costs of $11,000 on legal fees and due diligence costs. These costs have been included in "Other operating expenses".

## 4. FINANCIAL RISK MANAGEMENT

### 4.1 Risk Management Framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established the Audit Sub-Committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the Board of Directors on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and control, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aim to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Risk management is also carried out by Group Finance & Audit Division (GFAD). The GFAD monitors compliance with the Group's risk management policies and framework in relation to risks faced by each company in the Group. A Risk and Compliance Officer who is also part of the Audit Sub-Committee, is responsible for monitoring compliance with Group risk management policies and procedures and for reviewing the risk management framework in relation to the risks faced by the Group. The Group Management team is assisted in these functions by an Internal Audit function (established by an outsourced internal audit team for one of the Group's subsidiaries; Merchant Finance Pte Limited) which undertakes both regular and ad-hoc reviews of management controls and procedures, the results of which are reported directly to the Audit Sub-Committee of the Board.

*(a) Market risk*
Market risk is the risk that changes in market prices, such as interest rate, equity prices, foreign exchange rates and credit spreads will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to control market risk exposures within acceptable parameters while optimising the return on risk.

## 4. FINANCIAL RISK MANAGEMENT (continued)

### 4.1 Risk Management Framework (continued)

*(a) Market risk (continued)*

Unfavourable changes to duty and tax regulations may expose the Group to a decline in revenue. To minimise this risk, the Group implements appropriate strategies to ensure that products and prices remain attractive. The Group operates predominantly in Fiji, and changes to governments and the policies they implement affect the economic situation and ultimately the revenues of the Group. To address this, the Group reviews its pricing and product range regularly and tries to respond appropriately to these changes. Other developments such as international travel restrictions resulting from the COVID-19 pandemic may also expose the group to reduced revenue. To address this, the Group monitors developments and responds quickly to fluid developments.

(i) Foreign exchange risk
The Group undertakes certain transactions denominated in foreign currencies hence exposures to exchange rate fluctuations arise. Exchange rate exposures are closely managed within approved policy parameters. Major foreign exchange transactions relate to importation of goods and services with settlement based on spot rates. Foreign currency risk arises from recognised assets and liabilities that are denominated in a currency that is not the Group's functional currency (refer notes 1.4 and 2.21)

The Group procures goods, assets, raw materials and supplies from principal suppliers based predominantly in New Zealand, Australia and Japan. As a measure, prompt settlement of liabilities (and assets if necessary) is exercised by management to minimise the exposure to foreign exchange losses. As an additional measure, the Group negotiates competitive rates with its bankers to minimise losses and maximise gains when foreign exchange receipts and payments become due. The Group's exposure to foreign exchange risk is not material.

(ii) Price risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated statement of financial position as FVOCI. To manage its price risk arising from investment in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group. The Group's equity investments in other entities that are publicly traded are quoted on the South Pacific Stock Exchange.

*Sensitivity analysis*

The table below sets out the effect on equity of a reasonably possible increase in the individual equity market prices of listed equities of 5% at 30 June 2020 and 2019. The estimates are made on an individual investment basis. The analysis assumes that all other variables, in particular interest and foreign currency rates, remain constant.

| | 2020 | 2019 |
|---|---|---|
| | $'000 | $'000 |
| Impact on equity | 828 | 1,063 |

An equal change in the opposite direction would have decreased equity by the same amount.

(iii) Interest rate risk

The principal risk to which investments and lending portfolios are exposed, is the risk of loss from fluctuations in future cash flows or fair values of financial instruments because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits from re-pricing bonds.

In one of the Group's subsidiaries; Merchant Finance Pte Limited (MFL), the management of interest rate risk against interest rate gap limits is supplemented by management's regular monitoring of the sensitivity of MFL financial assets and liabilities to various standard interest scenarios and market offerings.

Interest rate risk is managed through: 1) investments; 2) loan pricing; and 3) deposit pricing. MFL tries to maintain an interest spread that it believes is sufficient to cater for the risk it is taking and is above the cost of its funds and is sufficient to cover operating costs. Interest spread is monitored monthly and is submitted to the Reserve Bank of Fiji (RBF) for monitoring purposes.

## 4. FINANCIAL RISK MANAGEMENT (continued)

### 4.1 Risk Management Framework (continued)

*(a) Market risk (continued)*

(iii) Interest rate risk (continued)

The carrying amounts of Group's interest bearing financial instruments are set out below:

| Financial instrument | 2020 $'000 | 2019 $'000 |
|---|---|---|
| **Financial assets** | | |
| Deposits with financial institutions | 1,182 | 5,392 |
| Government securities | 5,050 | 5,550 |
| Cash and cash equivalents | 4,000 | 4,071 |
| Loans and advances | 179,145 | 175,536 |
| | **189,377** | **190,549** |
| **Financial liabilities** | | |
| Bank overdraft | 27,885 | 28,946 |
| Bank loans | 97,302 | 80,029 |
| Fixed term deposits and short term borrowings (unsecured) | 165,175 | 149,965 |
| **Total** | **290,362** | **258,940** |

At the reporting date the profile of the Group's variable interest bearing financial instruments was as follows:

| | | |
|---|---|---|
| Bank overdraft | 27,886 | 28,946 |
| Bank loans | 97,302 | 75,727 |
| **Total** | **125,188** | **104,673** |

*Sensitivity analysis*

A 100 basis points (bp) increase in interest rates at the reporting date would have decreased equity and the profit or loss by amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2019.

| | Equity $'000 | Profit or loss before tax $'000 |
|---|---|---|
| **30 June 2020** | | |
| Variable rate instruments | 1,252 | 1,252 |
| **30 June 2019** | | |
| Variable rate instruments | 1,047 | 1,047 |

There are no uncertainties related to interest rate cash flows during the period of borrowing for those financial instruments which are at fixed interest.

*(b) Credit risk*

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables and loans and advances to customers and investments in debt securities.

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, including outstanding receivables and committed transactions. For potential rental tenants, a screening process, similar to a due diligence is performed, prior to leases being granted. For banks and financial institutions, only reputable parties are acceptable. As far as practicable, if wholesale customers are independently rated, these ratings are used. Otherwise, if there is no independent ranking, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with set limits. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards.

The carrying amounts of financial assets represent the maximum credit exposure.

Impairment losses on financial assets recognised in profit or loss were as follows.

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| Impairment loss on loans, advances and receivables | 11,580 | 3,441 |

## 4. FINANCIAL RISK MANAGEMENT (continued)

### 4.1 Risk Management Framework (continued)

*(b) Credit risk (continued)*

*Expected credit loss assessment for trade receivables*

The Group uses an allowance matrix to measure the ECLs of trade receivables from individual customers, which comprise a large number of small balances.

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write‑off.

The following table provides information about the exposure to credit risk and ECLs for trade receivables from individual customers as at 30 June 2019 and 2020:

| | Gross carrying amount $'000 | Loss allowance $'000 | Credit impaired |
|---|---|---|---|
| **30 June 2020** | | | |
| Current (not past due) | 5,767 | (155) | No |
| 1 – 30 days past due | 1,904 | (115) | No |
| 31 – 60 days past due | 1,605 | (230) | No |
| 61 – 90 days past due | 2,822 | (1,404) | No |
| Over 120 days past due | 5,905 | (2,584) | Yes |
| Debts individually assessed | 3,327 | (3,068) | |
| | 21,330 | (7,556) | |
| **30 June 2019** | | | |
| Current (not past due) | 12,891 | (239) | No |
| 1 – 30 days past due | 3,864 | (114) | No |
| 31 – 60 days past due | 1,747 | (182) | No |
| 61 – 90 days past due | 2,022 | (652) | No |
| Over 120 days past due | 4,172 | (1,621) | Yes |
| Debts individually assessed | 1,014 | (679) | |
| | 25,710 | (3,487) | |

Loss rates are based on actual credit loss experience over the past two years.

*Impact of COVID-19*

In response to COVID-19 and the Group's expectations of economic impacts, the loss rates utilised in the Group's calculation of ECL have been revised. At reporting date, the expected impacts of COVID-19 have been captured via incorporating an economic overlay in the historical loss rates. The economic overlay reflects the uncertainty given the unprecedented impacts of COVID-19. The economic overlay was determined based on an evaluation of the Groups customer base, the industries in which those customer operate in and the magnitude of the impact of COVID-19 to those industries. Notwithstanding the economic overlay, the fundamental ECL model mechanics and methodology underpinning the Group's calculation of ECL have remained consistent with prior periods.

The impacts of COVID-19 have resulted in significant estimation uncertainty in relation to the measurement of the Group's ECL for trade receivables. The impacts of COVID-19 on consumers and businesses as well as the government stimulus packages deployed are unprecedented, accordingly significant adjustments to the ECL could occur in future periods as the full effects of COVID-19 are better understood.

## 4. FINANCIAL RISK MANAGEMENT (continued)

### 4.1 Risk Management Framework (continued)

*(b) Credit risk (continued)*

*Movements in the allowance for impairment in respect of trade receivables*

The movement in the allowance for impairment in respect of trade receivables during the year is disclosed in note 12.

**Cash and cash equivalents**
The Group held cash and cash equivalents of $32.787 million at 30 June 2020 (2019: $20.038 million). The cash and cash equivalents are held with banks, which are rated B to AA-, based on Standards and Poor's (S&P) ratings.

Impairment on cash and cash equivalents has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Group uses a similar approach for assessment of ECLs for cash and cash equivalents to those used for debt securities.

The Group did not recognise an impairment allowance against cash and cash equivalents as at 30 June 2020 (2019: nil).

**Debt investment securities**
The Group held debt investment securities of $6,232,000 at 30 June 2020 (2019: $10,942,000). The debt investment securities are held with banks, credit institutions and the Fiji Government. Debt investment securities held with banks and the Fiji Government are rated B to AA-, based on S&P ratings. In relation to debt investment securities held with credit institutions the Group monitors changes in credit risk by reviewing available press and regulatory information.

Impairment on debt investment securities held with banks and credit institutions has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. Impairment on debt investment securities held with the Fiji Government has been measured on the 12-month expected loss basis.

The Group did not recognise an impairment allowance against debt investment securities as at 30 June 2020 (2019: nil).

## 4. FINANCIAL RISK MANAGEMENT (continued)

### 4.1 Risk Management Framework (continued)

*(b) Credit risk (continued)*

**Details relating to MFL are set out below:**

**Amounts arising from ECL**

***Inputs, assumptions and techniques used for estimating impairment.***
See accounting policy in Note 2.4.6.

***Significant increase in credit risk***
When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, MFL 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 MFL's historical experience and expert credit assessment and including forward-looking information.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:
- the remaining lifetime probability of default (PD) as at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

***Credit risk grades***
MFL allocates each exposure to a credit risk grade based on certain data that is determined to be predictive of the risk of default and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates so, for example, the difference in risk of default between credit risk grades standard and special mention is smaller than the difference between credit risk grades special mention, substandard, doubtful and loss.

Customer accounts are graded internally and all existing customers are categorised as excellent, good, satisfactory or limited. Further the individual accounts/customer groups are classified as Standard, Special Mention, Sub Standard, Doubtful and Loss for credit risk management purposes.

Each exposure is allocated to a credit risk grade at initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring typically involves use of the following data.
- Information obtained during periodic review of customer files – e.g. audited financial statements, management accounts, budgets and projections. Examples of areas of particular focus are: gross profit margins, financial leverage ratios, debt service coverage and compliance with covenants;
- Payment record – this includes overdue status as well as a range of variables about payment ratios;
- Utilisation of the granted limit;
- Requests for and granting of forbearance; and
- Existing and forecast changes in business, financial and economic conditions.

***Generating the term structure of PD***
Credit risk grades are a primary input into the determination of the term structure of PD for exposures. MFL collects performance and default information about its credit risk exposures analysed by type of product and borrower as well as by credit risk grading.

MFL employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

This analysis includes the identification and calibration of relationships between changes in default rates and changes in key macro-economic factors as well as in-depth analysis of the impact of certain other factors (e.g. forbearance experience) on the risk of default. For all exposures, the key macro-economic indicator used is GDP growth, based on publications by the Reserve Bank of Fiji.

## 4. FINANCIAL RISK MANAGEMENT (continued)

### 4.1 Risk Management Framework (continued)

*(b) Credit risk (continued)*

**Details relating to MFL are set out below: (continued)**

**Amounts arising from ECL (continued)**

***Generating the term structure of PD (continued)***

*Determining whether credit risk has increased significantly*
The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in PDs and qualitative factors, including a backstop based on delinquency.

The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Company's quantitative modelling, the remaining lifetime PD is determined to have increased by more than 30 days past due.

Using its expert credit judgement and, where possible, relevant historical experience, MFL may determine that an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis. Renegotiation of loans to customers in financial difficulties is a qualitative indicator of a significant increase in credit risk.

As a backstop, MFL considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

MFL monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (stage 1) and lifetime PD (stage 2).

**Modified financial assets**
The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value in accordance with the accounting policy set out in Note 2.4.4.

MFL renegotiates loans to customers in financial difficulties (referred to as 'forbearance activities') to maximise collection opportunities and minimise the risk of default. Under MFL's forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. Both personal and motor loans are subject to the forbearance policy. The Audit Committee regularly reviews reports on forbearance activities.

For loans and advances modified as part of MFL's forbearance policy, the estimate of PD reflects whether the modification has improved or restored MFL's ability to collect interest and principal and MFL's previous experience of similar forbearance action. As part of this process, MFL evaluates the borrower's payment performance against the modified contractual terms and considers various behavioural indicators.

Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit-impaired (see Note 2.4.6) in default. A customer needs to demonstrate consistently good payment behaviour over a period of time before the exposure is no longer considered to be credit-impaired/in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to 12-month ECL.

## 4. FINANCIAL RISK MANAGEMENT (continued)

### 4.1 Risk Management Framework (continued)

*(b) Credit risk (continued)*

**Details relating to MFL are set out below: (continued)**

**Amounts arising from ECL (continued)**

**Definition of default**
MFL considers loans and advances to be in default when:

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

In assessing whether a borrower is in default, MFL considers indicators that are:

- qualitative – e.g. breaches of covenant;
- quantitative – e.g. overdue status and non-payment on another obligation of the same issuer to MFL; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether loans and advances are in default and their significance may vary over time to reflect changes in circumstances.

**Incorporation of forward-looking information**
MFL incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Based on advice from the Audit Committee and consideration of a variety of external actual and forecast information, MFL formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by Reserve Bank of Fiji.

The base case represents a most-likely outcome and is aligned with information used by MFL for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, MFL carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

MFL has identified and documented key drivers of credit risk and credit losses for each portfolio of loans and advances and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses. The economic scenarios used as at 30 June 2020 included the following ranges of key indicator for the years ending 30 June 2020 and 2021.

| | **2020** | **2021** |
|---|---|---|
| GDP (contraction)/growth | (21.7%) | 14.1% |

Predicted relationship between the key indicator and default and loss rates on loans and advances have been developed based on analysing historical data over the past 4 years.

## 4. FINANCIAL RISK MANAGEMENT (continued)

### 4.1 Risk Management Framework (continued)

*(b) Credit risk (continued)*

**Details relating to MFL are set out below: (continued)**

**Amounts arising from ECL (continued)**

**Measurement of ECL (continued)**

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default (PD);
- loss given default (LGD);
- exposure at default (EAD).

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described above.

PD estimates are estimates at a certain date, which are calculated based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used to derive the PD for large corporate counterparties. If a counterparty or exposure migrates between rating classes, then this will lead to a change in the estimate of the associated PD. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates.

LGD is the magnitude of the likely loss if there is a default. MFL estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD model considers the structure, collateral, seniority of the claim and recovery costs of any collateral that is integral to individual loans and advances. LGD estimates are recalibrated for different economic scenarios. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

EAD represents the expected exposure in the event of a default. MFL derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of loans and advances is its gross carrying amount. For lending commitments, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts.

As described above, and subject to using a maximum of a 12-month PD for loans and advances for which credit risk has not significantly increased, MFL measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for risk management purposes, MFL considers a longer period. The maximum contractual period extends to the date at which MFL has the right to require repayment of an advance or terminate a loan commitment.

Loans and advances are grouped on the basis of shared risk characteristics that include loan purpose and credit risk grading. The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

## 4. FINANCIAL RISK MANAGEMENT (continued)

### 4.1 Risk Management Framework (continued)

*(b) Credit risk (continued)*

**Details relating to MFL are set out below: (continued)**

**Amounts arising from ECL (continued)**

**Measurement of ECL (continued)**

**Loss allowance**

The following tables show reconciliations from the opening to the closing balance of the loss allowance for loans and advances. Explanation of the terms: 12-month ECL, lifetime ECL and credit-impaired are included in Note 2.4.6.

| | 12-month ECL ($'000) | Lifetime ECL not credit- impaired ($'000) | Lifetime ECL credit- impaired ($'000) | Total ($'000) |
|---|---|---|---|---|
| **Loans and advances to customers at amortised cost** | | | | |
| Balance at 1 July 2019 | 1,251 | 2,314 | 4,997 | 8,562 |
| Transfer to 12 months ECL | 49 | (47) | (2) | - |
| Transfer to lifetime ECL not credit impaired | (2,607) | 2,685 | (78) | - |
| Transfer to lifetime ECL credit impaired | (1,638) | (2,271) | 3,909 | - |
| Net remeasurement of loss allowance | 4,114 | 3,803 | 1,454 | 9,371 |
| New loans and advances originated or purchased | 1,437 | 1,184 | 452 | 3,073 |
| Loans and advances that have been derecognised | (366) | (722) | (1,289) | (2,377) |
| Write-off | - | - | (648) | (648) |
| Balance at 30 June 2020 | **2,240** | **6,946** | **8,795** | **17,981** |

## 4. FINANCIAL RISK MANAGEMENT (continued)

### 4.1 Risk Management Framework (continued)

*(b) Credit risk (continued)*

**Details relating to MFL are set out below: (continued)**

**Amounts arising from ECL (continued)**

**Loss allowance (continued)**

| | 12-month ECL ($'000) | Lifetime ECL not credit- impaired ($'000) | Lifetime ECL credit- impaired ($'000) | Total ($'000) |
|---|---|---|---|---|
| **Loans and advances to customers at amortised cost** | | | | |
| Balance at 1 July 2018 | 1,139 | 1,526 | 4,428 | 7,093 |
| Transfer to 12 months ECL | 18 | (11) | (7) | - |
| Transfer to lifetime ECL not credit impaired | (552) | 556 | (4) | - |
| Transfer to lifetime ECL credit impaired | (185) | (1,016) | 1,201 | - |
| Net remeasurement of loss allowance | 286 | 834 | 417 | 1,537 |
| New loans and advances originated or purchased | 707 | 743 | 361 | 1,811 |
| Loans and advances that have been derecognised | (162) | (298) | (844) | (1,304) |
| Write-off | - | (20) | (555) | (575) |
| Balance at 30 June 2019 | **1,251** | **2,314** | **4,997** | **8,562** |

The loss allowance in these table includes ECL on loan commitments because MFL cannot separately identify the ECL on the loan commitment component from those on loans and advances.

**Credit-impaired loans and advances**
See accounting policy in Note 2.4.6.

Credit-impaired loans and advances are graded doubtful to loss in MFL's internal credit risk grading system.

**Collateral held and other credit enhancements**
MFL holds collateral and other credit enhancements against its credit exposures. The following table sets out the principal types of collateral held against different portfolios of loans and advances.

| | Percentage of exposure that is subject to collateral requirements | | |
|---|---|---|---|
| | **30 June 2020** | **30 June 2019** | **Principal type of collateral** |
| **Loans and advances to customers** | | | |
| Motor vehicle | 100 | 100 | Motor vehicles |
| Personal loans | 100 | 100 | Property and equipment |

As at 30 June 2020, the net carrying amount of credit-impaired loans and advances to customers amounted to $45.505 million (2019: $18.385 million) and the value of identifiable collateral (mainly properties and motor vehicles) held against those loans and advances amounted to $49.524 million (2019: $30.992 million).

**Credit quality analysis**
The following table sets out the information about the credit quality of loans and advances. Unless specifically indicated, the amounts in the table represents gross carrying amount.

## 4. FINANCIAL RISK MANAGEMENT (continued)

### 4.1 Risk Management Framework (continued)

*(b) Credit risk (continued)*

**Details relating to MFL are set out below: (continued)**

**Amounts arising from ECL (continued)**

**Credit quality analysis (continued)**

Explanation of the terms: 12-months ECL, lifetime ECL and credit-impaired are included in Note 2.4.6.

**2020**

| | 12 months ECL $'000 | Lifetime ECL not credit impaired $'000 | Lifetime ECL credit impaired $'000 | Total $'000 |
|---|---|---|---|---|
| **Loans and advances to customers** | | | | |
| Grade - Standard | 37,634 | - | - | 37,634 |
| Grade - Special mention | - | 69,892 | - | 69,892 |
| Grade - Substandard | - | 26,113 | - | 26,113 |
| Grade - Doubtful | - | - | 41,251 | 41,251 |
| Grade - Loss | - | - | 4,255 | 4,255 |
| | 37,634 | 96,005 | 45,506 | 179,145 |
| Loss allowance | (2,240) | (6,946) | (8,795) | (17,981) |
| **Carrying amount** | **35,394** | **89,059** | **36,711** | **161,164** |

**2019**

| | 12 months ECL $'000 | Lifetime ECL not credit impaired $'000 | Lifetime ECL credit impaired $'000 | Total $'000 |
|---|---|---|---|---|
| **Loans and advances to customers** | | | | |
| Grade - Standard | 98,352 | - | - | 98,352 |
| Grade - Special mention | - | 30,266 | - | 30,266 |
| Grade - Substandard | - | 26,533 | - | 26,533 |
| Grade - Doubtful | - | - | 14,590 | 14,590 |
| Grade - Loss | - | - | 3,795 | 3,795 |
| | 98,352 | 56,799 | 18,385 | 173,536 |
| Loss allowance | (1,251) | (2,314) | (4,997) | (8,562) |
| **Carrying amount** | **97,101** | **54,485** | **13,388** | **164,974** |

## 4. FINANCIAL RISK MANAGEMENT (continued)

### 4.1 Risk Management Framework (continued)

*(b) Credit risk (continued)*

**Details relating to MFL are set out below: (continued)**

**Amounts arising from ECL (continued)**

**Credit quality analysis (continued)**

Financial assets under stage 2 are closely monitored to ensure that they do not deteriorate further. Security inspections are undertaken on these accounts to verify the value of the collateral pledged. These assets are monitored by specialist collection teams on a daily basis and further monitored by management at each month end. Where necessary management restructures these loans to enhance recovery.

In order to manage credit risk, MFL closely monitors existing customers in ensuring a debt service ratio greater than 1 and loan to value ratio of 85% is maintained, and ensuring that all new customers go through comprehensive credit screening.

MFL employs a range of policies and practices to mitigate credit risk with the most common practice being the security collateral with guidelines being implemented on the acceptability of specific classes of collateral for credit risk mitigation. The principal collateral types for loans and advances are:

- Mortgages over residential and commercial properties.
- Hire Purchase Agreements and Bill of Sale over vehicles and machinery
- Charges over business assets such as premises, inventory and accounts receivable.
- Charges over financial instruments such as debt securities and equities and term deposits.

Longer-term finance and lending to corporate entities are generally secured. In addition, in order to further minimise the potential for credit loss, MFL seeks additional collateral from the counterparty if the credit risk has increased significantly.

Collateral held as security for financial assets other than loans and advances depends on the nature of the instrument.

If an account goes into arrears, a credit review is performed and the collateral value is reassessed by MFL's in-house credit officers or independent valuers.

**Credit risk concentration**

Credit risk concentration is determined based on the industry for which the loan is given. An analysis of concentrations of credit risk from loans and advances and loan commitments is shown below

| | Loans and advances | | Loan commitments | |
|---|---|---|---|---|
| | 2020 (%) | 2019 (%) | 2020 (%) | 2019 (%) |
| **Industry** | | | | |
| Agriculture | 9.54 | 8.84 | - | - |
| Building and construction | 19.29 | 20.53 | 20.00 | 35.97 |
| Manufacturing | 3.11 | 3.26 | - | - |
| Mining and quarrying | 0.28 | 0.24 | - | - |
| Private individuals | 10.41 | 9.88 | - | - |
| Professional and business services | 5.27 | 5.47 | - | 9.06 |
| Transport, communication and storage | 37.58 | 37.46 | 80.00 | 54.97 |
| Wholesale, retail, hotels and restaurants | 8.65 | 8.34 | - | - |
| Others | 5.87 | 5.98 | - | - |
| **Total** | **100.00** | **100.00** | **100.00** | **100.000** |

**4. FINANCIAL RISK MANAGEMENT (continued)**

**4.1 Risk management framework (continued)**

*(b) Credit risk (continued)*

**Details relating to MFL are set out below: (continued)**

**Amounts arising from ECL (continued)**

**Impact of COVID-19**

In response to COVID-19 and the Group's expectations of economic impacts, the key conditions and assumptions utilised in the Group's calculation of ECL have been revised. The economic scenarios and forward-looking macroeconomic assumptions underpinning the collective provision calculation are outlined in the table below. At reporting date, the expected impacts of COVID-19 have been captured via the modelled outcome as well as a separate economic overlay reflecting the considerable uncertainty remaining in the modelled outcome given the unprecedented impacts of COVID-19. Notwithstanding that credit model inputs and assumptions, including forward-looking macroeconomic assumptions, were revised in response to the COVID-19 pandemic, the fundamental credit model mechanics and methodology underpinning the Group's calculation of ECL have remained consistent with prior periods.

The Group is focused on supporting customers who are experiencing financial difficulties as a result of the COVID-19 global pandemic and has offered a range of industry-wide financial assistance measures including temporary loan repayment deferrals (principal and interest). In accordance with regulatory and industry guidance, temporary loan deferrals have been offered on a 3-month basis, with an option to extend for a further 3 months post a customer check-in to reassess the customer's circumstances.

As per industry guidance, a payment deferral request does not automatically result in a significant increase in credit risk (SICR) which transitions an exposure from stage 1 (12-month ECL) to stage 2 (lifetime ECL). For June 2020 the SICR assessment reflects the loan's risk grading at the time of the deferral. For all exposures an assessment is made of the proportion of each portfolio expected to be SICR given the state of the economy and, to the extent this proportion exceeds the observed proportion, which is SICR, an extra provision is established to ensure this proportion receives a lifetime ECL. This approach ensures the volume of exposures in stage 2 reflects a forward-looking view of the economy and not just what is observable in customer data (such as arrears) at the reporting date. Refer to note 2.4.6 for further information in relation to the Group's accounting policy for determining a SICR event.

At reporting date, the gross carrying value of loans and advances that are subject to a COVID-19 financial assistance package total $77.447 million. Refer to note 2.4.4 for the Group's accounting policy with respect to determining a loan modification.

The impacts of COVID-19 have resulted in significant estimation uncertainty in relation to the measurement of the Group's ECL for loans and advances. The impacts of COVID-19 on consumers and businesses as well as the government stimulus packages deployed are unprecedented, accordingly significant adjustments to the ECL could occur in future periods as the full effects of COVID-19 are better understood.

*Reported ECL*
The ECL at reporting date of $17.981 million incorporates a base case (i.e. best estimate scenario) which reflects a sharp deterioration in forecast macroeconomic conditions driven by the significant restrictions and lockdowns that have been imposed since March 2020, followed by a fairly protracted recovery, beginning in 2021 ('reverse J' shaped recovery). Key macroeconomic indicators incorporated in the best estimate are outlined in below. The economic scenarios used as at 30 June 2020 included the following ranges of key indicator for the years ending 30 June 2020 and 2021.

| | **2020** | **2021** |
|---|---|---|
| GDP (contraction)/growth | (21.7%) | 14.1% |

A separate economic overlay of 20% has been included to reflect the considerable uncertainty remaining in the modelled outcome given the unprecedented impacts of COVID-19.

## 4. FINANCIAL RISK MANAGEMENT (continued)

### 4.1 Risk management framework (continued)

*(b) Credit risk (continued)*

**Details relating to MFL are set out below: (continued)**

**Amounts arising from ECL (continued)**

**Impact of COVID-19 (continued)**

The ECL calculation relies on multiple variables and is inherently non-linear and portfolio-dependent, signifying no single analysis can fully demonstrate the sensitivity of the ECL to fluctuations in macroeconomic variables. If the best estimate does not eventuate, rather more adverse economic indicators are experienced, akin to an ‘L shaped’ economic recovery (i.e. a slow rate of recovery and sustained negative GDP change), compared to the current ‘reverse J’ shaped recovery inherent in the Reported ECL, the actual ECL could be higher.

## 4. FINANCIAL RISK MANAGEMENT (continued)

### 4.1 Risk management framework (continued)

*(c) Liquidity risk*

Liquidity risk is the risk that the Group will encounter difficulty in meeting its obligations arising from its financial liabilities. Prudent and careful management of the Group's liquidity position is essential in order to ensure that adequate funds are available to meet the Group's ongoing financial obligations. Prudent liquidity risk management implies maintaining sufficient cash, marketable securities and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business of the Group, management aims at maintaining flexibility in funding by keeping committed credit lines available.

A summary of the contractual maturity analysis of the Group's borrowings and other non-derivative financial liabilities as at 30 June is set out below on an undiscounted basis including estimated interest payments:

| | | Contractual cash flows | | | | |
|---|---|---|---|---|---|---|
| **Non-derivative financial liabilities** | **Carrying amount** | **Total** | **On demand** | **Up to 1 year** | **1-6 years** | **More than 5 years** |
| | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** |
| **30 June 2020** | | | | | | |
| Bank overdrafts | 27,885 | 27,885 | 27,885 | - | - | - |
| Secured bank loans | 97,302 | 111,396 | - | 25,267 | 61,168 | 24,961 |
| Deposits from customers and term borrowings | 165,175 | 182,535 | - | 103,624 | 76,340 | 2,571 |
| Payables | 31,269 | 31,269 | - | 31,269 | - | - |
| | 321,631 | 353,085 | 27,885 | 160,160 | 137,508 | 27,532 |
| **30 June 2019** | | | | | | |
| Bank overdrafts | 28,946 | 28,946 | 28,946 | - | - | - |
| Secured bank loans | 80,029 | 90,712 | - | 23,139 | 52,801 | 14,772 |
| Deposits from customers and term borrowings | 149,965 | 170,131 | 2,000 | 98,456 | 68,697 | 978 |
| Payables | 27,237 | 27,237 | - | 27,237 | - | - |
| | 286,177 | 317,026 | 30,946 | 148,832 | 121,498 | 15,750 |

| | | Contractual cash flows | | | | |
|---|---|---|---|---|---|---|
| **Non-derivative financial assets** | **Carrying amount** | **Total** | **On demand** | **Up to 1 year** | **1-5 years** | **More than 5 years** |
| | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** |
| **30 June 2020** | | | | | | |
| Cash and cash equivalents | 32,787 | 32,788 | 1,088 | 31,700 | - | - |
| Debt securities | 6,232 | 6,383 | - | 1,182 | 4,362 | 839 |
| Loans, advances and receivables | 217,872 | 258,556 | 3,853 | 46,902 | 181,378 | 26,423 |
| | 256,891 | 297,727 | 4,941 | 79,784 | 185,740 | 27,262 |
| **30 June 2019** | | | | | | |
| Cash and cash equivalents | 20,038 | 20,038 | 210 | 19,828 | - | - |
| Debt securities | 10,942 | 11,391 | - | 5,897 | 4,462 | 1,032 |
| Loans, advances and receivables | 215,331 | 270,161 | 3,835 | 64,761 | 185,743 | 15,822 |
| | 246,311 | 301,590 | 4,045 | 90,486 | 190,205 | 16,854 |

**5. FINANCIAL RISK MANAGEMENT (continued)**

**4.2 Risk management framework (continued)**

*(d) Liquidity risk (continued)*

Additional details relating to MFL are set out below:

In order to comply with the Reserve Bank's requirements and the Banking Act 1995, MFL must hold as liquid deposits an amount equivalent to 10% of its total borrowed funds. The MFL Board ensures that the investment standalone is sufficient to meet the Unimpaired Liquid Assets Ratio requirements which are covered entirely by long term bonds.

The daily liquidity position is monitored. For MFL, the key measure used for managing liquidity risk is the ratio of net liquid assets to deposits from customers. Monthly maturity mismatch reports are prepared and analysed. Maturity reports of term deposits are actioned via pre-analysis (calling customer to determine the status of re-investment) and MFL Board Asset and Liability Committee (ALCO) is kept informed.

MFL's liquidity exposure is measured by calculating its Net Liquidity Gap and by comparing current ratios with targets. MFL Board/ ALCO monitors MFL's liquidity position by reviewing the Net Liquidity Gap expressed as a percentage of liabilities:

| | Less than 1 month | 1 to <3 months | 3 to <6 months | 6 to <12 months | Over 12 months |
|---|---|---|---|---|---|
| Net Liquidity Gap as a % of Rate Sensitive Assets (not to exceed) | -5% | -7% | -10% | -20% | 40% |

Apart from the above, MFL uses the following as a benchmark in monitoring its liquidity position.

| Ratio | Target | Tolerance Range |
|---|---|---|
| Cash Reserve | Minimum 8% | Not to fall below 5% |
| Liquid Assets/Total Deposits Ratio | 20-25% | Not to fall below 20% |
| Liquid Asset/Total Assets Ratio | 10-20% | Not to fall below 10% |
| Loans/Deposit Ratio | 120-135% | Not to exceed 135% |
| Loans/Adjusted Deposit Ratio | 100-120% | Not to exceed 120% |
| Unimpaired Liquid Assets Ratio | Minimum 12% | Not to fall below 10% |

The Cash Reserve ratio is calculated by expressing cash reserves (comprising of cash book balance and short term deposits) as a percentage of total deposits. Other ratios are calculated according to RBF guidelines on liquidity risk management for credit institutions. The loans to deposit ratio and unimpaired liquid assets ratio are monitored daily whilst other ratios are monitored monthly.

Any variance in the above ratios are actioned immediately by management.

**4.2 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 and be in compliance with statutory requirements.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital 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 (as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated statement of financial position plus net debt.

## 4 FINANCIAL RISK MANAGEMENT (continued)

### 4.2 Capital risk management (continued)

The gearing ratio of the Group at balance date is as follows:

| | 2020<br>$'000 | 2019<br>$'000 |
|---|---|---|
| Total Borrowings (excluding deposits from customers) | 123,308 | 115,125 |
| Less: Cash and cash equivalents (Note 10) | 32,787 | 20,038 |
| Net debt | 90,521 | 95,087 |
| Total capital | 297,761 | 309,983 |
| Gearing ratio | 30% | 31% |

Additional details relating to MFL are set out below:

MFL is subject to externally imposed capital requirements by the Reserve Bank of Fiji. MFL's objectives when managing capital are:

- To comply with the capital requirements set by the Reserve Bank of Fiji:
- To safeguard MFL's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of the business.

Capital adequacy and the use of regulatory capital are monitored daily by MFL's management, employing techniques based on the guidelines developed by the Basel Committee as implemented by the Reserve Bank of Fiji, for supervisory purposes.

The Reserve Bank of Fiji requires MFL to (a) hold at least 10% of its total holdings in liquid assets and (b) maintain a ratio of total regulatory capital to risk-weighted assets at or above 15%. MFL complied with these requirements during the year.

## 5. PROFIT

| | Note | 2020 $'000 | 2019 $'000 |
|---|---|---|---|
| **Profit before income tax has been determined after:** | | | |
| **(a) Crediting as other income** | | | |
| Net gain on disposal of property, plant and equipment and assets held for sale | | 147 | 295 |
| Management fees | | 102 | 104 |
| Rental income | | 82 | 70 |
| Change in fair value of investment properties | 17 | - | 2,182 |
| Gain on bargain purchase | 3 | - | 697 |
| Miscellaneous income | | 669 | 1,826 |
| | | 1,000 | 5,174 |
| **(b) Charging as expense** | | | |
| Other operating expenses includes: | | | |
| Auditors' remuneration: | | | |
| - audit fees – KPMG | | 186 | 217 |
| – other auditors | | 144 | 137 |
| - other services – KPMG | | - | - |
| – other auditors | | 214 | 213 |
| Directors' emoluments | | | |
| - for services as directors | | 520 | 612 |
| - for other services | | 97 | 265 |
| Inventory obsolescence expense | | 56 | 119 |
| FNPF contributions | | 2,315 | 2,589 |
| Marketing and promotion | | 2,909 | 3,109 |
| Rent | | 2,167 | 1,577 |
| Repairs and maintenance | | 3,465 | 5,877 |
| Change in fair value of investment properties | 17 | (602) | - |
| Management fee | | 1,404 | 1,310 |

## 6. NET FINANCE COSTS

| | | 2020 $'000 | 2019 $'000 |
|---|---|---|---|
| Interest income under the effective interest method | | 556 | 403 |
| **Total interest income arising from financial assets measured at amortised cost** | | 556 | 403 |
| Exchange gain | | 131 | 150 |
| **Finance income – other** | | 131 | 150 |

## 6. NET FINANCE COSTS (Continued)

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| Financial liabilities measured at amortised cost – interest expense on: | | |
| - borrowings | (5,559) | (3,860) |
| - lease liability | (1,136) | (1,226) |
| Exchange loss | (10) | (73) |
| **Finance costs - other** | (6,705) | (5,159) |
| **Net finance costs recognised in profit or loss** | (6,018) | (4,606) |

## 7. INCOME TAX

(a) Income tax expense

The amount of income tax attributable to the financial year differs from the amount prima facie payable on the profit. The difference is reconciled as follows:

| | 2020 | 2019 |
|---|---|---|
| Profit before income tax | 11,107 | 45,441 |
| Prima facie tax payable at 10% (2019:10%) | 1,111 | 4,544 |
| Add/ (deduct): | | |
| Impact of difference in tax rate | 371 | 3,605 |
| Dividends received | (115) | (109) |
| Exempt income | (385) | (156) |
| Other permanent differences | (478) | 625 |
| Impact of equity accounted profit | (593) | (571) |
| Tax losses not brought to account | 1,581 | 658 |
| Deferred tax liabilities recognised upon acquisition of property, plant and equipment | - | 31 |
| Temporary difference not recognised | (114) | (117) |
| Under provision in prior year | (32) | 245 |
| **Income tax expense attributable to profit** | 1,346 | 8,755 |
| Total income tax expense is made up of: | | |
| Current tax expense | 4,524 | 7,752 |
| Deferred tax (benefit)/expense | (3,146) | 758 |
| Under provision in prior years | (32) | 245 |
| **Income tax expense attributable to profit** | 1,346 | 8,755 |

## 7. INCOME TAX (continued)

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| (b) Current tax asset | | |
| Balance at beginning of year | 1,109 | 79 |
| Income tax paid | 6,115 | 8,835 |
| Current tax expense | (4,524) | (7,752) |
| Transfer of balance from VAT account | 328 | 192 |
| Under provision in prior years | 32 | (245) |
| Balance at end of year | 3,060 | 1,109 |
| (c) Deferred tax assets and liabilities | | |
| Deferred tax assets | | |
| Property, plant & equipment | 26 | 36 |
| Annual leave | 173 | 304 |
| Doubtful debts | 4,931 | 2,256 |
| Inventory provisions | 181 | 165 |
| Lease liabilities | 1,852 | 2,764 |
| Others | 178 | 204 |
| Unrealised foreign exchange gain | (2) | (16) |
| Tax losses | 1,533 | 855 |
| | 8,872 | 6,568 |
| Deferred tax liabilities | | |
| Property, plant & equipment | 11,307 | 11,248 |
| Cyclone reserve deposit | 88 | 142 |
| Right of use asset | 1,650 | 2,497 |
| Fair value on revaluation | 1,109 | 1,254 |
| | 14,154 | 15,141 |

As at 30 June 2020, Group companies had unrecouped income tax losses of approximately $13.7 million (2019: $6.1 million) available to offset against future years' taxable income. The benefit at 20% (2019: 20%) tax rate amounting to approximately $2.7 million (2019: $1.2 million) has not been brought to account as realisation is not considered to be probable. Under the existing income tax laws, assessed tax losses can be carried forward for 8 years in succession for losses incurred from 1 January 2019. For losses incurred before 1 January 2019, assessed tax losses may only be carried forward for 4 years in succession. The benefit will only be obtained if:

(i) the companies derive future assessable income of a nature and of an amount sufficient to enable the benefits from the deductions for the losses to be realised;
(ii) the companies continue to comply with the conditions for deductibility imposed by the law; and
(iii) no change in tax legislation adversely affect the companies in realising the benefit from the deductions for the losses.

Tax losses related to subsidiaries which are taxed at 20%. Tax losses carried forward expire as follows:

| **Tax losses year** | **Gross amount $'000** | **Tax effect $'000** | **Expiry date** |
|---|---|---|---|
| 2019 | 8,170 | 1,634 | 2028 |
| 2018 | 3,241 | 648 | 2022* |
| 2017 | 1,574 | 315 | 2021 |
| 2016 | 724 | 145 | 2020 |
| | 13,709 | 2,742 | |

* The apportionment of tax losses from 1 January 2019 to 30 June 2019 can be carried forward for 8 years and will expire in 2027.

## 7. INCOME TAX (continued)

(c) Deferred tax assets and liabilities (continued)

Movement in temporary differences during the year

| | 1 July 2019 $'000 | Recognised in other comprehensive income $'000 | Recognised in profit or loss $'000 | 30 June 2020 $'000 |
|---|---|---|---|---|
| *Deferred tax assets* | | | | |
| Property, plant & equipment | 36 | - | (10) | 26 |
| Annual leave | 304 | - | (131) | 173 |
| Doubtful debts | 2,256 | - | 2,675 | 4,931 |
| Others | 204 | - | (26) | 178 |
| Inventory provisions | 165 | - | 16 | 181 |
| Unrealised foreign exchange gain | (16) | - | 14 | (2) |
| Tax losses | 855 | - | 678 | 1,533 |
| Lease liabilities | 2,764 | - | (912) | 1,852 |
| | 6,568 | - | 2,304 | 8,872 |
| *Deferred tax liabilities* | | | | |
| Property, plant & equipment | 11,248 | - | 59 | 11,307 |
| Cyclone reserve deposit | 142 | - | (54) | 88 |
| Fair value on revaluation (recognised directly in equity) | 1,254 | (145) | - | 1,109 |
| Right of use assets | 2,497 | - | (847) | 1,650 |
| | 15,141 | (145) | (842) | 14,154 |

| | 1 July 2018 $'000 | Recognised in other comprehensive income $'000 | Recognised in profit or loss $'000 | 30 June 2019 $'000 |
|---|---|---|---|---|
| *Deferred tax assets* | | | | |
| Property, plant & equipment | 42 | - | (6) | 36 |
| Annual leave | 301 | - | 3 | 304 |
| Doubtful debts | 1,781 | - | 475 | 2,256 |
| Others | 262 | - | (58) | 204 |
| Inventory provisions | 197 | - | (32) | 165 |
| Unrealised foreign exchange loss | 22 | - | (38) | (16) |
| Tax losses | 804 | - | 51 | 855 |
| Lease liabilities | 3,337 | - | (573) | 2,764 |
| | 6,746 | - | (178) | 6,568 |
| *Deferred tax liabilities* | | | | |
| Property, plant & equipment | 9,949 | - | 1,299 | 11,248 |
| Cyclone reserve deposit | 140 | - | 2 | 142 |
| Fair value on revaluation (recognised directly in equity) | 794 | 460 | - | 1,254 |
| Right of use assets | 3,218 | - | (721) | 2,497 |
| | 14,101 | 460 | 580 | 15,141 |

## 8. LEASES

(a) As a lessee

The Group leases various assets including land and buildings, coaches and jetty. Information about leases for which the Group is a lessee is presented below:

**Right-of-use assets**

| | Jetty $'000 | Land and buildings $'000 | Coaches $'000 | Total $'000 |
|---|---|---|---|---|
| Balance at 1 July 2018 | 1,110 | 12,101 | 2,539 | 15,750 |
| Additions | - | 3,478 | - | 3,478 |
| Re-measurements | 39 | 166 | - | 205 |
| Depreciation charge for the year | (199) | (1,873) | (436) | (2,508) |
| Balance at 30 June 2019 | 950 | 13,872 | 2,103 | 16,925 |
| | | | | |
| Balance at 1 July 2019 | 950 | 13,872 | 2,103 | 16,925 |
| Additions | - | 1,286 | - | 1,286 |
| Transfers from property, plant and equipment | - | 3,254 | - | 3,254 |
| Disposals | (107) | - | - | (107) |
| Re-measurements | - | 27 | - | 27 |
| Depreciation charge for the year | (180) | (2,644) | (423) | (3,247) |
| Balance at 30 June 2020 | 663 | 15,795 | 1,680 | 18,138 |

| | **2020 $'000** | **2019 $'000** |
|---|---|---|
| **Lease liabilities** | | |
| **Maturity analysis – contractual undiscounted cash flows** | | |
| Less than one year | 5,607 | 3,273 |
| One to five years | 10,432 | 10,576 |
| More than five years | 18,112 | 18,887 |
| **Total undiscounted lease liabilities at 30 June** | 34,151 | 32,736 |
| | | |
| **Lease liabilities included in the statement of financial position** | | |
| Current | 2,613 | 2,182 |
| Non-current | 14,031 | 15,684 |
| | 16,644 | 17,866 |
| | | |
| **Amounts recognised in profit or loss** | | |
| Interest on lease liabilities | 1,136 | 1,226 |
| Variable lease payments not included in the measurement of lease liabilities | 413 | 1,577 |
| Expenses relating to short-term leases | 61 | 34 |
| Rent concessions due to COVID19* | (1,186) | - |
| | | |
| **Amounts recognised in the statement of cash flows** | | |
| Total cash outflow for leases | 2,852 | 5,258 |

* This relates to rental concessions received for leases due to COVID 19. Under the amendments issued by the IASB, rental discount and waivers as a result of COVID 19 are to be treated as a negative variable lease payment. Refer to note 1.2 for further details.

**8. LEASES (continued)**

(a) As a lessee (continued)

**i. Real estate leases**

The Group leases land and buildings for its office space, retail stores, terminal check-in booth, sales booths and engineering and stores workshop. The Group also leases land for island day trips (South Sea Island and Malamala). The leases typically run for a period of two to twenty years except for land leased for island day trips which is typically for twenty-five years and certain land leases which are for ninety-nine years. Some leases include an option to renew the lease for an additional period in accordance with the lease contracts after the end of initial lease term. Some leases provide for additional rent payments that are based on changes in the consumer price index.

*Variable lease payments based on passenger numbers*

Land leases for island day trips contain variable lease payments that are based on the number of passengers that would have landed on the Island and depending on the package type that the guest would have purchased available at the Islands. These payment terms are common for cruise service providers in Fiji.

**ii. Other leases**

The Group leases coaches for guest services from resorts and airports, with lease terms of three to five years and jetty for berthing of the vessels, with lease terms of two to nine years. Some leases include an option to renew the lease for an additional period in accordance with the lease contracts after the end of initial lease term. The Group also leases IT equipment with contract terms of five years.

*Variable lease payments based on passenger numbers and additional services*

Coach leases contain variable lease payments that are based on the number of passengers, charters depending on the point of pick-up or drop-off, additional runs to those contracted and monthly fuel prices. Lease for jetty contains variable lease payments for passenger levy which is based on the number of passengers on board the vessels from and to Port Denarau Marina. These payment terms are common for cruises service providers in Fiji.

**iii. Extension options**

Some leases contain extension options exercisable by the Group up to one year before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement whether it is reasonably certain to exercise the extension options, and reassesses this if there is a significant event or significant change in circumstances within its control.

## 9. DIVIDENDS PAID

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| Dividend paid at 2 cents (2019: 2 cents) | 7,525 | 7,464 |
| | 7,525 | 7,464 |

## 10. CASH AND CASH EQUIVALENTS

a) For the purposes of the cash flow statement, cash and cash equivalents comprise the following:

| | 2020 | 2019 |
|---|---|---|
| Cash on hand and at bank | 28,787 | 15,967 |
| Term deposits | 4,000 | 4,071 |
| | 32,787 | 20,038 |
| Bank overdrafts (Note 26) | (27,885) | (28,946) |
| | 4,902 | (8,908) |

b) Financing facilities

Facilities available to the Group include bank overdrafts. Financing facilities of $53 million were available to the Group as at 30 June 2020 (2019: $33 million) of which $28 million (2019: $21 million) was utilised. See also note 26.

## 11. DEBT SECURITIES

| | 2020 | 2019 |
|---|---|---|
| **Current investments** | | |
| Government bonds | - | 500 |
| Deposits with financial institutions | 46 | 5,392 |
| | 46 | 5,892 |
| **Non-current investments** | | |
| Government bonds | 5,050 | 5,050 |
| Deposit with financial institutions | 1,136 | - |
| | 6,186 | 5,050 |
| Total | 6,232 | 10,942 |
| Maturity analysis | | |
| Not longer than 3 months | - | - |
| Longer than 3 months and not longer than 12 months | 46 | 5,892 |
| Longer than 1 year and not longer than 5 years | 5,386 | 4,250 |
| Longer than 5 years | 800 | 800 |
| | 6,232 | 10,942 |

## 12. LOANS, ADVANCES AND RECEIVABLES

| | Note | 2020 $'000 | 2019 $'000 |
|---|---|---|---|
| **Current** | | | |
| Trade receivables | | 21,330 | 25,710 |
| Allowance for expected credit loss | | (7,556) | (3,487) |
| | | 13,774 | 22,223 |
| Other receivables – third parties | | 6,891 | 6,206 |
| – related parties | | 1,100 | 2,798 |
| Allowance for expected credit loss | | (14) | (14) |
| | | 21,751 | 31,213 |
| **Non-current** | | | |
| Loans and advances | | | |
| – related parties | | 2,014 | - |
| Other receivables | | 7,392 | 7,081 |
| | | 9,406 | 7,081 |
| **TOTAL** | | 31,157 | 38,294 |
| **Allowance for expected credit loss** | | | |
| Balance at beginning of year | | 3,501 | 2,640 |
| Additional provision made | | 4,096 | 864 |
| Bad debts written off | | (27) | (3) |
| Balance at end of year | | 7,570 | 3,501 |

Allowance for expected credit loss relates to receivables only. Allowance for expected credit loss on loans and advances are disclosed in note 13.

Related party receivables are unsecured.

## 13. LOANS AND ADVANCES

| | Note | 2020 | 2019 |
|---|---|---|---|
| Gross term receivables | | 228,528 | 219,762 |
| Deferred revenue | | (49,383) | (46,226) |
| | | 179,145 | 173,536 |
| ECL allowance | 4.1(b) | (17,981) | (8,562) |
| | | 161,164 | 164,974 |

## 13. LOANS AND ADVANCES (continued)

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| Maturity analysis | | |
| Not longer than 3 months | 8,318 | 7,433 |
| Longer than 3 months and not longer than 12 months | 11,800 | 10,765 |
| Longer than 1 year and not longer than 5 years | 181,987 | 185,743 |
| Longer than 5 years | 26,423 | 15,821 |
| | 228,528 | 219,762 |
| **Loan impairment expense** | | |
| Increase in impairment | 7,191 | 2,044 |
| Amounts written off directly to profit or loss during the year as uncollectible | 293 | 533 |
| | 7,484 | 2,577 |

## 14. INVENTORIES

| | 2020 | 2019 |
|---|---|---|
| Raw materials, spares, stores and supplies | 11,881 | 12,934 |
| Finished goods | 30,700 | 28,523 |
| Goods in transit | 860 | 1,698 |
| Provision for obsolescence | (910) | (854) |
| | 42,531 | 42,301 |

## 15. PROPERTY, PLANT AND EQUIPMENT

(a) Carrying values of property, plant and equipment are set out below:

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| Freehold land | | |
| - at cost/ deemed cost | 7,064 | 7,064 |
| Island properties | | |
| - at directors' valuation | 11,150 | 12,600 |
| Leasehold land, improvements and buildings at cost/ deemed cost | 92,197 | 79,121 |
| Accumulated depreciation | (14,536) | (12,694) |
| | 77,661 | 66,427 |
| Plant and equipment | | |
| - at cost/ deemed cost | 195,413 | 194,092 |
| Accumulated depreciation | (129,205) | (119,821) |
| Allowance for impairment | (5,530) | (5,005) |
| | 60,678 | 69,266 |
| Capital works in progress – at cost | 8,383 | 4,133 |
| | 164,936 | 159,490 |

(b) Reconciliation of property, plant and equipment

Reconciliation of the carrying amount of each class of property, plant and equipment at the beginning and end of the current year is set out below**:**

| | Freehold land | Island properties | Leasehold land, improvements and buildings | Plant and equipment | Capital works in progress | Total |
|---|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| Carrying amount at 1 July 2019 | 7,064 | 12,600 | 66,427 | 69,266 | 4,133 | 159,490 |
| Revaluations | - | (1,450) | - | - | - | (1,450) |
| Additions | - | - | 476 | 3,940 | 8,192 | 12,608 |
| Disposals | - | - | - | (78) | (64) | (142) |
| Transfers to right of use assets | - | - | - | (3,254) | - | (3,254) |
| Transfers from intangible assets | - | - | - | 49 | - | 49 |
| Transfers from investment properties | - | - | 11,000 | - | - | 11,000 |
| Transfers from capital work in progress | - | - | 1,600 | 2,278 | (3,878) | - |
| Impairment charge | - | - | - | (525) | - | (525) |
| Depreciation | - | - | (1,842) | (10,998) | - | (12,840) |
| Carrying amount at 30 June 2020 | 7,064 | 11,150 | 77,661 | 60,678 | 8,383 | 164,936 |

## 15. PROPERTY, PLANT AND EQUIPMENT (continued)

(b) Reconciliation of property, plant and equipment - continued

| | Freehold land | Island properties | Leasehold land, improvements and buildings | Plant and equipment | Capital works in progress | Total |
|---|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| Carrying amount at 1 July 2018 | 7,183 | 8,000 | 54,578 | 70,757 | 2,485 | 143,003 |
| Revaluations | - | 4,600 | - | - | - | 4,600 |
| Acquisitions through business combination | - | - | 4,415 | 1,046 | - | 5,461 |
| Additions | - | - | 8,705 | 4,340 | 6,900 | 19,945 |
| Disposals | (119) | - | - | (869) | - | (988) |
| Transfers from capital work in progress | - | - | 334 | 4,918 | (5,252) | - |
| Depreciation | - | - | (1,605) | (10,926) | - | (12,531) |
| Carrying amount at 30 June 2019 | 7,064 | 12,600 | 66,427 | 69,266 | 4,133 | 159,490 |

(c) The depreciation policy is set out in Note 2.5.

(d) Refer to note 26 for items charged as security.

(e) The island property in Nanuya Lailai Island – Yasawa, was revalued by the Directors of Blue Lagoon Cruises Pte Limited based on an independent valuation by Professional Valuations. The valuation resulted in a decrease of $1.45 million ($1.305 million net of tax). The revaluation has been categorised as a Level 2 fair value based on the inputs to the valuation technique used. The following table shows the valuation technique used, as well as the significant unobservable inputs used.

| *Valuation technique* | *Significant unobservable inputs* | *Inter-relationship between key unobservable inputs and fair value measurement* |
|---|---|---|
| Market approach using recent sales data and market values | Adjustment factor of 10% to market selling prices due to impacts of COVID-19 | The estimated fair value would increase (decrease) if the adjustment factor were lower (higher). |

The carrying amount that would have been recognised had the island properties been carried under the cost model is $108,000.

(f) For Group purposes, investment properties are transferred to property, plant and equipment when they are occupied by Group companies. There is impact on profit or loss of this transfer as investment properties are held at fair value. Upon transfer the change in fair value of investment properties that are occupied by Group companies are reversed and depreciation charge is recorded.

## 16. OTHER ASSETS

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| Prepayments | 3,199 | 4,765 |

## 17. INVESTMENT PROPERTIES

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| **Valuation** | | |
| Opening balance | 39,228 | 35,526 |
| Acquisitions | 9,774 | 1,520 |
| Transfer to property, plant and equipment | (11,000) | - |
| Change in fair value | (602) | 2,182 |
| Closing balance | 37,400 | 39,228 |
| **Work in progress** | | |
| Opening balance | 14,726 | 10,264 |
| Acquisitions | 10,032 | 4,462 |
| Closing balance | 24,758 | 14,726 |
| **Carrying amount** | | |
| Opening balance | 53,954 | 45,790 |
| Closing balance | 62,158 | 53,954 |

Investment properties occupied by the Group are transferred to property, plant and equipment on consolidation. Changes in fair values are recognised as gains in profit or loss and included in 'other income'. All gains are unrealised.

Refer to note 26 for items charged as security.

**Fair value hierarchy**
The fair value of investment property was determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The independent valuers provide the fair value of the Group's investment property annually. The fair value measurement for all of the investment properties has been categorised as a Level 3 fair value based on the inputs to the valuation technique used.

**Valuation technique and significant unobservable inputs**
The following table shows the valuation technique used in measuring the fair value of investment property, as well as the significant unobservable inputs used.

| *Valuation technique* | *Significant unobservable inputs* | *Inter-relationship between key unobservable inputs and fair value measurement* |
|---|---|---|
| Sales (Direct Comparison) whereby the comparable developments are compared to the subject properties on a common denominator with equated adjustments made to allow for differences and comparability. This approach considers the sale price levels of similar and comparable properties in the localities. | Not applicable | Not applicable |

## 18. INTANGIBLE ASSETS

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| Goodwill on consolidation | 62,620 | 62,620 |
| Provision for impairment on goodwill | (6,912) | (6,912) |
| Management rights | 4,377 | 4,877 |
| Software | 780 | 865 |
| Total intangible assets | 60,865 | 61,450 |
| Movements during the year are as follows: | | |
| Opening net book amount | 61,450 | 61,864 |
| Additions | 90 | 133 |
| Transfers to property, plant and equipment | (49) | - |
| Transfers from work in progress | 33 | 81 |
| Amortisation of software | (159) | (128) |
| Amortisation of management rights | (500) | (500) |
| Total intangible assets | 60,865 | 61,450 |

The accounting policy on intangible assets is set out in Note 2.9 and impairment loss on goodwill is recognised in profit or loss.

## 18. INTANGIBLE ASSETS - continued

### (a) FHL Retailing Pte Limited

**Impairment test for goodwill**

Goodwill of $12.112m has been tested for impairment by reviewing the underlying net assets supporting the investment in subsidiary which holds the Group's 51% investment in RB Patel Group Limited.

Management value the investment in RB Patel Group Limited at fair value less estimated costs to sell which is significantly above cost and therefore have concluded that goodwill is not impaired. Fair value for RB Patel Group Limited has been determined based on quoted price of shares traded on the South Pacific Stock Exchange at 30 June 2020 of $3.48 (2019: $7.00) less estimated cost to sell. A decrease in RB Patel Group Limited's share price by more than $3.00 would result in impairment. The fair value measurement was categorised as a Level 1 fair value based on quoted prices. The carrying amount of the cash generating unit (CGU) in 2020 was determined to be lower than its recoverable amount of $260.921 million (2019: $104.968 million).

During the year, the subsidiary company, RB Patel Group Limited, undertook a share split to a ratio of 1:5, that is 5 shares for each existing share.

**Impairment test for management rights**

Management rights is considered a CGU. The recoverable amount of the CGU is determined based on value in use calculations. Free cash flow from management rights was computed based on the forecast management fee income for the next 15 years net of management fee expense and income tax expense thereon.

These projections were based on financial budgets approved by management for the year ending June 2021. Cash flows beyond June 2021 are extrapolated using the estimated growth rates in the underlying business. The growth rate does not exceed the long term average growth rate in which the CGU operates. The key assumptions used in the value in use calculation are as follows:

| | 2020 | 2019 |
|---|---|---|
| | *In percent* | |
| Discount rate | 10.0 | 10.0 |
| Terminal value growth rate | 2.0 | 2.0 |

The weighted average growth rates are based on management's assessment. The discount rate used reflects the risk adjusted rate of return. The carrying amount of the CGU in 2020 was determined to be lower than its recoverable amount. Management rights are being amortised over the remaining life on a straight line basis.

### (b) South Sea Cruises Pte Limited

**Impairment test for goodwill**

Goodwill of $46.143m has been tested for impairment by reviewing the underlying net assets supporting the investment in subsidiary. The recoverable amount of this CGU was based on its value in use, determined by discounting the future cash flows to be generated from the continuing use of the CGU. The carrying amount of the CGU was determined to be lower than its recoverable amount of $86,022,000. The key assumptions used in the estimation of value in use were as follows:

| | 2020 |
|---|---|
| Discount rate | 11.90% |
| Terminal value growth rate | 2.50% |

The discount rate was a post-tax measure based on the rate of 30-year US government bonds issued by the government in the relevant market and adjusted for country risk and an inflation differential to reflect the same currency as the cash flows, further adjusted for a risk premium to reflect both the increased risk of investing in equities generally and the systematic risk of the specific CGU. The pre-tax discount rate was 13.59%.

Five years of cash flows were included in the discounted cash flow model. A long-term growth rate into perpetuity has been determined as the nominal gross domestic product (GDP) rates for Fiji.

Budgeted EBITDA was based on expectations of future outcomes taking into account past experience, adjusted for the anticipated revenue growth. Revenue growth was projected taking into account the average growth levels experienced over the past five years and the estimated sales volume and price growth for the next five years taking into account an estimate of the impact of COVID-19 as at reporting date.

**18. INTANGIBLE ASSETS (continued)**

**(b) South Sea Cruises Pte Limited - continued**

**Impairment test for goodwill - continued**

Management has identified that a reasonably possible change in the key assumptions could cause the carrying amount to exceed the recoverable amount. The following table shows the amount by which the key assumptions would need to change individually for the estimated recoverable amount to be equal to the carrying amount.

| | **Change required for carrying amount to equal recoverable amount** |
|---|---|
| Discount rate | 0.55% |
| Terminal value growth rate | 0.76% |

**Impact of COVID-19**

The Group incorporated the impact of COVID-19 via revising its forecast cash flows. The following factors were considered by the Group when determining the impact of COVID-19:

- travel bans and the associated impact on visitor arrivals.
- duration of travel restrictions, shutdown of border and expected gradual opening up of the international borders.
- flow on impact on the CGU of a sharp deterioration in economic conditions driven by significant restrictions and lockdowns.
- reduction in Environmental and Climate Adaption Levy and removal of Service Turnover Tax announced by the Government in its 2020/21 budget.

Due to the travel restrictions the operations of the CGU has been suspended from 23 March 2020. The Group expects operations to recommence from April 2021. This is based on the expectation that Australia and New Zealand, Fiji's two largest tourist market, will open up their borders in the first quarter of 2021. As a result, the Group has forecasted a significant reduction in EBITDA for 2021 when compared to 2020. For the following 2 years the Group envisages a protracted recovery ('reverse J' shaped recovery) with a steady growth from there-on.

**(c) Fiji Television Limited**

**Impairment test for goodwill**

Goodwill of $1.984m has been tested for impairment by reviewing the underlying net assets supporting the investment in subsidiary which holds the Group's 59.4% investment in Fiji Television Limited. Management value the investment in Fiji Television Limited at fair value less estimated costs to sell which is significantly above cost and therefore have concluded that goodwill is not impaired. Fair value for Fiji Television Limited has been determined based on quoted price of shares traded on the South Pacific Stock Exchange at 30 June 2020 of $3.50 less estimated cost to sell. A decrease in Fiji Television Limited's share price by more than $2.77 would result in impairment. The fair value measurement was categorised as a Level 1 fair value based on quoted prices. The carrying amount of the CGU in 2020 was determined to be lower than its recoverable amount of $21.101 million.

## 19. EQUITY SECURITIES

Equity securities are valued in accordance with Note 2.4 of the financial statements.

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| **(a) Listed/ quoted securities** | | |
| - Amalgamated Telecom Holdings Limited | 4,213 | 9,892 |
| - Fijian Holdings Unit Trust | 7,335 | 6,603 |
| - Pacific Green Industries Limited | 1,123 | 1,123 |
| - Fiji Care Insurance | 318 | 297 |
| - Kinetic Growth Fund | 224 | 224 |
| - Communications (Fiji) Limited | - | 3 |
| - Vision Investment Limited | 220 | - |
| - Flour Mills of Fiji Limited | 3,133 | 3,126 |
| | 16,566 | 21,268 |
| **(b) Unlisted securities** | | |
| **Shares in other companies** | | |
| - Goodman Fielder International (Fiji) Pte Limited | 2,200 | 2,200 |
| - South Pacific Stock Exchange | 15 | 15 |
| - Fiji Gas Company Pte Limited | 2,328 | 2,328 |
| - Asian Paints (South Pacific) Pte Limited | 3,500 | 3,500 |
| - Motibhai and Company Pte Limited | 58 | 55 |
| | 8,101 | 8,098 |
| Total investments | 24,667 | 29,366 |

**Equity securities designated as at FVOCI**

No strategic investments were disposed of during 2020, and there were no transfers of any cumulative gain or loss within equity relating to these investments.

**(c) Valuation of financial instruments**

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

**Level 1**: fair value is calculated using quoted prices (unadjusted) in active markets for identical assets or liabilities.

**Level 2**: fair value is estimated using inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

**Level 3**: fair value is estimated using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

## 19. EQUITY SECURITIES (continued)

### (c) Valuation of financial instruments (continued)

| | Carrying amount | | | | | Fair value | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Amortised cost $'000 | FVOCI – debt instruments $'000 | FVOCI – equity instruments $'000 | Other financial liabilities $'000 | Total $'000 | Level 1 $'000 | Level 2 $'000 | Level 3 $'000 | Total $'000 |
| **30 June 2020** | | | | | | | | | |
| **Financial assets measured at fair value** | | | | | | | | | |
| Listed equities | - | - | 16,566 | - | 16,566 | 16,566 | - | - | 16,566 |
| Unlisted equities | - | - | 8,101 | - | 8,101 | - | 2,328 | 5,773 | 8,101 |
| | - | - | 24,667 | - | 24,667 | | | | |
| **Financial assets not measured at fair value** | | | | | | | | | |
| Government bonds | 5,050 | - | - | - | 5,050 | - | 5,096 | - | 5,096 |
| | 5,050 | - | - | - | 5,050 | | | | |
| **30 June 2019** | | | | | | | | | |
| **Financial assets measured at fair value** | | | | | | | | | |
| Listed equities | - | - | 21,268 | - | 21,268 | 21,268 | - | - | 21,268 |
| Unlisted equities | - | - | 8,098 | - | 8,098 | - | 2,328 | 5,770 | 8,098 |
| | - | - | 29,366 | - | 29,366 | | | | |
| **Financial assets not measured at fair value** | | | | | | | | | |
| Government bonds | 5,550 | - | - | - | 5,550 | - | 5,882 | - | 5,882 |
| | 5,550 | - | - | - | 5,550 | | | | |

**19. EQUITY SECURITIES (continued)**

**(c) Valuation of financial instruments - continued**

The following table shows the valuation techniques used in measuring Level 2 and Level 3 fair values, as well as the significant unobservable inputs used.

| **Type** | **Valuation technique** | **Significant unobservable inputs** | **Inter-relationship between significant unobservable inputs and fair value measurement** |
|---|---|---|---|
| Equity securities | *Dividends capitalisation technique:* The valuation model is based on the future maintainable dividends and capitalisation rates. | • Capitalisation rates (2020: 5-10%; 2019: 5-10%) | The estimated fair value would increase/ (decrease) if any of the significant unobservable inputs were changed. Generally, a change in the annual growth rate is accompanied by directionally similar change in future maintainable dividends. |
| Government bonds | *Market comparison* - The fair value of the long term investment securities is based on market prices published by the Reserve Bank of Fiji. | Not applicable | Not applicable |

Fair value of assets included in Level 3 are based on Directors' valuations. During the financial year ended 30 June 2020, there were no transfers in and out of fair value hierarchy levels mentioned above. There was no material movement between the opening and closing balances in Level 3 of the fair value hierarchy. The following table shows a reconciliation from the opening balances to the closing balances for Level 3 fair value.

| | **$'000** |
|---|---|
| Balance at 1 July 2018 | 5,270 |
| **Gain included in OCI** | |
| - Net change in fair value | 500 |
| **Balance at 30 June 2019** | 5,770 |
| | |
| Balance at 1 July 2019 | 5,770 |
| **Gain included in OCI** | |
| - Net change in fair value | 3 |
| **Balance at 30 June 2020** | 5,773 |

**Sensitivity analysis**

For the fair values of equity securities, a reasonably possible change of 10% at the reporting date to one of the significant unobservable inputs, holding other inputs constant would have the following effects:

| | **OCI, net of tax** | |
|---|---|---|
| | **Increase** | **Decrease** |
| | **$'000** | **$'000** |
| Capitalisation rates | (184) | 184 |
| Forecast dividend yield | 512 | (512) |

## 20. DETAILS OF INVESTMENTS

| Name of company | Place of incorporation/ principal country of operation | Ownership interest 2020 % | 2019 % |
|---|---|---|---|
| **(a) Listed/ quoted securities** | | | |
| Fijian Holdings Unit Trust | Fiji | 25.2 | 25.2 |
| FMF Foods Limited | Fiji | 4.3 | 4.3 |
| **(b) Unlisted securities** | | | |
| **Subsidiary companies:** | | | |
| Basic Industries Pte Limited | Fiji | 51.1 | 51.1 |
| Serendib Investments Pte Limited | Fiji | 75.0 | 75.0 |
| South Sea Cruises Pte Limited | Fiji | 100.0 | 100.0 |
| - Blue Lagoon Cruises Holdings Pte Limited | Fiji | 100.0 | 100.0 |
| - Blue Lagoon Cruises Pte Limited | Fiji | 96.1 | 96.1 |
| FHL Logistics Pte Limited | Fiji | 100.0 | 100.0 |
| FHL Retailing Pte Limited | Fiji | 100.0 | 100.0 |
| - RB Patel Group Limited | Fiji | 54.3 | 53.7 |
| FHL Stockbrokers Pte Limited | Fiji | 100.0 | 100.0 |
| Pacific Cement Pte Limited | Fiji | 50.3 | 50.3 |
| FHL Fund Management Limited | Fiji | 100.0 | 100.0 |
| FHL Properties Pte Limited | Fiji | 100.0 | 100.0 |
| FHL Media Pte Limited | Fiji | 100.0 | 100.0 |
| - Fiji Television Limited | Fiji | 59.4 | 61.8 |
| - Life Cinema Pte Limited | Fiji | 71.6 | 71.6 |
| Merchant Finance Pte Limited | Fiji | 80.0 | 80.0 |
| **Other companies** | | | |
| Asian Paints (South Pacific) Pte Limited | Fiji | 8.9 | 8.9 |
| Goodman Fielder International (Fiji) Pte Limited | Fiji | 10.0 | 10.0 |
| Golden Manufacturers Pte Limited | Fiji | 30.0 | 30.0 |
| Pernix (Fiji) Pte Limited | Fiji | 21.0 | 21.0 |
| Marsh Pte Limited | Fiji | 25.0 | 25.0 |
| New World Pte Limited | Fiji | 20.3 | 20.3 |
| Ritam Investments Pte Limited | Fiji | 30.0 | - |

## 21. NON-CONTROLLING INTERESTS

The Group has a number of subsidiaries which it controls but which also have significant non-controlling interests.

The table set out below shows the interest that non-controlling interests have in each subsidiary that is material to the reporting entity.

**21. NON-CONTROLLING INTERESTS - continued**

| 30 June 2020 | Basic Industries Pte Limited | Pacific Cement Pte Limited | Serendib Invest-ment Pte Limited | Merchant Finance Pte Limited | RB Patel Group Limited | Fiji Television Limited | Life Cinema Pte Limited | Blue Lagoon Cruises Pte Limited | Basic Holdings Pte Limited | Intra-group elimina-tions | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **NCI percentage** | 48.99% | 49.75% | 25.00% | 20.00% | 45.67% | 40.62% | 28.37% | 3.90% | 49.00% | | |
| Non-current assets | 22,550 | 7,459 | 9,011 | 159,054 | 77,851 | 6,022 | 10,053 | 17,670 | - | | |
| Current assets | 31,255 | 12,798 | 1,084 | 47,862 | 16,891 | 11,790 | 600 | 6,201 | 2,488 | | |
| Non-current liabilities | (3,429) | (731) | (3,920) | (63,989) | (24,500) | (1,428) | (10,840) | (2,066) | - | | |
| Current liabilities | (29,383) | (11,783) | (2,870) | (107,933) | (19,093) | (1,443) | (1,029) | (112) | (258) | | |
| **Net assets** | 20,993 | 7,743 | 3,305 | 34,994 | 51,149 | 14,941 | (1,216) | 21,693 | 2,230 | | |
| **Net assets attributable to NCI** | 10,284 | 3,852 | 826 | 6,998 | 23,359 | 6,069 | (344) | 846 | 1,092 | (1,530) | 51,452 |
| Revenue | 57,545 | 27,017 | 1,492 | 16,570 | 139,606 | (9,076) | (3,820) | 2,410 | 2,604 | | |
| Profit/(loss) | (4,818) | (4,300) | (2,397) | 2,639 | 9,681 | 263 | (1,226) | 1,562 | 2,230 | | |
| Other comprehensive expense | - | - | - | (2,876) | - | (2) | - | (1,305) | - | | |
| **Total comprehensive income/(expense)** | (4,818) | (4,300) | (2,397) | (237) | 9,681 | 261 | (1,226) | 257 | 2,230 | | |
| Profit/(loss) allocated to NCI | (2,360) | (2,139) | (599) | 528 | 4,421 | 107 | (348) | 60 | 1,093 | - | 763 |
| Other comprehensive expense allocated to NCI | - | - | - | (575) | - | (1) | - | (51) | - | - | (627) |
| Cash flows from/(used in) operating activities | 2,628 | 105 | (1,846) | 19,776 | 13,805 | 821 | 16 | (90) | 24 | | |
| Cash flows (used in) investing activities | (2,330) | (469) | (2,326) | (323) | (7,380) | (284) | (4) | - | - | | |
| Cash flows (used in)/from financing activities (dividends to NCI: $4.118 million) | (1,116) | 1,536 | 3,475 | (5,614) | (1,575) | (650) | 67 | 140 | - | | |
| **Net (decrease)/increase in cash and cash equivalents** | (818) | 1,172 | (697) | 13,839 | 4,850 | (113) | 79 | 50 | 24 | | |

**21. NON-CONTROLLING INTERESTS (continued)**

| 30 June 2019 | Basic Industries Pte Limited | Pacific Cement Pte Limited | Serendib Invest-ment Pte Limited | Merchant Finance Pte Limited | RB Patel Group Limited | Fiji Television Limited | Life Cinema Pte Limited | Blue Lagoon Cruises Pte Limited | Intra-group eliminations | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| **NCI percentage** | 48.99% | 49.75% | 25.00% | 20.00% | 46.27% | 38.19% | 28.37% | 3.90% | | |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| Non-current assets | 22,522 | 7,638 | 6,799 | 165,676 | 68,883 | 7,056 | 11,607 | 19,156 | | |
| Current assets | 33,368 | 15,270 | 1,667 | 30,640 | 19,728 | 11,810 | 623 | 4,563 | | |
| Non-current liabilities | (3,471) | (502) | (895) | (48,400) | (19,815) | (1,562) | (9,474) | (2,221) | | |
| Current liabilities | (23,608) | (10,363) | (1,868) | (110,809) | (21,327) | (2,110) | (2,746) | (62) | | |
| **Net assets** | 28,811 | 12,043 | 5,703 | 37,107 | 47,469 | 15,194 | 10 | 21,436 | | |
| **Net assets attributable to NCI** | 14,115 | 5,991 | 1,426 | 7,421 | 21,964 | 5,803 | 3 | 836 | (1,587) | 55,972 |
| Revenue | 76,305 | 28,182 | 987 | 19,085 | 136,486 | 11,881 | 5,263 | 3,445 | | |
| Profit/(loss) | 6,853 | (1,769) | (297) | 7,854 | 10,080 | 1,202 | (588) | 2,437 | | |
| Other comprehensive income/(expense) | - | - | - | - | - | (8) | - | 4,140 | | |
| **Total comprehensive income/(expense)** | 6,853 | (1,769) | (297) | 7,854 | 10,080 | 1,194 | (588) | 6,577 | | |
| Profit/(loss) allocated to NCI | 3,357 | (880) | (74) | 1,571 | 4,664 | 459 | (167) | 95 | - | 9,025 |
| Other comprehensive income/(expense) allocated to NCI | - | - | - | - | - | (3) | - | 162 | - | 159 |
| Cash flows from/(used in) operating activities | 1,401 | (2,055) | (1,092) | 3,533 | 8,057 | (1,124) | 169 | (203) | | |
| Cash flows (used in)/from investing activities | (5,041) | (622) | (5,839) | (1,312) | (8,529) | (544) | (415) | 209 | | |
| Cash flows (used in)/from financing activities (dividends to NCI: $4.669 million) | (949) | 1,428 | 6,000 | 6,418 | (4,051) | (977) | 101 | - | | |
| **Net (decrease)/increase in cash and cash equivalents** | (4,589) | (1,249) | (931) | 8,639 | (4,523) | (2,645) | (145) | 6 | | |

## 22. INVESTMENTS IN ASSOCIATES

The Group's share of profit after tax in its equity accounted investees for the year was $5.340 million (2019: $5.136 million). The Group has interests in the following associates which are considered individually immaterial:

Marsh Pte Limited
Golden Manufacturers Pte Limited
Pernix (Fiji) Pte Limited
New World Pte Limited
Ritam Investments Pte Limited

Summary financial information for equity accounted investees, not adjusted for the percentage ownership held by the Group:

| | Assets $'000 | Liabilities $'000 | Revenue $'000 | Expenses $'000 | Profit/ (loss) $'000 |
|---|---|---|---|---|---|
| 2020 | 249,413 | 124,195 | 318,741 | 295,346 | 23,395 |
| 2019 | 202,846 | 101,790 | 315,215 | 294,604 | 20,611 |

Reconciliation of the carrying value of investments in associates:

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| Opening balance | 30,784 | 28,955 |
| Additions | 6,440 | - |
| Equity accounted earnings of associates (net of tax) | 5,340 | 5,136 |
| Dividends from associates | (3,600) | (3,307) |
| Closing balance | 38,964 | 30,784 |

## 23. PAYABLES

| | | |
|---|---|---|
| **Current** | | |
| Trade creditors | 18,594 | 15,114 |
| Accruals and other creditors | 12,390 | 11,629 |
| | 30,984 | 26,743 |
| **Non-current** | | |
| Trade creditors | 288 | 494 |
| **TOTAL** | 31,272 | 27,237 |

## 24. EMPLOYEE ENTITLEMENTS

| | | |
|---|---|---|
| **Current** | | |
| Annual leave | 699 | 966 |
| Bonus and gratuity | 283 | 923 |
| | 982 | 1,889 |
| **Non-current** | | |
| Bonus and gratuity | 31 | 24 |
| Long service leave | - | 6 |
| | 31 | 30 |
| | 1,013 | 1,919 |

## 25. DIVIDENDS PAYABLE

| | 2020<br>$'000 | 2019<br>$'000 |
|---|---|---|
| Dividends | 4,180 | 4,045 |

This amount represents provision for dividends by subsidiary companies to their minority shareholders.

## 26. BORROWINGS

| | 2020<br>$'000 | 2019<br>$'000 |
|---|---|---|
| **Current** | | |
| Bank overdrafts secured (Note 10) | 27,885 | 28,946 |
| Term loans secured | 20,884 | 20,011 |
| Fixed term deposits and term borrowings | | |
| (unsecured) – third parties | 97,342 | 98,766 |
| – related parties | 917 | - |
| | 147,028 | 147,723 |
| **Non-current** | | |
| Term loans secured | 76,418 | 60,018 |
| Fixed term deposits and term borrowings | | |
| (unsecured) – third parties | 63,120 | 47,049 |
| – related parties | 3,796 | 4,150 |
| | 143,334 | 111,217 |
| **TOTAL** | 290,362 | 258,940 |

The bank overdraft, stand by facilities, and term loans of the subsidiary companies with Australia and New Zealand Banking Group Limited (“ANZ Bank”, “ANZ Banking Group Limited”) are secured by registered equitable mortgages over all the assets and undertakings of the companies, including uncalled and unpaid capital of the respective companies.

i. Fijian Holdings Limited – the loan and bank overdraft with ANZ Bank are secured by Scrip Lien over shares in Basic Industries Pte Limited, shares in Merchant Finance Pte Limited, shares in South Sea Cruises Pte Limited, shares in Golden Manufacturers Pte Limited, shares in FHL Media Pte Limited, shares in Pernix (Fiji) Pte Limited, Scrip Lien given by FHL Retailing Pte Limited over shares in RB Patel Group Limited, Scrip Lien given by the FHL Trustees Limited, over shares in Pernix (Fiji) Pte Limited, Naked deposit given by Fijian Holdings Trust Management Limited (100% FHL owned) over 1 ordinary share in South Sea Cruises Pte Limited, and first registered charge (mortgage debenture), given by the Company including its uncalled and unpaid capital. (Being a fixed and floating charge over all present and future assets, undertakings (including goodwill) and unpaid or uncalled capital of that Security Provider).

ii. South Sea Cruises Pte Limited – the loan and bank overdraft with ANZ Bank are secured as follows:
    - First registered mortgage debenture by South Sea Cruises Pte Limited dated 26 August 2005 being a fixed and floating charge over all present and future assets, undertakings and unpaid or uncalled capital.
    - First Charge Ships Mortgage and Deed of Covenant over MV Dau Saru Cakau, MV Yasawa Flyer II, MV Ocean Dreaming, MV Cougar II, MV Panther and MV Tiger V.
    - Master Finance Lease Agreement between ANZ and the Company.
    - First Charge Registered Mortgage over the property situated at Malamala Island comprising the Malamala Beach Club being the land described in iTaukei sublease number 820719.
    - First Charge Registered Mortgage Debenture by Blue Lagoon Cruises Pte Limited dated 16 December 2013 being a fixed and floating charge over all present and future assets, undertakings and unpaid or uncalled capital of Blue Lagoon Cruises Pte Limited.
    - First Charge Ships Mortgage and Deed of Covenant over MV Fiji Princess.
    - First Charge Registered Mortgage over the property situated at Nanuya Lailai Island being the land described in Crown Grant Folio Number 1248.

## 26. BORROWINGS - continued

iii. RB Patel Group Limited – the bank overdraft facility and bank loans (together with letter of credit and guarantee facilities) from ANZ Banking Group Limited is secured by:

- Registered first mortgage debenture given by the company over all its present and future assets and undertakings and its uncalled and unpaid capital, stamped to $26.8 million.
- Registered first mortgage over properties (CT No. 23400) situated at corner of Dovi Road and Ratu Mara Road, Laucala Beach Estate, Nasinu, (CT No. 7082) situated at Martintar, Nadi, (CT No. 34330) situated at Tavewa Avenue, Lautoka, (CL No. 53120) situated at Tavewa Avenue, Lautoka and (CT No. 39150) situated at Queens Road, Lami.
- A Deed of Pari Passu between the ANZ Banking Group Limited, Westpac Banking Corporation and the company, regarding sharing of securities in the ratio 50/50 with maximum debt of $7 million each.

The bank overdraft facility and bank loan (together with letter of credit and guarantee facilities) from Westpac Banking Corporation is secured by:

- Registered equitable mortgage debenture given by the company over all its assets and undertakings including its uncalled and called but unpaid capital.
- A Deed of Pari Passu between Westpac Banking Corporation, ANZ Banking Group Limited and the company, regarding sharing of securities in the ratio 50/50 with maximum debt of $7 million each.
- Registered first mortgage over properties (CL No. 2843) situated at the corner of Kings & Adi Davila Roads, Nakasi, Nausori, (CL No. 4825) situated at Clarke Street, Suva and (NL No. 15761) situated at Nasekula Road, Labasa.

iv. Basic Industries Pte Limited – the loan and bank overdraft with ANZ Bank is secured by a registered first mortgage debenture over all assets and undertakings of Basic Industries Pte Limited including its uncalled and unpaid premiums. The overdraft attracts interest at a rate of 4.65% per annum (2019: 5.15%) and has a revolving limit of $10 million (2019: $4.4 million).

Basic Industries Pte Limited leases vehicles and equipment with lease terms of 3 to 5 years. At the end of the lease, the respective vehicle and/or equipment is owned by Basic Industries Pte Limited.

The borrowings and finance lease on motor vehicles are secured as follows:

- first registered mortgage debenture over all the assets of the Company including its uncalled and unpaid capital;
- master lease agreement between Basic Industries Pte Ltd and Australia and New Zealand Banking Group Limited; and
- letter of comfort given by Fijian Holdings Limited in support of facilities amounting in aggregate to $12.995m held on account of Basic Industries Pte Limited.

v. Life Cinema Pte Limited – the bank overdraft facility and loan from ANZ Banking Group Limited is subject to interest at 4.65%, is repayable by monthly instalments of $51,071 (inclusive of interest) and is secured by:

- First Registered Mortgage Debenture over the company's assets and undertakings including its called and uncalled capital.
- Letter of Undertaking given by Fijian Holdings Limited for the entire indebtedness of FJD 6,250,000 to ANZ Banking Group Limited.

vi. Pacific Cement Pte Limited - the loan with ANZ Bank is secured by a first registered mortgage debenture, dated 30 June 2004, over all of Pacific Cement Pte Limited's assets and undertakings, stamped at $9.1 million. The loan is secured by a first registered mortgage over Customary/Native Lot 2 Lovu & Vatamai off Naikabula Road, Lautoka.

**26. BORROWINGS (continued)**

vii. FHL Properties Pte Limited - the loans with ANZ Bank are secured as follows:

- First registered mortgage debenture over the assets and undertakings of the Company;
- First registered mortgage over Certificate of Title number 19239 on property known as "Vanua House";
- First registered mortgage over Certificate of Title number 4098, being property known as "Ratu Sukuna House";
- First registered Mortgage over Certificate of Title No.12609, being property known as "Ra Marama House";
- First Registered Mortgage over Freehold, at the corner of Gordon and Gorrie streets, over Certificate of Title number 7767; and
- First Registered Mortgage over Freehold, off Momi Bay Road, over Certificate of Title number 23603.

The Company has entered into a loan agreement with ANZ Bank as follows for which no drawdowns were made during the current financial year:

- $63,891,000 to assist with funding the cost for the construction of a 17 storey modern commercial building (FHL Tower), at a variable interest rate of 5.15%. Interest is to be capitalized for the first 18 months from date of first drawdown. Thereafter, interest only payments for 18 months the principal and interest repayments of $559,230 to apply; and
- $2,000,000 business overdraft to assist with funding the VAT component of the FHL Tower project, at a variable interest rate of 6.05% and repayable at demand.

viii. Merchant Finance Pte Limited - the overdraft facility with ANZ Bank is secured by a registered equitable mortgage over all Merchant Finance Pte Limited's assets and uncalled capital.

ix. Serendib Investments Pte Limited – the overdraft facility and bank loan from HFC Bank are secured by:

- First registered mortgage debenture over all assets and undertakings of the company including uncalled and unpaid premiums
- Limited guarantee provided by Fijian Holdings Limited

The overdrafts bear interest rates of 4.40% per annum and the finance leases bear interest rates varying from 3.9% to 5% per annum.

Fixed term deposits and term borrowings are related to customer deposits with Merchant Finance Pte Limited and Fijian Holdings Unit Trust.

The Group did not have any defaults of principal or interest or other breaches with respect to its borrowings during the years ended 30 June 2020 and 2019.

**Relief assistance received by subsidiary company, South Sea Cruises Pte Limited, due to COVID 19**

On 22 April 2020, ANZ increased the subsidiary company's overdraft facility from $1,500,000 to $5,200,000 with monthly repayments of principal and interest on all borrowings (except repayment on insurance premium funding facility) temporarily ceased from 22 April 2020 to 22 October 2020 (temporary period). During the temporary period only interest will be charged and this will be capitalised into the loan balance. Interest has also been reduced during the temporary period from 5.15% per annum to 4.65% per annum for all borrowings with the exception of the insurance premium funding facility and bank overdraft.

*Loan covenant waiver*

The subsidiary company on 30 June 2020 obtained a temporary suspension from annual testing of loan covenants due to COVID 19 as at 30 June 2020. The next testing is to be conducted from 30 June 2021.

## 26. BORROWINGS (continued)

**Relief assistance received by subsidiary company, South Sea Cruises Pte Limited, due to COVID 19 (continued)**

*Repayments*

The following table provides repayment details before the temporary period and after the temporary period.

| Loan Details | Balance as at 30 June 2020 | Repayment before the temporary period | Repayment after the temporary period |
|---|---|---|---|
| Loan 1 | 2,817,046 | Principal and interest repayments of $305,394 (2019: $303,669) and interest of 5.15% (2019:4.40%) | Principal and interest repayments of $312,612 |
| Loan 2 | 3,897,030 | Principal and interest repayments of $86,122 (2019: $82,318) and interest of 5.15% (2019:4.40%) | Principal and interest repayments of $87,399 |
| Loan 3 | 4,132,864 | Principal and interest repayments of $91,333 (2019: $82,209) and interest of 5.15% (2019:4.40%) | Principal and interest repayments of $92,688 |
| Loan 4 | 3,111,134 | Principal and interest repayments of $49,295 (2019: $48,098) and interest of 5.15% (2019:4.40%) | Principal and interest repayments of $48,719 |
| Loan 5 | 3,382,681 | Principal and interest repayments of $54,432 from March 2020 and prior to that interest only repayments (2019: interest only repayments) and interest of 5.15% (2019:4.40%) | Principal and interest repayments of $54,881 |

## 26. BORROWINGS (continued)

**Reconciliation of movement of liabilities to cash flows from financing activities**

| | Term loan (secured) $'000 | Lease liabilities $'000 | Total $'000 |
|---|---|---|---|
| **Balance at 30 June 2018** | 76,139 | 16,248 | 92,387 |
| | | | |
| **Changes from financing cash flows** | | | |
| Proceeds from loans and borrowings | 8,943 | - | 8,943 |
| Repayment of borrowings | (5,053) | - | (5,053) |
| Payment of lease liabilities | - | (2,421) | (2,421) |
| Total changes from financing cash flows | 3,890 | (2,421) | 1,469 |
| | | | |
| **Other changes** | | | |
| **Liability-related** | | | |
| New lease liabilities | - | 4,039 | 4,039 |
| Interest expense | 3,860 | 1,226 | 5,086 |
| Interest paid | (3,860) | (1,226) | (5,086) |
| Total liability-related other changes | - | 4,039 | 4,039 |
| | | | |
| **Balance at 30 June 2019** | 80,029 | 17,866 | 97,895 |
| | | | |
| **Changes from financing cash flows** | | | |
| Proceeds from loans and borrowings | 40,215 | - | 40,215 |
| Repayment of borrowings | (22,942) | - | (22,942) |
| Payment of lease liabilities | - | (1,242) | (1,242) |
| Total changes from financing cash flows | 17,273 | (1,242) | 16,031 |
| | | | |
| **Other changes** | | | |
| **Liability-related** | | | |
| New lease liabilities | - | 1,286 | 1,286 |
| Remeasurements | - | 27 | 27 |
| Disposals | - | (107) | (107) |
| Rent concessions due to COVID19 | - | (1,186) | (1,186) |
| Interest expense | 5,559 | 1,136 | 6,695 |
| Interest paid | (5,559) | (1,136) | (6,695) |
| Total liability-related other changes | - | 20 | 20 |
| | | | |
| **Balance at 30 June 2020** | 97,302 | 16,644 | 113,946 |

## 27. SHARE CAPITAL

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| **Issued and fully paid** | | |
| Issued and paid up capital | 30,465 | 30,465 |
| | 30,465 | 30,465 |

Shares have no par value.

All ordinary shares rank equally with regard to the Company's residual assets.

## 28. RESERVES

**Fair value reserve**
Fair value reserve consists of subsequent changes in the fair value of investments in equity instruments that are not held for trading.

**Credit loss reserve**
The credit loss reserve related to Merchant Finance Pte Limited in accordance with the requirements of the Reserve Bank of Fiji.

The Credit Loss Reserve was initially established to comply with Reserve Bank of Fiji requirements of maintaining prudent levels for possible losses inherent in the loan portfolio which are not associated with any facility or amount. These were maintained for credit facilities outstanding which are not subject to individually assessed provision. Following the implementation of IFRS 9, management believe that such credit loss for non-specific losses is already covered as part of the ECL model, including management overlay component. Accordingly the credit loss reserve was derecognized during 2020, with a corresponding adjustment through other comprehensive income. The credit loss reserve had been established gross of tax, which following the transfer through OCI, has been brought to account by recognizing an appropriate deferred tax impact.

**Other equity reserve**
Other equity reserve relates principally to acquisition of minority interest shareholdings in Blue Lagoon Cruises Pte Limited and RB Patel Group Limited.

**Asset revaluation reserve**
The asset revaluation reserve consists of increments arising from the revaluation of the Group's property, plant and equipment.

**Foreign currency translation reserve**
The foreign currency translation reserve relates to foreign currency translation as at year end on consolidation of subsidiary companies operating in foreign jurisdictions whose financial statements and transactions are denominated in a currency other than the functional and presentation currency of the Group.

**Common control reserve**
The acquisition of FHL Media Pte Limited in 2013 was accounted for as a common control transaction as at the time of this transaction both FHL Media Pte Limited and the Company were controlled by the same shareholder group. As a common control transaction, the acquisition did not reflect the fair value of assets and liabilities acquired or recording of additional goodwill at the time of the acquisition of FHL Media Pte Limited. The acquisition balance sheet of FHL Media Pte Limited reflected the carrying values for assets and liabilities acquired from FHL Media Pte Limited's consolidated accounting records. The difference between the fair value of the consideration given and the carrying value of the assets and liabilities acquired was recognised as a common control reserve in the consolidated financial statements. Upon disposal of all interests in FHL Media Pte Limited by the Group, this reserve will be transferred to retained earnings.

## 28. RESERVES - continued

| | Asset Revaluation Reserve $'000 | Credit Loss Reserve $'000 | Common Control Reserve $'000 | Fair Value Reserve $'000 | Foreign Currency Translation Reserve $'000 | Other Equity Reserve $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|
| **Balance at 30 June 2018** | **6,392** | **2,425** | **9,926** | **15,489** | **(229)** | **(2,703)** | **31,300** |
| Foreign currency movement | - | - | - | - | (6) | - | (6) |
| Decrease in non-controlling interests | - | - | - | - | - | (62) | (62) |
| Fair value movements | 3,979 | - | - | 3,456 | - | - | 7,435 |
| **Balance at 30 June 2019** | **10,371** | **2,425** | **9,926** | **18,945** | **(235)** | **(2,765)** | **38,667** |
| Foreign currency movement | - | - | - | - | (1) | - | (1) |
| Decrease in non-controlling interests | - | - | - | - | - | (3,202) | (3,202) |
| Increase in non-controlling interests | - | - | - | - | - | 650 | 650 |
| Credit loss reserve derecognised | - | (2,425) | - | - | - | - | (2,425) |
| Fair value movements | (1,254) | - | - | (2,943) | - | - | (4,197) |
| **Balance at 30 June 2020** | **9,117** | **-** | **9,926** | **16,002** | **(236)** | **(5,317)** | **29,492** |

## 29. OPERATING LEASES

**Operating lease commitments**

The Group has a number of leases with less than 12 months of lease term for which no right of use assets and liabilities have been recognised. The future aggregated minimum lease payments under these leases are as follows:

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| Not later than 1 year | 70 | 100 |
| | 70 | 100 |

**Operating lease commitments – where a group company is the lessor**

The group leases certain properties at varying terms and conditions. The future minimum lease payments receivable under these leases are as follows:

| | | |
|---|---|---|
| Not later than 1 year | 6,375 | 5,959 |
| Later than 1 year but not later than 5 years | 8,581 | 10,728 |
| Later than 5 years | 1,870 | 2,799 |
| | 16,826 | 19,486 |

**Amounts recognised in profit or loss**

During 2020, investment property rentals of $6.824 million (2019: $6.764 million) were included in 'Operating revenue'. Direct operating expenses (including repairs and maintenance), were as follows:

| | | |
|---|---|---|
| Income-generating property | 890 | 806 |
| Vacant property | - | - |
| | 890 | 806 |

## 30. EARNINGS PER SHARE

The calculation of earnings per share at 30 June 2020 was based on the profit attributable to ordinary shareholders of $8.922 million (2019: $27.661 million) and a weighted average number of ordinary shares outstanding of 304.647 million (2019: 304.647 million), calculated as follows:

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| Profit after income tax attributable to members of the Company | 8,922 | 27,661 |
| Weighted average number of shares outstanding ('000) | 304,647 | 304,647 |
| Basic and diluted earnings per share | $0.03 | $0.09 |

## 31. CONTINGENT LIABILITIES

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| Non-performance guarantees given by the bank on behalf of subsidiary companies | 2,187 | 3,805 |
| Non-performance guarantees given by the bank on behalf of the Company | 312 | 270 |

In the opinion of the directors, no loss is anticipated in respect of the above contingent liabilities.

The Company has provided a letter of support to its subsidiary, South Sea Cruises Pte Limited undertaking that in the next 12 months it will provide sufficient financial assistance as and when it is needed to enable the subsidiary to continue operations and meet its financial obligations.

One of the Group's subsidiaries, South Sea Cruises Pte Limited, is currently a second defendant in a case involving the Land Tenure of Malamala Island. The matter was struck out by the High Court on 18 November 2016 against the first defendant. The Plaintiff filed an appeal on 23 January 2017 against this decision which was successful. The Company has since appointed a new legal representative who has to this point successfully had dates for a hearing in August 2020 vacated and is currently requesting further particulars from the Plaintiff in order to strengthen the Company's defence. It is uncertain at this stage the potential liability that may arise, if any.

## 32. CAPITAL COMMITMENTS

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| Commitments for capital expenditure not provided for in the financial statements are as follows: | | |
| Approved and contracted | 8,247 | 12,826 |

Commitments in respect of loans and approved credit commitments offered but not yet advanced as at balance date amounted to approximately $3.650 million (2019: $5.270 million).

## 33. RELATED PARTY INFORMATION

**Directors**

The following were directors of the Company at any time during the financial year:

Adrian Sofield – Chairman – Resigned 4 January 2020
Yogesh Karan – Acting Chairman – Appointed 8 January 2020
Sakiusa Raivoce
Aisea Waka Vosailagi – Resigned 4 January 2020
Anthony Whitton
Sanjit Patel – Resigned 4 January 2020
Litiana Loabuka
Kalpana Lal
Mereia Volavola – Appointed 15 August 2020
Savendra Dayal – Appointed 15 August 2020
Eseta Nadakuitavuki – Appointed 15 August 2020

Amounts paid to the directors during the year are disclosed in Note 5(b).

## 33. RELATED PARTY INFORMATION (continued)

**Identity of related parties**

All material ownership interests in related parties are disclosed in Note 20. The Group also has related party transactions within the Group which are eliminated upon consolidation.

**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 year the following persons were the executives identified as key management personnel, with the greatest authority and responsibility for planning, directing and controlling the activities of the Group:

| Name | Title |
|---|---|
| **Fijian Holdings Limited** | |
| Nouzab Fareed | Chief Executive Officer (resigned 20/12/2019) |
| Abilash Ram | Acting Chief Executive Officer (appointed 23/12/2019), Chief Financial Officer |
| Saleshni Warran | Manager Audit, Risk and Compliance |
| Mereti Cokanasiga | Manager Human Resources (resigned 31/12/2019) |
| Lui Lanyon | Assistant Manager Human Resources (appointed 01/01/2020) |
| Sitiveni Koya | Company Secretary |
| Asish Kumar | Manager IT |
| **Fiji Television Limited** | |
| Karen Lobendahn | Chief Executive Officer |
| **South Sea Cruises Pte Limited** | |
| Brad Rutherford | Chief Executive Officer |
| **Basic Industries Pte Limited** | |
| Mosese Volavola | Chief Executive Officer |
| **Pacific Cement Pte Limited** | |
| Sowani Tuidrola | Chief Executive Officer |
| **Merchant Finance Pte Limited** | |
| Rowena Fong | Chief Executive Officer |
| **RB Patel Group Limited** | |
| Deepak Rathod | Chief Operating Officer |
| **Serendib Investment Pte Limited** | |
| Pradeep Mendis | Manager Operations |

The aggregate compensation of key management personnel of the Group comprising only short-term benefits amounted to $2.438 million (2019: $2.610 million).

## 34. 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 or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

The following summary describes the operations of each reportable segment.

| Reportable segments | Operations |
|---|---|
| Construction | Sales of cement, concrete and concrete products |
| Property | Owners and administrators of properties, and rental of property |
| Finance | Asset and loan financing, and acceptance of term deposits |
| Tourism | Provision of sea transportation services and boat charters |
| Media | Television and communications |
| Retail | Retailing and wholesaling of general merchandise |
| Investment | Equity investments |

## 34. SEGMENT INFORMATION - continued
**Primary Reporting - Business Segments**

**2020**

| | Construction $000 | Property $000 | Finance $000 | Tourism $000 | Media $000 | Retail $000 | Investment $000 | Other $000 | Inter Segment $000 | TOTAL GROUP $000 |
|---|---|---|---|---|---|---|---|---|---|---|
| **External Operating Revenue** | | | | | | | | | | |
| Sale of goods | 86,530 | - | - | - | - | 135,771 | - | - | (15,672) | 206,629 |
| Rendering of services | - | - | - | 37,687 | 12,467 | - | - | 4,092 | (4,980) | 49,266 |
| **Revenue from contracts with customers** | 86,530 | - | - | 37,687 | 12,467 | 135,771 | - | 4,092 | (20,652) | 255,895 |
| Rental and property management | - | 4,229 | | - | - | 3,682 | - | - | (921) | 6,990 |
| Interest income | - | - | 24,543 | - | - | - | - | - | - | 24,543 |
| Fee income | - | - | 672 | - | - | - | - | - | - | 672 |
| Interest expense | - | - | (8,612) | - | - | - | - | - | 171 | (8,441) |
| Other | - | - | - | - | - | - | 20,354 | 11,026 | (20,855) | 10,525 |
| **Total operating revenue/ net interest income** | | | | | | | | | | 290,184 |
| **Result** | | | | | | | | | | |
| Profit/(loss) before income tax | (10,293) | 3,035 | 2,619 | 3,214 | (341) | 10,728 | 15,050 | 5,456 | (18,361) | 11,107 |
| Income tax (expense)/benefit | 1,175 | 47 | 20 | (524) | (78) | (1,048) | (170) | (768) | - | (1,346) |
| Other material non-cash items: | | | | | | | | | | |
| – Impairment losses on non-financial assets | - | - | - | - | (525) | - | - | - | - | (525) |
| **Depreciation and amortisation expense** | (4,538) | (141) | (871) | (7,468) | (2,305) | (2,437) | (304) | (1,144) | 2,462 | (16,746) |
| **Acquisition of property, plant and equipment** | 2,798 | 118 | 361 | 3,291 | 19 | 1,163 | 619 | 2,866 | 1,373 | 12,608 |
| **Total assets** | 76,025 | 67,013 | 207,224 | 83,328 | 60,440 | 94,698 | 426,991 | 158,342 | (515,331) | 658,730 |
| **Total liabilities** | 47,290 | 28,580 | 172,230 | 56,977 | 12,868 | 43,549 | 61,030 | 13,759 | (75,309) | 360,974 |

**34. SEGMENT INFORMATION - continued**
**Primary Reporting - Business Segments**

**2019**

| | Construction $000 | Property $000 | Finance $000 | Tourism $000 | Media $000 | Retail $000 | Investment $000 | Other $000 | Inter Segment $000 | TOTAL GROUP $000 |
|---|---|---|---|---|---|---|---|---|---|---|
| **External Operating Revenue** | | | | | | | | | | |
| Sale of goods | 103,540 | - | - | - | - | 131,718 | - | - | (12,806) | 222,452 |
| Rendering of services | - | - | - | 53,753 | 16,601 | - | - | 984 | (3,285) | 68,053 |
| **Revenue from contracts with customers** | 103,540 | - | - | 53,753 | 16,601 | 131,718 | - | 984 | (16,091) | 290,505 |
| Rental and property management | - | 4,206 | - | - | - | 3,516 | - | - | (958) | 6,764 |
| Interest income | - | - | 23,651 | - | - | - | - | - | - | 23,651 |
| Fee income | - | - | 452 | - | - | - | - | - | - | 452 |
| Interest expense | - | - | (6,138) | - | - | - | - | - | 46 | (6,092) |
| Other | - | - | - | - | - | - | 30,664 | 10,451 | (30,811) | 10,304 |
| **Total operating revenue/ net interest income** | | | | | | | | | | 325,584 |
| **Result** | | | | | | | | | | |
| Profit before income tax | 7,357 | 5,219 | 9,784 | 8,513 | 1,514 | 11,196 | 25,463 | 4,481 | (28,086) | 45,441 |
| Income tax expense | (2,273) | (1,047) | (1,930) | (1,842) | (209) | (1,116) | (79) | (259) | - | (8,755) |
| Other material non-cash items: | | | | | | | | | | |
| – Impairment losses on non-financial assets | - | - | - | - | - | - | - | - | - | - |
| **Depreciation and amortisation expense** | (4,789) | (81) | (896) | (7,344) | (2,003) | (1,898) | (223) | (792) | 2,359 | (15,667) |
| **Acquisition of property, plant and equipment** | 5,604 | 83 | 1,388 | 2,558 | 489 | 1,280 | 30 | 6,851 | 7,123 | 25,406 |
| **Total assets** | 79,931 | 52,388 | 195,819 | 91,045 | 59,053 | 88,646 | 406,516 | 131,340 | (463,778) | 640,960 |
| **Total liabilities** | 39,077 | 17,036 | 158,713 | 64,496 | 15,072 | 41,178 | 48,344 | 9,797 | (62,736) | 330,977 |

The Group operates in Fiji and in PNG with the PNG operations not being material and therefore do not require separate segment disclosures. The fee income above relates to financial assets not measured at FVTPL. These figures exclude amounts incorporated in determining the effective interest rate on such financial assets.

## 35. EVENTS SUBSEQUENT TO BALANCE DATE

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in subsequent financial years.

## SOUTH PACIFIC STOCK EXCHANGE LISTING REQUIREMENTS

Listing requirements of the South Pacific Stock Exchange (not included elsewhere in these financial statements)

a) Statement of interest of each Director in the share capital of the Company or in a related Corporation as at 30 June 2020 included

| | Beneficially | | Non-beneficially | |
|---|---|---|---|---|
| | Additions | Holding | Additions | Holding |
| Sakiusa Raivoce | - | 1,313,739 | - | - |
| Aisea Waka Vosailagi | - | - | - | 12,641 |

b) Distribution of Shareholding

| | No. of shareholders | Shareholding | Total percentage holding |
|---|---|---|---|
| | 136 | 0 - 500 shares | 0.01 |
| | 545 | 501 - 5,000 shares | 0.47 |
| | 320 | 5,001 - 10,000 shares | 0.78 |
| | 210 | 10,001 - 20,000 shares | 0.96 |
| | 86 | 20,001 - 30,000 shares | 0.69 |
| | 52 | 30,001 - 40,000 shares | 0.59 |
| | 37 | 40,001 - 50,000 shares | 0.55 |
| | 71 | 50,001 - 100,000 shares | 1.63 |
| | 128 | 100,001 - 1,000,000 shares | 14.29 |
| | 19 | Over 1,000,000 shares | 80.02 |
| **Total** | **1,604** | | **100.00%** |

c) Top 20 shareholders

| | Name | No. of shares |
|---|---|---|
| 1 | iTaukei Affairs Board | 107,800,400 |
| 2 | iTaukei Trust Fund Board | 100,000,000 |
| 3 | iTaukei Land Trust Board | 8,846,660 |
| 4 | Cakaudrove Provincial Holdings Company Limited | 3,001,521 |
| 5 | Ratu Sir K Mara Education Trust Fund | 3,000,000 |
| | Cicia Plantation Co-Operative Society Ltd | 3,000,000 |
| 6 | Tailevu Dairy Farmers | 2,200,000 |
| 7 | Macuata Provincial Council | 2,109,940 |
| 8 | Vanua Ko Lovoni Investment | 1,798,050 |
| 9 | Bua Provincial Council | 1,623,570 |
| 10 | Duavata Holdings Ltd | 1,410,000 |
| 11 | Sakiusa & Anaseini Raivoce | 1,313,739 |
| 12 | Eta & Radike Qereqeretabua | 1,196,201 |
| 13 | Serua Provincial Council | 1,166,860 |
| 14 | iTaukei Land Trust Board ATF Mataqali Serau, Nabiti, Dreketi, Macuata | 1,165,700 |
| 15 | Mualevu Koro Investment Ltd | 1,087,540 |
| 16 | Kadavu Provincial Council | 1,033,249 |
| 17 | Lomati Village Investment | 1,023,019 |
| 18 | Moala Tikina Council | 1,010,050 |
| 19 | Dogotuki Tikina Council | 1,000,000 |
| | Mavana Investment Ltd | 1,000,000 |
| | Nabukebuke Holdings Ltd | 1,000,000 |
| | Naqarani Holdings Ltd | 1,000,000 |
| 20 | Munia Holdings Ltd | 992,622 |

**SOUTH PACIFIC STOCK EXCHANGE LISTING REQUIREMENTS – Continued**

c) Share price details:
Highest share price during the year was $1.93
Lowest share price during the year was $1.12
Share price at year end was $1.19

d) Attendance at Board Meetings:

| Name | No of meeting | No attended |
|---|---|---|
| Adrian Sofield (resigned 4 January 2020) | 5 | 3 |
| Yogesh Karan | 5 | 4 |
| Sakiusa Raivoce | 5 | 5 |
| Ratu Aisea Waka Vosailagi (resigned 4 January 2020) | 5 | 1 |
| Litiana Loabuka | 5 | 4 |
| Kalpana Lal | 5 | 5 |
| Anthony Whitton | 5 | 4 |
| Sanjit Patel (resigned 4 January 2020) | 5 | 3 |

e) Share register
Central Share Registry Pte Limited
Shop 1 and 11, Sabrina Building
Victoria Parade
Suva

Company Secretary – Sitiveni Koya

## SOUTH PACIFIC STOCK EXCHANGE LISTING REQUIREMENTS - Continued

g) Disclosure under Section 51.2

| | FHL Fund Management Limited $'000 | South Sea Cruises Pte Limited $'000 | FHL Properties Pte Limited $'000 | FHL Stock-brokers Pte Limited $'000 | FHL Retailing Pte Limited $'000 | Basic Industries Pte Limited $'000 | Pacific Cement Pte Limited $'000 | Serendib Investment Pte Limited $'000 | FHL Logistics Pte Limited $'000 | Merchant Finance Pte Limited $'000 | FHL Media Pte Limited $'000 | Basic Holdings Pte Limited $'000 | Awesome Tourism Pte Limited $'000 | Pacific Property Holding Pte Limited $'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Turnover | 2,541 | 37,687 | 4,229 | 254 | 147,684 | 56,908 | 27,017 | 1,487 | - | 16,602 | 12,467 | - | - | - |
| Other income | 12 | 55 | 1,404 | 11 | 153 | 637 | - | 5 | - | (32) | 471 | 2,604 | - | - |
| | 2,553 | 37,742 | 5,633 | 265 | 147,837 | 57,545 | 27,017 | 1,492 | - | 16,570 | 12,938 | 2,604 | - | - |
| Depreciation | (235) | (7,468) | (141) | (2) | (2,438) | (3,681) | (858) | (408) | - | (871) | (2,305) | - | - | - |
| Interest income/(expense) | 41 | (1,761) | (210) | 35 | (792) | (295) | (552) | (241) | - | (71) | (209) | - | - | - |
| Other expenses | (1,268) | (25,299) | (2,247) | (111) | (129,852) | (59,411) | (30,058) | (3,280) | - | (13,009) | (10,765) | (19) | - | - |
| Income tax expense | (217) | (524) | 47 | (38) | (1,245) | 1,024 | 151 | 40 | - | 20 | (77) | (355) | - | - |
| | | | | | | | | | | | | | - | - |
| Profit/(loss) after tax | 874 | 2,690 | 3,082 | 149 | 13,510 | (4,818) | (4,300) | (2,397) | - | 2,639 | (418) | 2,230 | - | - |
| Assets | 2,866 | 96,006 | 66,960 | 1,119 | 222,169 | 53,805 | 20,257 | 10,095 | 1 | 206,916 | 60,544 | 2,488 | 909 | 200 |
| Liabilities | 786 | 57,208 | 28,526 | 301 | 46,400 | 32,812 | 12,514 | 6,790 | 918 | 171,922 | 12,963 | 258 | 909 | 200 |
| Shareholders equity | 2,080 | 38,798 | 38,434 | 818 | 175,769 | 20,993 | 7,743 | 3,305 | (917) | 34,994 | 47,581 | 2,230 | - | - |

## SOUTH PACIFIC STOCK EXCHANGE LISTING REQUIREMENTS - Continued

h) 5 Year Comparative

| **Year** | **2016** | **2017** | **2018** | **2019** | **2020** |
|---|---|---|---|---|---|
| Dividend payment ($m) | 7.01 | 7.34 | 7.43 | 7.46 | 7.53 |
| Return on investment (%) | 11% | 12% | 12% | 12% | 3% |
| Earnings per share (¢) | 5 | 7 | 8 | 9 | 3 |
| | | | | | |
| Group total assets ($m) | 491.29 | 525.06 | 572.25 | 640.96 | 658.73 |
| Group shareholders fund ($m) | 230.54 | 250.37 | 277.98 | 309.98 | 297.76 |
| | | | | | |
| Group operating revenue ($m) | 293.55 | 297.35 | 306.91 | 325.58 | 290.18 |
| Company operating revenue ($m) | 26.08 | 26.90 | 27.90 | 30.66 | 20.35 |
| | | | | | |
| Group profit before tax ($m) | 34.81 | 37.22 | 42.99 | 45.44 | 11.11 |
| Company profit before tax ($m) | 20.44 | 22.38 | 23.39 | 25.46 | 14.99 |