MERCHANT FINANCE

2019 ANNUAL REPORT

Cultivating growth through partnerships

MERCHANT FINANCE

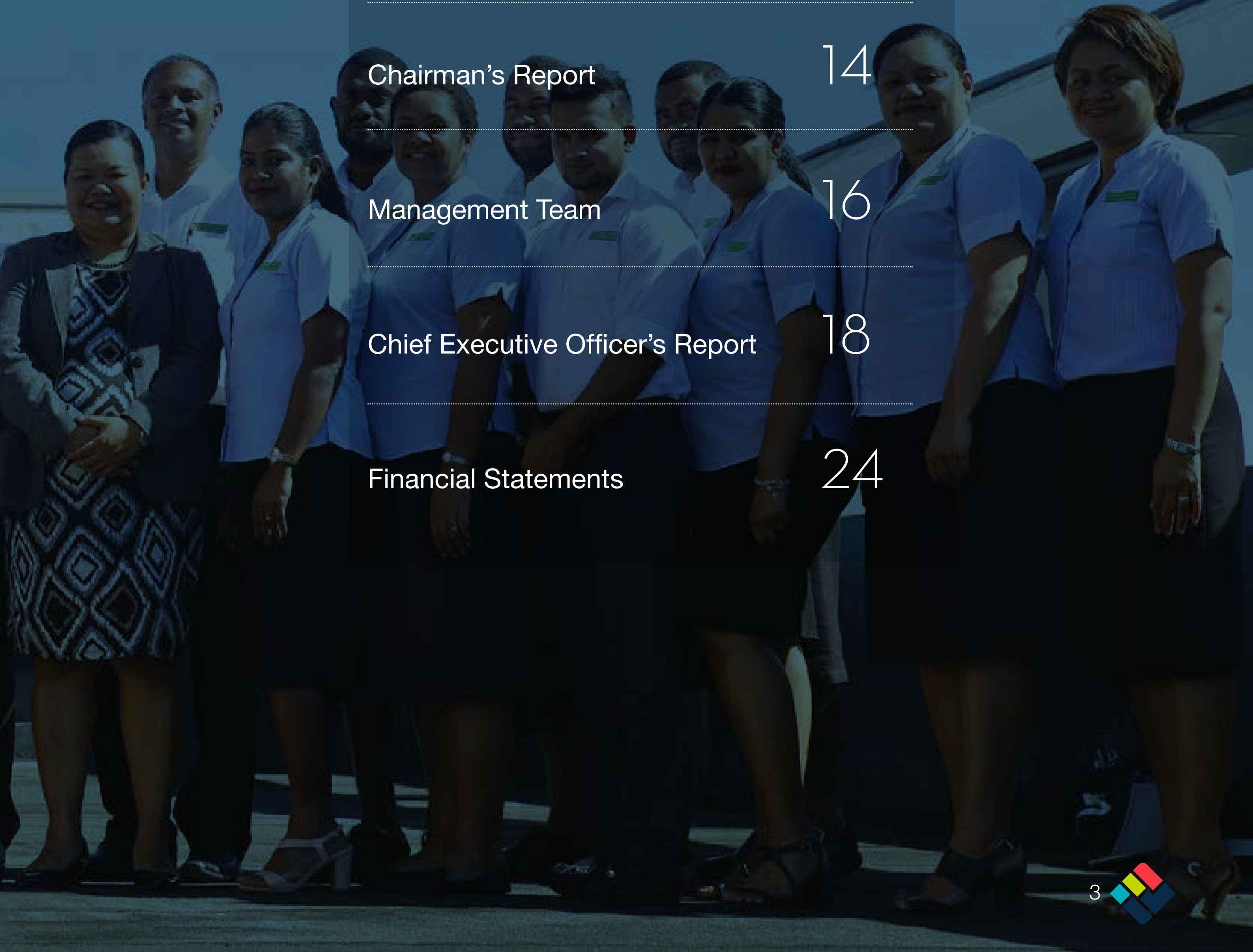
OUR VISION

To be the preferred provider of financial services in the South Pacific

OUR MISSION

We provide innovative financial solutions in ways that: Exceed Customers’ Expectations, Safeguard Depositors’ Fund and Maintain our Corporate Social Responsibilities, while preserving the loyalty of our people and maximising shareholders value.

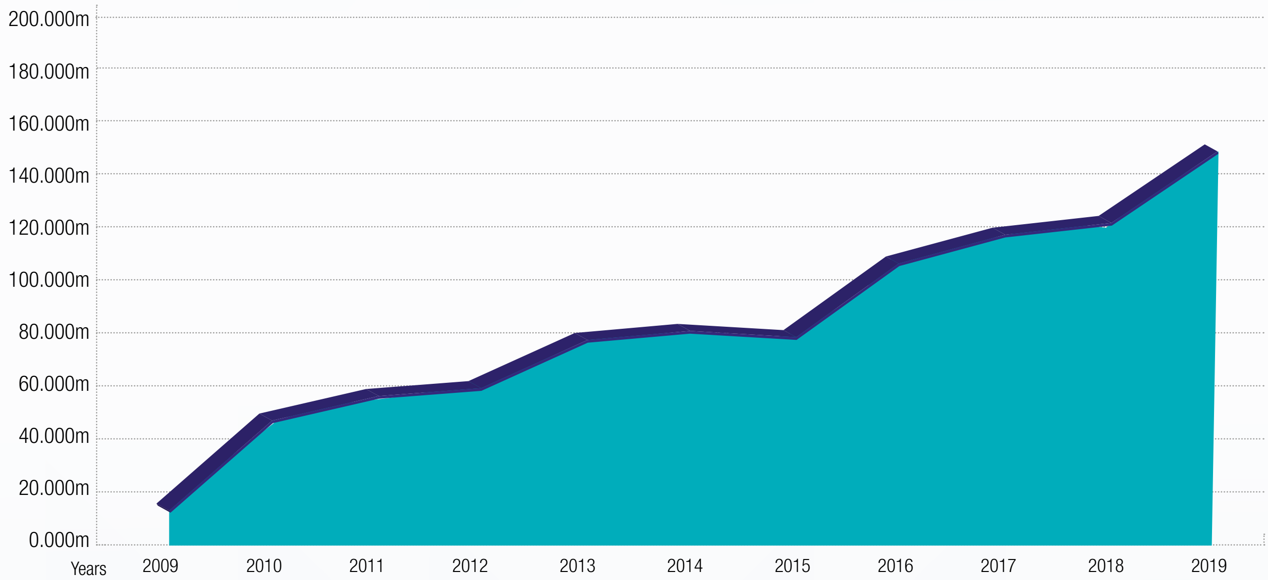
CONTENT



FINANCIAL HIGHLIGHTS

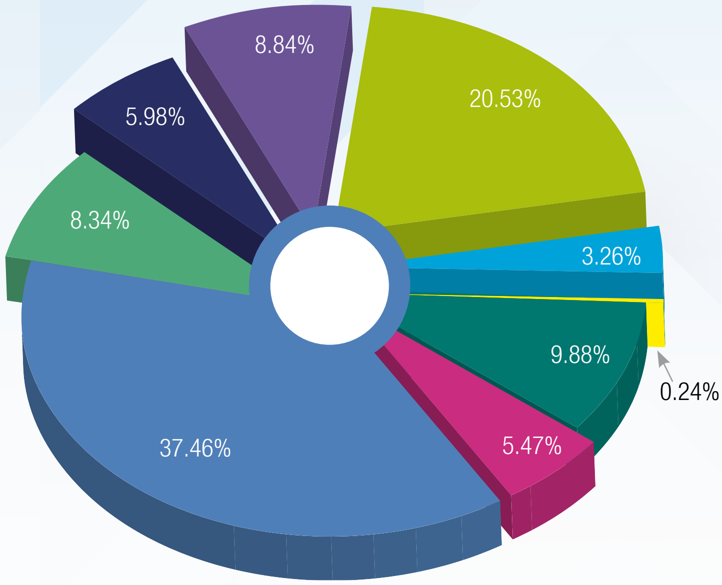
Net Profit After Tax

External Borrowings



Total Loans

FINANCIAL HIGHLIGHTS

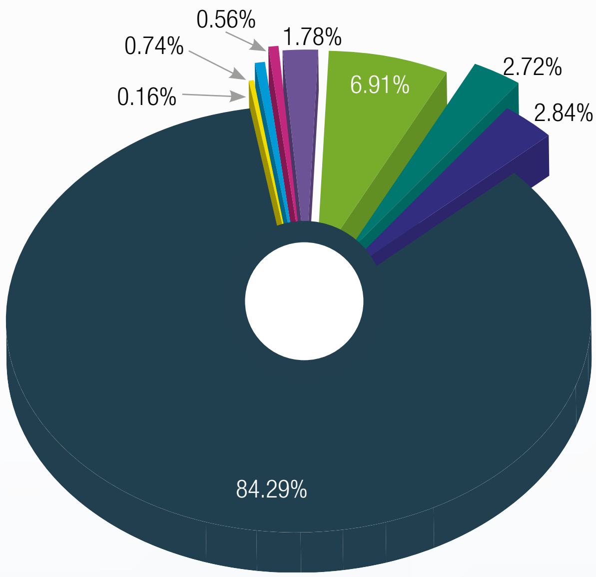


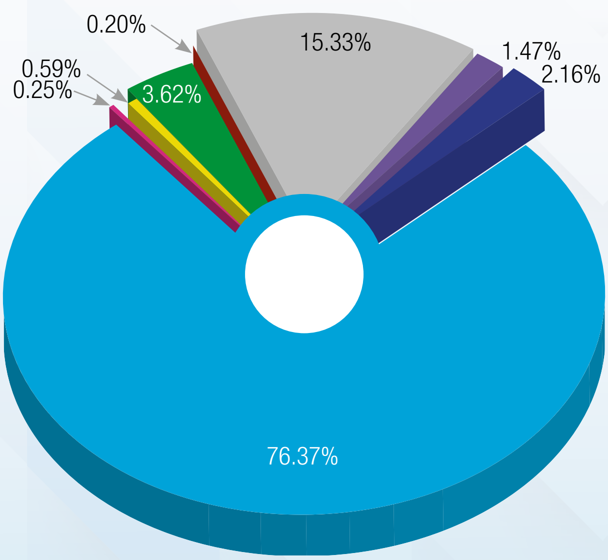
Credit Risk Concentration

- Agriculture
- Building and construction
- Manufacturing
- Mining and quarrying
- Private individuals
- Professional and business services
- Transport, communication and storage
- Wholesale, retail, hotel and restaurants
- Others

Asset Composition

- Cash and cash equivalents
- Investment property
- Debt securities
- Net Loan and advances to customers
- Other assets
- Deferred tax asset
- Right of use assets
- Property, plant and equipment





Funding Composition

- Share captial
- Credit loss reserve
- Retained earnings
- Deposits from customers
- Current Tax Liability
- Lease liability
- Other liabilities
- Employee entitlements

CORPORATE GOVERNANCE

Merchant Finance Pte Limited (MFL) operates as a Credit Institution licensed by the Reserve Bank of Fiji. As a licensed Credit Institution, we are guided by the RBF Corporate Governance Supervision Policy for Licensed Financial Institutions, the Companies Act and Banking Act. The only fully locally owned Credit Institution in Fiji, we are committed to delivering the best practice in corporate governance, transparency in reporting and maintaining a high level of compliance.

The Structure
The MFL Board is responsible for the overall Corporate Governance of the Company and, to its shareholders for the strategic guidance and oversight of the Company as set out in the Board Charter. These are outlined in the Board Charter as listed below:
- To have clear understanding of their role in corporate governance and able to exercise sound judgment about the operations of MFL;
- Approve and oversee MFL's strategic objectives and corporate values;
- Set and enforce clear lines of responsibilities and accountability;
- Ensure that there is appropriate oversight by Management;
- Ensure that Management effectively utilizes the work conducted by the internal and external audit functions;
- Ensure that MFL is governed in a transparent manner;
- Understand MFL's operational structure and authorities that foster transparency and good governance;

Delegation of Authority
Through the above, the Board also delegates its duties to six Subcommittees to help carry out its core functions.

The Board Committees are as follows:
1. Audit, Risk & Governance Subcommittee
2. Credit Subcommittee
3. Asset, Liability Subcommittee
4. Human Resources Subcommittee
5. Asset Management Subcommittee
6. Information Technology Subcommittee

Each of the Committees are governed by its Charter approved by the MFL Board which dictates the Committees mission, authority levels and responsibilities. The Committees are responsible for the oversight of key functions and projects of MFL. Quaterly updates are provided to the Board.

The Board has delegated the responsibility of operating and administering to the Chief Executive Officer (CEO), who is accountable to the Board for the operations and performance of the company. The Executive Management team directly reports to the CEO. Each Manager is responsible for the running of their respective departments or branches as they deal with various stakeholders on a daily basis. For all regulatory and statutory dealings, these are all taken by the Head Office team. In ensuring community involvement, Management is also responsible for organizing corporate sponsorship and social responsibility activities under the guidance of the CEO.

Constitute an Effective Board
The RBF Corporate Governance Supervision Policy outlines the number of Directors to a minimum of five Directors at all times and the MFL Board currently comprises of five Directors.

As outlined in the RBF Corporate Governance Supervision Policy, the Board should at least have two independent Directors; with one must be a local with relevant experience in banking and finance. The Directors are appointed by the FHL Board Nomination and Remuneration Committee. Each Director is appointed on the basis of their professional qualification, business experience and relevant expertise of which they are further assessed on the RBF Fit & Proper Policy.

As part of their duties, each Director is to avoid any action, position or interest that conflicts or appears to conflict with the interests of MFL. Every year the Directors are to declare any conflict of Interest which is noted on the Resigter of Interest and during meetings, it is recorded by the Company Secretary.

The Directors of MFL Board as at the date of this report are as follows:

Name	Appointment Date	Type	Representing
Sanjit Patel	13/02/2017	Chairman	FHL Nomination
Nouzab Fareed	19/05/2010	Deputy Chairman	FHL Nomination
Sereana Matakibau	13/03/2019	Director	Independent
Arun Narsey	19/10/2015	Director	Independent
Sunil Sharma	13/02/2017	Director	Independent

Performance Review, Training and Advice
Board induction is a formal process whereby the CEO presents a comprehensive corporate profile of the organization to the incoming Director. The induction is compulsory for all new directors.

On an annual basis, each Director performance is assessed individually by the Chairman. MFL Chairman is assessed by the People and Nomination Committee of Fijian Holdings Limited.

In the term of their tenure, the Board, a Director or a Committee may engage an independent external adviser in relation to any Board matter at the expense of the Company.

Meetings

The Board met six times during the financial year ended 30th June 2019. Attendance was as follows:

Director	Number of Meetings Entitled to Attend	Number of Meetings Attended	Apologies Received
Sanjit Patel	6	6	0
Nouzab Fareed	6	6	0
Arun Narsey	6	6	0
Sunil Sharma	6	6	0
Mereoni Matavou	5	2	3
Sereana Matakibau	1	1	0

Internal Control

The Board's responsibility for internal control is regulated in the Board Charter and in the Code of Conduct which contains requirements for annual external communication of information on how internal control related to financial reporting is organized. MFL's internal controls are designed to provide reasonable assurance that the Company's assets are protected, and that the financial reporting is reliable in accordance with generally accepted accounting principles, laws, and ordinances. The Board of Directors and CEO have overall responsibility for internal control in relation to financial reporting. The Board has adopted written rules of procedure that, among other things, establishes procedures for the Board's work and for its control of the management of Company affairs, and that defines the distribution of tasks and responsibilities between the Board and the CEO, and between the Board and its committees.

Audit and Reporting

The Board Audit, Risk and Governance Subcommittee comprises of three Independent Directors. The Committee meets on a quarterly basis and their role is to assist the Board in independently verifying and safeguarding the integrity of the Company's financial reporting and internal control processes in the Company. The Committee's primary roles are to:

- Ensure Company external reporting is compliant;
- Ensure an appropriate set of corporate governance principles applicable to the Company are developed, and principles reviewed on a regular basis;
- Review the internal control processes;
- Ensure Company is compliant with regulatory requirements implemented via government legislations and the Reserve Bank of Fiji.

Risk Management

The Company does not have a separate risk management Committee as it is looked after by the Audit, Risk and Governance Subcommittee. Annually, the Risk and Compliance department conduct continuous assessment on material business and operational risks and report it to the Board. Management in consultation with the Audit, Risk and Governance Subcommittee ensures that proper controls and procedures are in place to administer these risks.

Register of Interest

A register of interest is maintained by the Company in line with the Code of Conduct.

Communication and Public Disclosures

Merchant Finance ensures that information is disseminated promptly, credibly, and in compliance with legal and regulatory requirements, including the RBF's Fair Reporting of Credit Act 2016 and the Fair Reporting of Credit Regulations 2016.

Merchant Finance strives to ensure that, through fair and transparent manner we release information which will help our stakeholders. We believe that a good disclosure will help develop and maintain realistic investor expectations by making all required disclosures on a broadly disseminated basis, without being unduly optimistic or pessimistic on the company's prospects.

External Stakeholders

The Company Corporate Social Responsibility is an important part of MFL's cultural identity, customer relationship and strategic direction. The Company and staff are proud of its community service program that is effectively involved in giving back to the community. The program enables MFL employees to continue to give their time and resources to the community. MFL is committed to carrying out its statutory and administrative responsibilities in a way that delivers benefits for all stakeholders, including employees, the environment and the community around us.

The Company places a strong emphasis on working responsibly. As a private institution, we understand that our work has an impact on the environment, the communities in which we operate and our stakeholders. We believe in carrying out our duties in a socially responsible way.

Conclusion

Our corporate governance framework ensures effective engagement with our stakeholders and helps us evolve with changing times. The Company will ensure that its Policy is up to date with the latest changes in the corporate world. The Board will ensure right mechanisms are implemented and continue to provide oversight in the review of it's Corporate Governance Policy. The Corporate Governance policy (last approved in November, 2017) is currently being reviewed to ensure the requirements outlined in "*RBF's Prudential Supervision Policy Statement No. 1: Minimum Requirements for Corporate Governance of Licensed Entities*" are incorporated by MFL.

SUBCOMMITTEE REPORTS

Audit, Risk & Governance Subcommittee

The Audit, Risk and Governance (ARG) Subcommittee is responsible for providing a structured, systematic & disciplined approach and oversight of the Company's governance, risk management and internal control practices. It currently consists of a total of five members and Chaired by an Independent Director. The Chief Executive Officer and Management team also attend meetings to ensure that proper controls and appropriate risk management are implemented and maintained by the Company.

The ARG's objective is to assist the MFL Board in liaising with the auditor and overseeing the external audit function and promoting the transparency and accountability of MFL's financial management systems and reporting. The committee has formal rules governing the services provided by the external auditors in terms of systems and processes. The main purpose of the ARG committee is to ensure the integrity of the financial statements and, to oversee the effectiveness of the internal financial controls and the external and internal audit functions.

The effectiveness of the Committee is reviewed as part of the annual Board review process facilitated by MFL. Committee meetings are scheduled once every quarter; however, if required frequent meetings may be called. The timing of Committee meetings is arranged to accommodate the release of financial information, the approval of the external and internal audit plans and the review of the outputs of those plans. Various in-house, internal, external and investigation audit reports were presented to the committee, deliberated and course of action recommended and implemented during the financial year.

The ARG has an independent role with accountability to both the Board and our shareholders. The Committee is, inter alia, responsible for assisting the Board in discharging its duties in respect of the safeguarding of assets, accounting systems and practices, internal control processes and the preparation of MFL's Annual Financial Statements in line with the relevant financial reporting standards as applicable from time to time.

A number of internal policies were reviewed during the year and were recommended for Board approval. The Committee is committed to upholding governance best practices, regulatory compliance and maintaining risk at acceptable levels.

The Committee members during the financial year were:

Members	Capacity	Status	No. of Meetings Held	No. Of Meetings Attended
Sunil Sharma	Chairperson	Current	6	6
Nouzab Fareed	Member	Current	6	6
Abilash Ram	Member	Current	6	6
Shanil Patel	Member	Appointed 13/03/19	2	1
Hilda Vukikomoala	Member	Appointed 13/03/19	2	2
Amrish Lal	Member	Resigned 13/03/19	4	2
Tarlochan Singh	Member	Resigned 13/03/19	4	3

Meeting with Reserve Bank Governor

Credit Subcommittee

The Credit Subcommittee is responsible for overseeing the assessment of credit standing and repayment ability of prospective borrowers of Merchant Finance. In addition, they supervise and review the Credit Policy and the implementation of its practices. They review loan proposals above Management delegated limits, provide oversight to loans approved by Management and the Management Committee including all decisions relating to non-performing loans and provisioning.

The Committee members during the financial year were:

Name	Capacity	Status	No. Of Meetings Entitled To Attend	No. Of Meeting Attended
Arun Narsey	Chairman	Current	9	9
Abilash Ram	Member	Current	9	8
Ashmin Haroon	Member	Current	9	7
Gurmindar Singh	Member	Appointed (25/03/19)	4	4
Roveen Permal	Member	Appointed (25/03/19)	4	1
Shaleshma Singh	Member	Resigned (25/03/19)	5	4
Prasanna Samarakoon	Member	Resigned (25/03/19)	5	1

In the course of the year, the Committee was also influential in implementing recommendations from the RBF Onsite Examination reports for the Company's Credit functions.

In addition, the Committee reviewed the MFL overall credit risk exposure in order to have it maintained within its acceptable levels. Meetings of the Credit Subcommittee are quarterly however this has been amended to monthly or such other frequency as necessary.

Sports Day

Asset & Liability (ALR) Subcommittee

The Asset & Liability Subcommittee (ALR) is responsible for overseeing the Company's financial management of assets and liabilities to achieve sustainable profit, business growth and maximize shareholders value. This includes the addressing and consideration of issues in liquidity, balance sheet mismatch, market competition, term deposit, investment, interest spread, cash flow and other risks.

The Committee members during the financial year were:

Name	Capacity	Status	No. Of Meetings Entitled To Attend	No. Of Meeting Attended
Murgessan Pillay	Chairman	Current	7	6
Kavin Rathod	Member	Current	7	7
Hasthika Dela	Member	Appointed (13/03/19)	2	1
Sujeet Chand	Member	Appointed (13/03/19)	2	1
Esther Raikoti	Member	Appointed (13/03/19)	2	2
Shanil Patel	Member	Resigned (13/03/19)	5	5
Avish Bahadur	Member	Resigned (13/03/19)	5	5

During the year the Committee regularly reviewed the term deposit and loan portfolios and discussed innovative strategies to build on the current portfolios to manage the liquidity risks of the company, taking into account the increased levels of competition in the market and the volatility of interest rates.

The Committee reviewed the annual budget and monthly financial performance of the Company throughout the year, identifying and recommending areas of improvement and strengths that the company would implement with regards to improving future financial performance and assessing performance to the budget.

Sabeto Horse Race

Asset Management (AMU) Subcommittee

The AMU Subcommittee is responsible for formulating and monitoring of Asset Management and strategy, providing oversight on accounts over 90+ days in arrears, endorsement of write-offs, review of loss recovery accounts and the Asset Management Policy.

During the financial year, the committee members were:

Name	Capacity	Status	No. Of Meetings Entitled To Attend	No. Of Meeting Attended
Gurmindar Singh	Chairperson	Appointed (01/10/17)	4	3
Shaleshma Singh	Member	Appointed (13/03/19)	1	1
Ashika Mani	Member	Appointed 13/03/19)	1	1
Ashneel Chand	Member	Appointed (13/03/19)	1	1
Alpa Rathod	Member	Appointed (13/03/19)	1	-
Tanuj Patel	Member	Resigned (13/03/19)	3	2
Viliame Cakacaka	Member	Resigned (25/06/19)	3	3
Avish Bahadur	Member	Resigned (13/03/19)	3	3
Aqib Razak	Member	Resigned (09/10/18)	1	-

Meetings of the AMU Subcommittee are held quarterly and during the 2019 financial year, the Committee met four times.

During the year, the Committee reviewed in detail the arrears position, the overall debt recovery system and loss recovery process.

The department targets collection of arrears over 90 days accounts and also assists clients with payment plans that would ensure the rehabilitation of their arrears status.

This year the AMU was further enhanced with a new legal team to pursue debt recovery which is also progressively reviewed by the Committee.

West Team

Information Technology (IT) Subcommittee

The Information Technology (IT) Subcommittee is responsible for the oversight on the overall review of the MFL system, its project management and its proposed IT solution evaluation and any other duties delegated by the Board.

The Committee members during the financial year were:

Name	Capacity	Status	No. Of Meetings Entitled To Attend	No. Of Meeting Attended
Arun Narsey	Chairman	Current	3	3
Joel Mastapha	Member	Current	3	3
Avish Bahadur	Member	Current	3	3
Kavin Rathod	Member	Appointed 14/03/18	-	-

Meetings of the IT Sub Committee are held quarterly. During the year the Committee reviewed the internal and external IT audit Reports and fully complied with all recommendations, reviewed and analysed the new CRM software.

In the new financial year the Committee has targeted the development of the new CRM (Customer Relationship Management) software which is expected to significantly enhance MFL's IT system and align it to the latest technology. This will be a significant investment for the Company and there are significant number of benefits going forward especially with digital technology.

East cocktail

Human Resource (HR) Subcommittee

The primary role of the Human Resource (HR) Subcommittee is to advise and support the CEO in relation to employees and other issues as requested by the Board from time to time.

The Committees' role is to understand and respond to the trends shaping the future of our work which enables us to create the best possible environment for our workforce. A number of initiatives to improve existing HR systems, processes and develop new tools to enhance the employee development.

The Committee also reviewed the revised HR Policy reflecting the ambitions and needs of our employees, MFL adopted a holistic approach to performance management, which includes providing regular meaningful feedback and recognition, while holding people accountable and promoting continuous development. The Committee also reviewed and endorsed key management contracts, succession plan and training development plan for our people.

The Committee met three times during the financial year as follows:

Name	Capacity	Status	No. Of Meetings Entitled To Attend	No. Of Meeting Attended
Nouzab Fareed	Chairperson	Current	3	2
Ashika Devi	Member	Current	3	2
Mereti Cokanasiga	Member	Current	3	3
Kavin Rathod	Member	Current	3	3
Lui Lanyon	Member	Current	3	3

Women in Business Awards


North Team

BOARD OF DIRECTORS

Sanjit Patel - Chairman

Is a businessman and a former member of parliament from Nadi. He holds a Bachelor of Commerce Degree from University of Canberra and a member of Australian Institute of Companies Directors (AICD). During his term in parliament Mr. Patel served as the head of Fiji delegation to ACP – EU, Chairman of Emolument Committee, and Government Deputy Whip, member of Public Accounts committee and also member of Economics Affairs Committee. Mr. Patel was also the Mayor of Nadi.

He is the chairman of Merchant Finance Limited and a Board member of Fijian Holdings Limited and Fiji Hardwood Corporation Limited. He also is the Owner/Managing Director of Soham Investment Limited and Oursun Pacific Pte. Limited.

Nouzab Fareed - Deputy Chairman

Nouzab Fareed is the Group Chief Executive Officer for Fijian Holdings Group, the largest conglomerate in Fiji with more than 25 investments. He is also the Chairman of Life Cinema Ltd, FHL Media Ltd and FHL Retailing Ltd. He is the Deputy Chairman of Merchant Finance Ltd and Fiji Television Ltd.

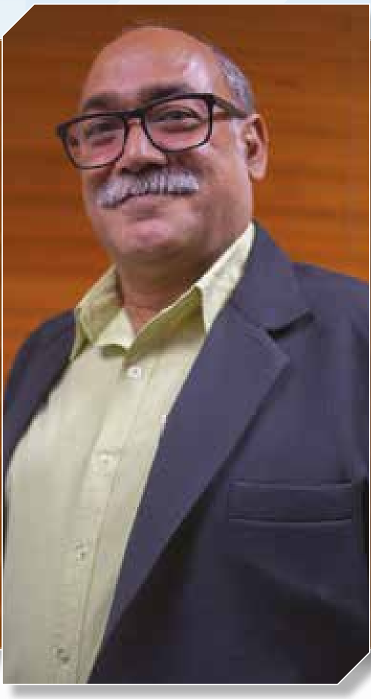
Fareed is the Chair for Pacific Corporate Governance Institute and the President for CPA Fiji and Fiji Chess Federation. He was appointed as Vice President for Oceania Chess Federation. He is also the Vice President of Fiji Chamber of Commerce. Fareed has been a Board Director for over 50 companies during last 20 years and currently sits on 15 companies as a Director.

Fareed has more than 28 years of Executive Experience covering diverse sectors from Education, IT, Travel & Tourism, Media, Insurance, Commodity Broking, Corporate Finance, Mergers & Acquisitions, Investment Research, Management Services, Fund Management, Stock Broking, Leasing, Courier & Manufacturing. He has worked for global brands like FedEx and Western Union.

Fareed is a Chartered Management Accountant (UK) and a Fellow of CPA (Australia). He is also Chartered Marketer (UK), a Licensed Investment Advisor (Fiji), a Certified Fraud Examiner (CFE) of USA.

Fareed received an MBA in Banking & Marketing and a Master of Arts in International Economics. He has received Executive Training from Harvard Business School, University of Oxford, Australian Graduate School of Management (AGSM), and AOTS (Japan).

Nouzab Fareed is the only Distinguished Toastmaster (DTM) in South Pacific as well as the only Travel Centurion. He is a Rotarian and a Freemason.



Arun Narsey - Independent Director

Is a Chartered Accountant practicing under A M Narsey & Co. Chartered Accountants. He has over 30 years' experience in professional accounting and held various senior and management positions with Big 4 CA Firms (locally and internationally). He is a member of the Fiji Institute of Accountants and Institute of Chartered Accountants in Australia and New Zealand. Currently Arun is a director of South Sea Cruises Limited, Blue Lagoon Cruises Limited, Amalgamated Telecom Holdings Ltd, and Subsidiaries. He is a Local Advisory Board Member of Bank of Baroda. He is also a member of Jai Narayan College Management Board and Honorary Auditor of Fiji Society for the Blind. Arun has previously served as a Board Member of Maritime & Ports Authority of Fiji.

Sereana Matakibau - Independent Director

Is the Director Finance of the iTaukei Affairs Board (TAB). She holds Master in Commerce from the University of the South Pacific, a Post-Grad Diploma in Professional Accounting and Bachelor of Arts Degree in Accounting, Financial Management and Economics. She is also a Member of the Australian Institute of Company Directors and is also an independent Director of RB Group. She has over 10years experience in the area of Professional Accounting. She has previously served as an independent Board Member of Fiji TV Limited. Prior to TAB, she has worked at the Reserve Bank of Fiji and iTaukei Land Trust Board.

Sunil Sharma - Independent Director

Mr. Sunil Sharma is a Senior Partner of PKF aliz pacific, Chartered Accountants and Business Advisors and has more than 28 years' experience in Auditing and Assurance, Taxation, Business Advisory and Financial Management. He holds membership to various professional bodies such as the Fiji Institute of Accountants (FIA), Associate Member of CPA (Australia) and a Tax Agent with Fiji Revenue Custom Services (FRCS).

Additionally, he is a member of Australian Institute of Company Directors, the current Chairman of Fiji Public Trustee Corporation Limited (FPTCL), Chair of the University of South Pacific Grants Committee (UGC), Executive Board Member & company Secretary/Treasurer of Fiji Chamber of Commerce & Industry (FCCI), a member of the Employer Panel of the Arbitration Court and member of National Employment Centre Board (NEC) (as a representative of the FCCI).

CHAIRMAN'S REPORT

It is with great pleasure I report to you again after the completion of our 2019 financial year. Our vision and strategies implemented two years ago are now showing reward with an improved performance in the Company results despite a significant number of market challenges.

For the period ending 30 June 2019, MFL recorded a profit before tax of $9.78m, an increase of 15% from the previous financial year. This was achieved through an increase in both interest income and non-interest income from an increased loan portfolio.

This improved performance allowed the Company to declare a total dividend of $5.675m an increase of 14% from the $5m declared and paid in the 2018 financial year.

I am pleased with the Company's performance in light of the further downgraded global growth forecast and the partial indicator for domestic consumption reflecting a slowdown in 2019. However the Board and Management will continue to tirelessly work towards delivering the best returns to our shareholders.

Future Outlook
As highlighted in the last report, our customer preferences are constantly changing and MFL is continuing to be innovative in our loan solutions to our customers.

Our main aim in the coming financial year is the rebranding of Merchant Finance to something new which will be launched soon. Also with this, we will be opening more branches in Viti Levu and Vanua Levu to improve accessibility to our customers. Aggressive marketing is one of our key focus in this next financial year and MFL will continue to develop new product and implement new strategies to not only grow our loan portfolio but to also grow strong good relationships with our customers.

As stated in last year's report, the Board approved a large investment in the information technology for the Company. Due to the significant cost of the investment and the impact on our operations the selection process has been very detailed and thorough we are however in the final stages of the selection process.

Acknowledgement
On behalf of the Board I wish to pay key acknowledgement to our customers: thank you for your confidence and loyalty to MFL. We are delighted to be providing the funding solutions to suit your needs and grow our businesses together.

To my fellow Board members, I humbly thank you for your astute counsel, commitment and unwavering support to the success of MFL. I acknowledge Ms. Mereoni Matavou for her invaluable contribution throughout her term with MFL and I welcome the newly appointed Ms. Sereana Matakibau to the board and look forward to her contribution.

I take this opportunity to acknowledge our CEO, Ms Rowena Fong for her contribution during the year. The Board recognized her commitment to driving the changes we had visioned for MFL and confirmed her appointment during the financial year. We are also extremely proud to highlight that Ms Fong was recognised by Women in Business as the Executive Woman of the Year for 2019.

To conclude, all the success of MFL would not have been possible without the Executive Management and staff. On behalf of the Board, we sincerely thank you for your hard work, commitment and tireless efforts to the growth and success of MFL in 2019 and look forward to taking MFL to greater heights in the new financial year.

Sanjit Patel
Chairman

MANAGEMENT TEAM

PIO NATANIELA
Head of Corporate

DINESHWAR LAL
Deputy General
Manager Asset
Management Unit

BOBBY DAYAL
Divisional General
Manager East

ROWENA FONG
Chief Executive
Officer

ANIL PRASAD
Divisional General
Manager North

BOBBY ALI
Divisional General
Manager West

CHIEF EXECUTIVE OFFICER

Ms Rowena Fong is the Chief Executive Officer of Merchant Finance Limited and Director for the South Pacific Stock Exchange.

She has been with the Fijian Holdings Group for the past fourteen years and has held various senior positions within the Group in FHL Fund Management Limited, FHL Stockbrokers Limited and FHL Properties Limited. Rowena has also held various directorships within the Group and associated companies including FHL Media Limited, FHL Logistics Limited, FHL Retailing Limited, APCO Coatings Limited and Pacific Green Industries Limited.

Rowena holds a Master's in Business Administration from the University of the South Pacific (USP), a Post Graduate Certificate in Applied Finance & Investment from FINSIA and a Bachelor of Arts in Management & Public Administration and Information Systems from USP.

She has successfully completed the Australian Institute of Company Directors - Fiji Directors Course and is a Member of the Australian Institute of Company Directors.

Rowena was recently awarded the 2019 Women in Business Executive Woman of the Year.


MERCHANT
FINANCE LTD

CHIEF EXECUTIVE OFFICER'S REPORT

It is my privilege to present the annual report for the financial year ending 30 June 2019.

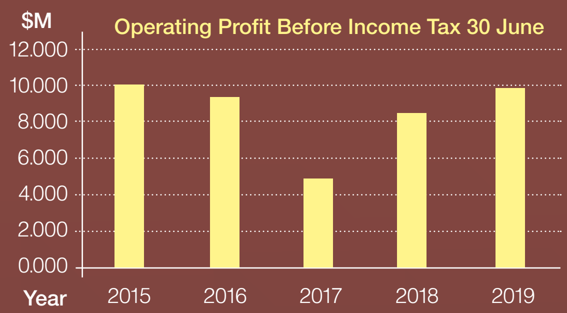
OPERATING ENVIROMENT

Although the Fijian Economy is poised to continue expanding for the tenth consecutive year, real gross domestic product (GDP), the broadest measure of economic activity, RBF has revised growth to 2.7% in 2019, down from the earlier projection of 3.4%. This is mainly been attributed to the weak performance of key sectors and general slowdown in the economy.

The past financial year brought about an unprecedented set of challenges for MFL as it responded to the slowdown of lending due to the cautious approach our customers were taking prior to the Elections in late 2018. This was then coupled with the tightening of liquidity in the market in the New Year. However, despite these challenges I am pleased with our results for the 2019 financial year.

FINANCIAL PERFORMANCE

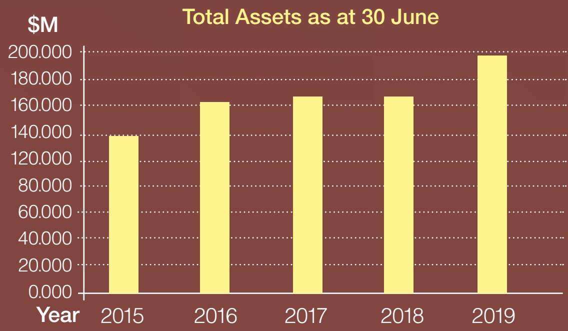
The year recorded an improved Pre-tax Profit of $9.78m for the year ended 30 June 2019, which is an increase of 15% from 2018. This was primarily attributed to the increase in both interest and non-interest income which was partially offset by the increase in interest costs and slightly higher operating expenses.



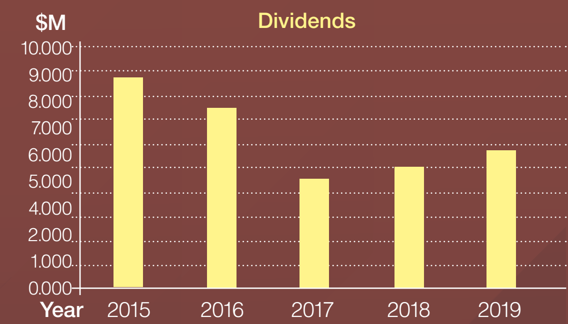
Interest income increased by 14% compared to the previous financial year, whilst borrowing costs also increased by 17% as market interest rates for term deposits reached an all-time high in recent years. Expenses for the year was tightly controlled, however loan impairment increased by 19% compared to the previous year.

Funding for the Company's operations was entirely through our term deposit product throughout the year. The overall market interest rates in the second half of the financial year were substantially higher, especially from commercial banks which created a significant challenge as liquidity tightened in the market. This however is expected to ease over the next few months which is a positive indication for the market.

The year saw an increase in assets mainly driven by the growth of the loan portfolio. The net loan portfolio closed at $164m at the end of 2019, a 24% growth from 2018 figures. This is a result of the aggressive approach in attracting customers' especially corporate ones to partner with MFL to grow their business.



During the year, a total dividend of $5.675m was declared versus a payout of $5m, a positive increase of 14%. The dividends were made in two declarations: an interim of $1.875m, which has been paid to all shareholders and a final dividend of $3.8m which will be paid to shareholders in the new financial year.



Ba Road Show

Vaturova, Cakaudrove Government Roadshow

OUR REACH

Our implementation of our aggressive marketing strategies saw our nine (9) established branches: Suva, Nabua, Nakasi, Sigatoka, Nadi, Lautoka, Labasa, Savusavu and Taveuni actively setup roadshow kiosks all over Fiji in partnership with the various car dealers, town councils, statutory and government agencies.

MFL is very pleased with the feedback and will continue these programs, making the MFL loan products accessible to all. We are also in the final stages of securing new branch locations in both the two major islands, bringing our services closer to our customers. This is a clear testament of our commitment to our customers at MFL.

OVERVIEW OF OPERATIONS

In my last report, I highlighted the implementation of our Document Management System and other IT upgrades. Our internal focus was on improving our processes and procedures, over the last year, and have implemented a significant number of changes to our business.

During the year we reviewed:

- All the agreed recommendations of the Reserve Bank of Fiji through their routine on-site inspections;
- Our Credit Risk Management Committee which reviews loan applications for MFL;
- Key operational policies including Credit, Collection, and Human Resources Committee Charters.

Our dedicated team has also worked tirelessly to digitise a significant number of our records, allowing faster and easier accessibility to files, for efficent response time to our customers.

The implementation of the Personal Property Securities Registry (PPSR) under the Personal Property Securities Act on 31st May saw a significant change to our internal processes. Our team has adapted well and we will be able to ensure all our securities are properly recorded on the Registry within the given timeframe.

The replacement of the new IT system for MFL was well underway during the year, which saw a number of consultants providing detailed presentations of the proposed new system. The Management and Sub Committee has completed a number of reviews of the various proposed systems and has narrowed down the selection, which should be finalised in the first half of our new financial year. This is a significant investment which requires detailed review and assessment.

During the year, as part of our newly established Asset Management Unit, a legal team was also recruited to reinforce this unit. To date, I am pleased to report that

West Team


Headquarters Team

we are well on track with our recovery process and we should see the results in the new financial year.

OUR PEOPLE

Our Team continue to be the key to our success. I am pleased to report that during the year, the MFL Team has regained its dominance in the Licensed Credit Institution market. This is a significant achievement in light of the number of changes over the last 24 months. It is a reflection of the Team's resilience and hardwork throughout the year. We have had an increase, in staff to 86 with the need for more people capital as our reach and portfolio increased.

During the year we took in five students under our Attaché Program, providing work attachment for a period of six (6) months in order to fullfil all the requirements to graduate in the Bachelors programme. The Program provides intensive job training experience to properly equip them for the working world.

MFL values the growth of our employees through training and development, whether it be further formal education, internal or external programs. It is encouraging to report a number of staff enrolling for further studies in Post Graduate, Masters and CPA programs. We have also undertaken a commitment


Central Team


North Team


West Team

to in-house development programs to better equip our staff on key aspects of MFL business. This will be continued into the New Year.

COMMUNITY INVOLVEMENT

As part of the CSR initiative, MFL contributed to a number of events in the community including:

- In kind donation to the Fiji Blind Society
- In kind donation to the Homes of Hope
- In kind donation to Saint Giles Hospital
- In kind donation to Sarada Medical Centre
- Sponsorship to style Fiji
- Sponsorship to Fiji Chamber of Commerce and Industry
- In kind donation to Fiji cancer society
- Sponsorship to Wairiki Sevens
- Sponsorship to Fiji Chess Federation
- Sponsorship to 2018 FDB Small and Medium Enterprises awards
- In kind donation to the Fiji Red Cross
- Sponsorship to Sabeto Horse Race
- Sponsorship to Outrigger Community Fund
- Sponsorship to Fiji Volleyball Federation
- Sponsorship to Friendly North Festival
- Sponsorship to Fiji Bus Operators Association

FUTURE OUTLOOK

The 2020 financial year continues to look challenging, however MFL remains positive with its increasing market penetration and competitiveness of our businesses. We should be driving strong growth in sales, profits and returns to our shareholders.

Looking ahead, we are perceptive to deliver exceptional service and will continue to improve our competitive edge to satisfy the evolving financial needs of our customers.

Visit Homes of Hope

CONCLUSION

I wish to extend my sincere appreciation to the Chairman and Board Directors for their astute counsel and strategic guidance.

To our customers and suppliers, we remain grateful for your continued support and confidence in our abilities to take care of your investment returns and deliver the most suitable finance solutions to you. We look forward to our continued partnership in the next financial year.

Last but not the least, to the Management Team and Staff, I offer my sincerest gratitude for your support, dedication and hard work in 2019 and look forward to another challenging and prosperous new financial year.

Rowena Fong
Chief Executive Officer

Merchant Finance (Pte) Limited

FINANCIAL STATEMENTS

For the year ended 30th June 2019

Contents

Directors' report

In accordance with a resolution of the Board of Directors, the Directors herewith submit the statement of financial position of Merchant Finance Pte Limited (the "Company") as at 30 June 2019 and the related statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and report as follows:

Directors

The names of Directors in office at the date of this report and at any time during the financial year and up until the date the financial statements were authorised for issue are as follows:

Director's Name	Appointed	Status
Sanjit Bhai Patel - Chairman	13/02/2017	Current
Nouzab Fareed	19/05/2010	Current
Arun Narsey	19/10/2015	Current
Sunil Sharma	13/02/2017	Current
Mereoni Matavou	13/02/2017	Resigned 13/03/2019
Sereana Matakibau	13/03/2019	Current

State of affairs

In the opinion of the Directors, the accompanying statement of financial position gives a true and fair view of the state of affairs of the Company as at 30 June 2019 and the accompanying statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows give a true and fair view of the results, changes in equity and cash flows of the Company for the year then ended.

Trading results

The profit for the year after income tax expense of $1,930,215 (2018: $1,725,806) amounted to $7,854,191 (2018: $6,795,126).

Dividends

An interim dividend of $1,875,000 (at the rate of $0.06 per share) in respect of the 2019 financial year was declared on 17 December 2018 and paid during the year.

A final dividend of $3,800,000 (at the rate of $0.13 per share) was declared on 30 June 2019.

Reserves

The Directors do not recommend any transfers to or from reserves and retained earnings in the 2019 financial year.

Principal activities

The principal activities of the Company during the year was providing finance for asset purchases, granting of personal loans, acceptance of term deposits and acting as insurance agent.

Assets

The Directors took reasonable steps before the Company's financial statements were made out to ascertain that the assets of the Company 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 current assets in the financial statements to be misleading.

Directors' report (continued)

Loans and advances to customers
The Directors took reasonable steps before the Company's financial statements were made out to ascertain that all known bad debts were written off and adequate allowance was made for impairment losses.

At the date of this report, the Directors are not aware of any circumstances which would render the above assessment inadequate to any substantial extent.

Related party transactions
All related party transactions have been adequately recorded in the financial statements.

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 would render any amounts stated in the accounts to be misleading.

Unusual circumstances/transactions
The results of the Company'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.

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

Directors' interests/benefits
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 shown in the Company's financial statements) by reason of a contract made with the Company or a related corporation with the Director or with a firm of which he/she is a member, or in a company in which he/she has a substantial financial interest.

Dated at Suva this 2nd day of August 2019.

Signed in accordance with a resolution of the Directors.

Director **Director**

Statement by Directors

In the opinion of the Directors of Merchant Finance Pte Limited:

a) the accompanying statement of profit or loss and other comprehensive income of the Company is drawn up so as to give a true and fair view of the results of the Company for the year ended 30 June 2019;

b) the accompanying statement of changes in equity of the Company is drawn up so as to give a true and fair view of the changes in equity of the Company for the year ended 30 June 2019;

c) the accompanying statement of financial position of the Company is drawn up so as to give a true and fair view of the state of affairs of the Company as at 30 June 2019;

d) the accompanying statement of cash flows of the Company is drawn up so as to give a true and fair view of the cash flows of the Company for the year ended 30 June 2019;

e) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due;

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

g) the Company's financial statements have been prepared in accordance with the Companies Act 2015.

Dated at Suva this 2nd day of August 2019.

Signed in accordance with a resolution of the Directors.

Director **Director**

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Merchant Finance Pte Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Merchant Finance Pte Limited ("the Company"), which comprise the statement of financial position as at 30 June 2019, the 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 29.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 30 June 2019, and of its financial performance and its 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 Company in accordance with the Companies Act 2015, International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) 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 and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information. The other information obtained at the date of this auditors' report is information included in the Director's report, but does not include the financial statements and our auditors' report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information 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.

If, based on the work we have performed on the other information obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Management are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS, and for such internal control as directors and management determine 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 are responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company'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 International Standards on Auditing (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.

KPMG

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Merchant Finance Pte Limited – continued

Report on the Audit of the Financial Statements - continued

Auditors' Responsibilities for the Audit of the Financial Statements - continued

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

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.

KPMG
KPMG
2 August, **2019**
Suva, Fiji

Steve Nutley, Partner

KPMG

Independence Declaration
For the Year Ended 30 June 2019

Auditors Independence Declaration under Section 395 of the Companies Act 2015

To the Directors of Merchant Finance Pte 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 2019 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
2 August **, 2019**
Suva, Fiji

Steve Nutley, Partner

Statement of profit or loss and other comprehensive income
For the year ended 30 June 2019

	Note	2019 $	2018 $
Interest income	3	23,651,116	20,758,805
Interest expense	4	(6,137,979)	(5,248,111)
Net interest income		17,513,137	15,510,694
Fee and other income	5	947,304	832,426
Change in fair value of investment property	17	625,000	1,128,828
Loan impairment expenses	6	(2,577,058)	(2,172,133)
Personnel expenses	7	(2,979,670)	(2,802,880)
Depreciation, impairment and amortisation	18, 19 & 20	(895,586)	(933,310)
Other operating expenses	8	(2,768,628)	(2,971,925)
Finance cost	18	(80,093)	(70,768)
Profit before tax		9,784,406	8,520,932
Income tax expense	9 (a)	(1,930,215)	(1,725,806)
Profit after tax		7,854,191	6,795,126
Other comprehensive income, net of tax		-	-
Total comprehensive income		7,854,191	6,795,126

The statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to and forming part of the financial statements.

Statement of changes in equity
For the year ended 30 June 2019

	Share capital	Credit loss reserve	Available for sale reserve	Retained earnings	Total
	$	$	$	$	$
Balance at 1 July 2017	30,000,000	2,875,936	775,283	629,440	34,280,659
Adjustment on initial application of IFRS 9	-	-	(775,283)	(373,472)	(1,148,755)
Adjusted balance at 1 July 2017	30,000,000	2,875,936	-	255,968	33,131,904
Total comprehensive income					
Profit	-	-	-	6,795,126	6,795,126
Total comprehensive income	-	-	-	6,795,126	6,795,126
Transactions with owners of the Company, recognised directly in equity					
Contributions by and distributions to owners of the Company					
Interim dividend declared and paid ($0.05 per share) in respect of 2018 financial year	-	-	-	(1,500,000)	(1,500,000)
Final dividend declared ($0.12 per share) in respect of 2018 financial year	-	-	-	(3,500,000)	(3,500,000)
Total contributions by and (distributions to) owners of the Company	-	-	-	(5,000,000)	(5,000,000)
Balance at 30 June 2018	30,000,000	2,875,936	-	2,051,094	34,927,030
Balance at 1 July 2018	30,000,000	2,875,936	-	2,051,094	34,927,030
Total comprehensive income					
Profit	-	-	-	7,854,191	7,854,191
Total comprehensive income	-	-	-	7,854,191	7,854,191
Transactions with owners of the Company, recognised directly in equity					
Contributions by and distributions to owners of the Company					
Interim dividend declared and paid ($0.06 per share) in respect of 2019 financial year	-	-	-	(1,875,000)	(1,875,000)
Final dividend declared ($0.13 per share) in respect of 2019 financial year	-	-	-	(3,800,000)	(3,800,000)
Total contributions by and (distributions to) owners of the Company	-	-	-	(5,675,000)	(5,675,000)
Balance at 30 June 2019	30,000,000	2,875,936	-	4,230,285	37,106,221

The statement of changes in equity is to be read in conjunction with the notes to and forming part of the financial statements.

Statement of financial position
As at 30 June 2019

	Note	2019	2018
		$	$
Assets			
Cash and cash equivalents	10	13,532,924	4,893,999
Debt securities	12	5,550,000	17,050,305
Other assets	13	313,834	446,825
Loans and advances to customers	11 (a)	164,973,769	133,157,013
Current tax asset	9 (b)	-	139,487
Investment property	17	5,320,000	4,695,000
Right of use assets	18	1,094,641	960,149
Property, plant and equipment	19	3,481,666	2,543,960
Intangible assets	20	6,699	11,956
Deferred tax assets	9 (c)	1,450,072	1,267,800
Total assets		195,723,605	165,166,494
Liabilities			
Deposits from customers	15	149,471,896	122,612,787
Current tax liability	9 (b)	497,052	-
Lease liability	18	1,163,233	1,002,660
Other liabilities	14	7,087,721	6,319,198
Employee entitlements	16	397,482	304,819
Total liabilities		158,617,384	130,239,464
Shareholders' equity			
Share capital	21	30,000,000	30,000,000
Credit loss reserve	22	2,875,936	2,875,936
Retained earnings		4,230,285	2,051,094
Total shareholders' equity		37,106,221	34,927,030
Total liabilities and equity		195,723,605	165,166,494
Commitments and contingent liabilities	23		

Signed on behalf of the Board

Director :________________ **Director :**________________

The statement of financial position is to be read in conjunction with the notes to and forming part of the financial statements.

Statement of cash flows
For the year ended 30 June 2019

	Note	2019	2018
		$	$
Cash flows from operating activities			
Interest received from loans and advances		23,017,792	19,886,453
Interest paid on deposits from customers		(6,339,355)	(4,918,720)
Interest received from debt securities		754,671	959,731
Other income		855,914	772,574
Interest paid on leases		(80,093)	(70,768)
Payment to suppliers and employees		(5,665,473)	(6,420,181)
Net increase in loans and advances		(34,393,814)	(6,261,317)
Net increase/(decrease) in deposits		26,859,109	(1,392,512)
Income taxes paid	9 (b)	(1,475,948)	(1,287,220)
Net cash from operating activities		3,532,803	1,268,040
Cash flows from investing activities			
Payment for property, plant and equipment	19	(1,387,589)	(418,345)
Payment for intangibles	20	(6,800)	-
Proceeds from sale of property		82,771	65,720
Net cash used in investing activities		(1,311,618)	(352,625)
Cash flows from financing activities			
Net movement in debt securities		11,500,305	3,707,284
Dividends paid	26	(4,675,000)	(4,600,000)
Payment for lease liability		(407,565)	(346,913)
Net cash from/(used) in financing activities		6,417,740	(1,239,629)
Net change in cash and cash equivalents		8,638,925	(324,214)
Opening cash and cash equivalents		4,893,999	5,218,213
Closing cash and cash equivalents	10	13,532,924	4,893,999

The statement of cash flows is to be read in conjunction with the notes to and forming part of the financial statements.

Notes to and forming part of the financial statements
For the year ended 30 June 2019

For the year ended 30 June 2019

1. Significant accounting policies

Merchant Finance Pte Limited is a licensed credit institution incorporated and domiciled in Fiji. The address of the Company's registered office is at Level 1, Ra Marama House, Gordon Street, Suva. The significant accounting policies, which have been adopted in the preparation of these financial statements, are noted below.

The financial statements were authorised for issue by the Directors on 2 August 2019.

(a) Statement of compliance

The financial statements of the Company have been drawn up in accordance with the provisions of the Banking Act 1995, Companies Act 2015 and International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

(b) Basis of preparation

The financial statements are presented in Fiji dollars, rounded to the nearest dollar. The financial statements have been prepared based on historical costs except for Investment Property which is measured at fair value.

(c) Changes in accounting policies

The Company has consistently applied the accounting policies to all periods presented in these financial statements.

(d) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 July 2019, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Company.

(e) Use of estimates and judgments

The preparation of the financial statements 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.

In particular, 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 1(i)(v) – Impairment of Loans and advances

(f) Foreign currency

All foreign currency transactions are translated to Fiji currency at the rates of exchange ruling at the dates of the transactions. Amounts receivable and payable in foreign currencies at balance date are translated at the rates of exchange ruling at balance date. Gains and losses arising on such translations are recognised in the profit or loss.

Notes to and forming part of the financial statements (continued)

For the year ended 30 June 2019

For the year ended 30 June 2019

1. Significant accounting policies (continued)

(g) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income.

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.

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. Deferred tax is not recognised for the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit. Deferred tax is measured at the tax rates that are expected to be applied to the temporary difference when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference 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.

(h) Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Subsequent expenditure is capitalised only when it is probable that the future economic benefits of the expenditure will flow to the Company. Ongoing repairs and maintenance are expensed as incurred in the profit or loss.

Depreciation and amortisation

Items of property, plant and equipment, including buildings but excluding freehold land, are depreciated using the straight-line method over their estimated useful lives. Depreciation methods, useful lives and residual values are reassessed at the reporting date.

The depreciation rates used for each class of asset are as follows:

Office alterations	20%	Office machinery	20% - 50%
Buildings	1.25%	Office furniture	20%
Motor vehicles	20% - 50%		

Notes to and forming part of the financial statements (continued)

For the year ended 30 June 2019

1. Significant accounting policies (continued)

(i) Financial assets and liabilities

i. Recognition and initial measurement

The Company initially recognises loans and advances and deposits on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Company becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

ii. Classification

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI or FVTPL.

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

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

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset 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 Company may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

All other financial assets are classified and measured at FVTPL.

On initial recognition, the Company 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.

Business model assessment

The Company makes an assessment of the objective of a 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. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company'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

Notes to and forming part of the financial statements (continued)
For the year ended 30 June 2019

1. Significant accounting policies (continued)

(i) Financial assets and liabilities (continued)

ii. Classification (continued)

Business model assessment (continued)

- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Company's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell 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 profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company 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 the assessment, the Company considers:

- contingent events that would change the amount and timing of cash flows;
- prepayment and extension terms;
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration of the time value of money.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Company changes its business model for managing financial assets.

See notes 1(k) and 1(l).

Financial liabilities

The Company classifies its financial liabilities, other than loan commitments, as measured at amortised cost or FVTPL.

See note 1(o).

iii. Derecognition

Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire (see also (v)), 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

Notes to and forming part of the financial statements (continued)
For the year ended 30 June 2019

1. Significant accounting policies (continued)

(i) Financial assets and liabilities (continued)

iii. Derecognition (continued)

Financial assets (continued)

transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

In transactions in which the Company neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Company continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

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

iv. Modifications of financial assets and financial liabilities

Financial assets
If the terms of a financial asset are modified, the Company 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 (iii)) 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 Company 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 (v)), then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income (see 1(t)).

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company 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.

Income and expenses are presented on a net basis only when permitted under IFRS.

Notes to and forming part of the financial statements (continued)
For the year ended 30 June 2019

1. Significant accounting policies (continued)

(i) Financial assets and liabilities (continued)

v. Impairment

The Company recognises loss allowances for ECL on the following financial instruments that are not measured at FVTPL:
- financial assets that are debt instruments; and
- loan commitments issued.

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

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments on which credit risk has not increased significantly since their initial recognition.

The Company considers a debt security to have low credit risk when their credit risk rating is equivalent to the globally understood definition of 'investment grade'.
12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Measurement of ECL

ECL 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 Company 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 Company if the commitment is drawn down and the cash flows that the Company expects to receive.

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows:
- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset; and
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets

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

Notes to and forming part of the financial statements (continued)
For the year ended 30 June 2019

1. Significant accounting policies (continued)

(i) Financial assets and liabilities (continued)

v. Impairment (continued)

Credit-impaired financial assets

Evidence that a financial asset is credit-impaired includes the following observable data:
- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is becoming 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.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a loan that is overdue for 90 days or more is considered impaired.

In making an assessment of whether an investment in sovereign debt is credit-impaired, the Company considers the following factors:
- the market's assessment of creditworthiness as reflected in the bond yields.
- the rating agencies' assessments of creditworthiness.
- the country's ability to access the capital markets for new debt issuance.
- the probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.

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; and
- where a financial instrument includes both a drawn and an undrawn component, and the Company cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Company 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.

Write-off

Loans and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Company determines that the borrower 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 Company's procedures for recovery of amounts due.

Notes to and forming part of the financial statements (continued)
For the year ended 30 June 2019

1. Significant accounting policies (continued)

(j) Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand and highly liquid financial assets with original maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

(k) Loans and advances

Loans and advances captions in the statement of financial position include:

- loans and advances measured at amortised cost; they are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method.

(l) Debt securities

The 'debt securities' caption in the statement of financial position includes debt investment securities measured at amortised cost; these are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method.

(m) Intangible assets

Intangible assets include costs incurred in acquiring software and computer systems ("software"). Software is amortised using the straight-line method over its expected useful life to the Company. The period of amortisation is 5 years. At each reporting date, software assets are reviewed for impairment. If any such indication exists, the recoverable amount of the assets are estimated and compared against the existing carrying value. Where the existing value exceeds the recoverable amount, the difference is charged to profit or loss.

Costs incurred in planning or evaluating software proposals are capitalised. Costs incurred in maintaining systems after implementation are not capitalised.

(n) Other liabilities

Other liabilities are stated at amortised cost.

(o) Deposits from customers

Deposits from customers are stated at amortised cost using the effective interest method.

(p) Assets held for sale

Assets held for sale are stated at the lower of the carrying amount and fair value less costs to sell. Gains and losses on disposals are determined by comparing proceeds with the carrying amounts.

(q) Leases

At inception of a contract, the Company 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.

Notes to and forming part of the financial statements (continued)
For the year ended 30 June 2019

1. Significant accounting policies (continued)

(q) Leases (continued)

To assess whether a contract conveys the right to control the use of an identified asset, the Company 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 Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Company has the right to direct the use of the asset. The Company 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 Company has the right to direct the use of the asset if either:
  - the Company has the right to operate the asset; or
  - the Company 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 Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

i. As a lessee

The Company 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 Company's incremental borrowing rate. Generally, the Company 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;
- amounts expected to be payable under a residual value guarantee; and

Notes to and forming part of the financial statements (continued)
For the year ended 30 June 2019

1. Significant accounting policies (continued)

(q) Leases (continued)

i. As a lessee (continued)

- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company 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 Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company 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 Company presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position (see note 18).

ii. As a lessor

When the Company 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 Company 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 Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Company 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 Company 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 Company applies IFRS 15 to allocate the consideration in the contract.

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

Notes to and forming part of the financial statements (continued)
For the year ended 30 June 2019

1. Significant accounting policies (continued)

(r) Fees and commission

Fees and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the measurement of the effective interest rate.

Other fees and commission income – including account servicing fees, investment management fees, sales commission, placement fees and syndication fees – are recognised as the related services are performed. If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fees are recognised on a straight-line basis over the commitment period.

Other fees and commission expense relate mainly to transaction and service fees, which are expensed as the services are received.

(s) Employee entitlements

Liability for annual leave is recognised and measured as the amount unpaid at the reporting date at expected pay rates in respect of employees' services up to that date.

Annual leave generally is taken within one year of entitlement and accordingly it is expected that a significant portion of the total annual leave balance will be utilised within the next financial year.

Bonus is settled within 12 months of the financial year and is based on the performance of the Company and the achievement of the employees' individual objectives. Contracted employees are entitled to gratuity payment after successful completion of their contract. Contractual payments mainly range from 10% - 20%.

(t) Interest income

Interest income from loans and advances is recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset (or, where appropriate, a shorter period) to the carrying amount of the financial asset. When calculating the effective interest rate, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

(u) Investment property

Investment properties are held for long-term rental yields and are not occupied by the Company. Investment property is measured initially at its cost, including related transaction costs. After initial recognition, investment property is carried at fair value, determined by external independent valuers who have appropriate recognised professional qualification and recent experience in the location and category of property being valued. Changes in fair values are recorded in the profit or loss.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the profit or loss during the financial period in which they are incurred.

(v) Loan commitments

Loan commitments are firm commitments to provide credit under pre-specified terms and conditions. The Company has issued no loan commitments that are measured at FVTPL. For other loan commitments, the Company recognises loss allowance (see Note 1 (i) (v)) and Liabilities arising from loan commitments are included within provisions.

Notes to and forming part of the financial statements (continued)
For the year ended 30 June 2019

1. Significant accounting policies (continued)

(w) Comparatives

Where necessary, amounts relating to prior years have been reclassified to facilitate comparison and achieve consistency in disclosure with current year amounts.

2. Fair value estimation

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 Company has access at that date.

When available, the Company 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 Company 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

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of relevant observable inputs and maximising the use of unobservable inputs.

The different levels have been defined as follows:

- Level 1 fair value measurement are those instruments valued based on quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2 fair value measurements are those instruments valued based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e as prices) or indirectly (i.e derived from prices).
- Level 3 fair value measurements are those instruments valued based on inputs for the asset or liability that are not based on observable market data (unobservable) inputs.

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

Notes to and forming part of the financial statements (continued)
For the year ended 30 June 2019

2. Fair value estimation (continued)

The following table shows the carrying amounts and fair values of the financial assets and financial liabilities, including their levels in fair value hierarchy:

	Carrying amount		Fair value			
	Amortised cost $	Other financial liabilities $	Level 1 $	Level 2 $	Level 3 $	Total $
Balance as at 30 June 2019						
Financial assets not measured at fair value						
Cash and cash equivalents	13,532,924	-	-	-	13,532,924	13,532,924
Debt securities	5,550,000	-	-	5,881,572	-	5,881,572
Loans and advances to customers	164,973,769	-	-	-	164,973,796	164,973,796
	184,056,693	-	-	5,881,572	178,506,720	184,388,292
Balance as at 30 June 2019						
Financial liabilities not measured at fair value						
Deposits from customers	-	149,471,896	-	-	149,471,896	149,471,896
	-	149,471,896	-	-	149,471,896	149,471,896

	Carrying amount		Fair value			
	Amortised cost $	Other financial liabilities $	Level 1 $	Level 2 $	Level 3 $	Total $
Balance as at 30 June 2018						
Financial assets measured at fair value						
Cash and cash equivalents	4,893,999	-	-	-	4,893,999	4,893,999
Debt securities	17,050,305	-	-	10,281,358	7,500,305	17,781,663
Loans and advances to customers	133,157,013	-	-	-	133,157,013	133,157,013
	155,101,317	-	-	10,281,358	145,551,317	155,832,675
Balance as at 30 June 2018						
Financial liabilities not measured at fair value						
Deposits from customers	-	122,612,787	-	-	122,612,787	122,612,787
	-	122,612,787	-	-	122,612,787	122,612,787

Notes to and forming part of the financial statements (continued)
For the year ended 30 June 2019

2. Fair value estimation (continued)

Valuation technique and significant observable inputs:

Type	**Valuation**	**Significant unobservable inputs**	**Inter-relationship between significant unobservable inputs and fair value measurement**
• 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
• Short term deposits • Loans and advances to customers • Deposits from customers • Cash and cash equivalents	Discounted cash flows- The valuation model considers the present value of expected payment, discounted using a risk-adjusted discount rate.	Not applicable	Not applicable

Notes to and forming part of the financial statements (continued)

For the year ended 30 June 2019

	2019	2018
	$	$
3. Interest income		
Deposits with other financial institutions	178,141	245,978
Debt securities	455,183	626,374
Loans and advances	23,017,792	19,886,453
	23,651,116	20,758,805
4. Interest expense		
High Notes Deposits	6,136,992	5,246,868
Other	987	1,243
	6,137,979	5,248,111
5. Fees and other income		
Credit related fees and commissions	283,901	234,895
Income received on loans previously written off	193,785	118,170
Repossession and auction administration fees	167,850	191,759
Gain on sale of property, plant and equipment	82,771	47,770
Rental income	69,603	93,247
Other fees	149,394	146,585
	947,304	832,426
6. Loan impairment expenses		
Increase in impairment	2,044,168	1,912,547
Amounts written off directly to profit or loss during the year as uncollectible	532,890	259,586
	2,577,058	2,172,133
7. Personnel expenses		
Salaries and wages	2,430,826	2,226,080
Fiji National Provident Fund	227,665	209,049
Other staff costs	321,179	367,751
	2,979,670	2,802,880

The number of employees at the end of the financial year was 86 (2018: 76).

Notes to and forming part of the financial statements (continued)

For the year ended 30 June 2019

	2019 $	2018 $
8. Other operating expenses		
Advertising expense	289,349	310,555
Computer expenses	47,910	42,873
Donations	7,100	3,891
Directors fees and allowances	84,618	78,797
External audit fees	55,000	47,500
Internal audit fees	49,759	61,105
Management fees	848,336	687,314
Legal costs	80,572	187,253
Insurance expense	48,882	33,348
Motor vehicle expense	178,722	164,517
Other expenses	300,748	608,298
Premises	461,844	457,035
Printing and stationary	124,444	117,647
Telecommunication expenses	191,344	171,792
	2,768,628	2,971,925

9. Income tax

(a) Income tax expense

	2019 $	2018 $
Prima facie income tax expense calculated at 20% (2018: 20%) on the operating profit	1,956,881	1,704,186
Increase/ (decrease) in income tax expense due to:		
FNPF employer contribution	22,767	20,905
Other permanent differences	(28,780)	777
Over provision in prior years	(20,653)	(62)
	1,930,215	1,725,806
Total income tax expense is made up of:		
Deferred tax credit	(182,272)	(12,254)
Current income tax expense	2,133,140	1,738,122
Over provision in prior years	(20,653)	(62)
	1,930,215	1,725,806

(b) Current tax liability/(asset)

	2019 $	2018 $
Movements during the year were as follows:		
Balance at beginning of year	(139,487)	(590,327)
Income tax paid	(1,475,948)	(1,287,220)
Transitional tax paid	-	-
Current year’s income tax expense	2,133,140	1,738,122
Over provision in prior years	(20,653)	(62)
Balance at end of year	497,052	(139,487)

Notes to and forming part of the financial statements (continued)
For the year ended 30 June 2019

9. Income tax (continued)

	2019 $	2018 $
(c) Deferred tax asset		
Allowance for doubtful debts	1,712,366	1,418,674
Property, plant and equipment	17,951	28,120
Employee entitlements	79,496	60,964
Investment property	(373,460)	(248,460)
Lease liability	232,647	200,532
Right of use asset	(218,928)	(192,030)
	1,450,072	1,267,800

10. Cash and cash equivalents

Cash at bank and on hand	9,461,863	2,823,072
Short term deposits	4,071,061	2,070,927
	13,532,924	4,893,999

The Company has a Standby Overdraft Facility of $4,000,000 (2018: $4,000,000) with the ANZ Bank. The facility is secured by a registered equitable mortgage over all the Company's assets and uncalled capital. As at year end, the facility remained unutilised (2018: $ Nil).

11. Loan and advances to customers

(a) Individual customers

Asset purchase loans	109,576,329	96,852,901
Personal loans	109,339,690	76,418,340
Trade finance loans	846,018	917,408
Gross loans and advances to customers	219,762,037	174,188,649
Less: Deferred revenue	(46,226,442)	(33,938,266)
	173,535,595	140,250,383
Less: Impairment allowance	(8,561,826)	(7,093,370)
Net loans and advances	164,973,769	133,157,013

Notes to and forming part of the financial statements (continued)
For the year ended 30 June 2019

11. Loan and advances to customers (continued)	**2019**	**2018**
	$	**$**
(b) Maturity analysis		
Not longer than 3 months	7,432,814	14,769,557
Longer than 3 and not longer than 12 months	10,764,576	46,404,061
Longer than 1 and not longer than 5 years	185,742,670	102,590,232
Longer than 5 years	15,821,977	10,424,799
	219,762,037	174,188,649
(c) Bad debts written off		
Represented as :		
Write off from provision	575,712	758,139
Write off charged to profit and loss	532,890	259,586
	1,108,602	1,017,725
12. Debt securities		
Government securities	5,550,000	9,550,000
Short-term deposits	-	7,500,305
	5,550,000	17,050,305
Debt maturity analysis		
Not more than 3 months	-	4,500,305
Longer than 3 and not longer than 12 months	500,000	7,000,000
Longer than 1 and not longer than 5 years	4,250,000	4,750,000
Longer than 5 years	800,000	800,000
	5,550,000	17,050,305
13. Other assets		
Prepayments	40,535	59,775
Accrued income	127,136	248,483
Other receivables	146,163	138,567
	313,834	446,825
14. Other liabilities		
Dividend payable (note 26)	3,800,000	2,800,000
Accrued expenses	497,755	505,030
Accrued interest on deposits from customers	2,478,318	2,679,694
Other	311,648	334,474
	7,087,721	6,319,198

Notes to and forming part of the financial statements (continued)
For the year ended 30 June 2019

	2019 $	2018 $
15. Deposits from customers		
High Notes term deposits	149,471,896	122,612,787
Maturity analysis		
No longer than 3 months	33,165,051	28,644,621
Longer than 3 and not longer than 12 months	69,257,633	57,370,892
Longer than 1 and not longer than 5 years	46,450,076	35,747,274
Longer than 5 years	599,136	850,000
	149,471,896	122,612,787
16. Employee entitlements		
Accrual for annual leave	75,277	44,300
Accrual for bonus	237,050	210,793
Accrual for gratuity	85,155	42,415
Accrual for Fringe Benefit Tax	-	7,311
	397,482	304,819
17. Investment property		
Opening balance	4,695,000	2,150,000
Change in fair value	625,000	1,128,828
Acquisitions	-	-
Reclassification from Asset held for sale	-	1,416,172
Closing balance	5,320,000	4,695,000

18. Leases

As a lessee

Property, plant and equipment comprise owned and leased assets that do not meet the definition of investment property.

The Company leases assets including land and buildings and IT equipment. Information about lease for which the Company is a lessee is presented below.

	$
Balance at 1 July 2018	960,149
Additions for the year	568,138
Depreciation charge for the year	(433,646)
Balance as at 30 June 2019	1,094,641
Balance at 1 July 2017	1,006,263
Additions for the year	343,310
Depreciation charge for the year	(389,424)
Balance as at 30 June 2018	960,149

Notes to and forming part of the financial statements (continued)

For the year ended 30 June 2019

	2019 $	2018 $
18. Leases (continued)		
As a lessee (continued)		
Lease liabilities		
Maturity analysis – contractual undiscounted cash flows		
Less than one year	434,953	360,668
One to five years	968,144	784,524
Total undiscounted lease liabilities	1,403,097	1,145,192
Lease liabilities included in the statement of financial position		
Current	404,535	301,407
Non-current	758,698	701,253
	1,163,233	1,002,660
Amounts recognised in profit and loss		
Interest on lease liabilities	80,093	70,768
Variable lease payments not included in the measurement of lease liabilities	69,708	67,217
Expenses relating to leases of low-value assets excluding short-term leases of low-value assets	32,700	82,087
Amounts recognised in the statement of cash flows		
Total cash outflow for leases	487,658	417,681

i. Real estate leases

The Company leases land and buildings for its office space and retail stores. The leases of office space typically run for a period ranging from 2 to 10 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

Some leases provide for additional rent payments that are based on changes in local price indices. Some also require the Company to make payments that relate to the property taxes levied on the lessor and insurance payments made by the lessor; these amounts are generally determined annually.

ii. IT Equipment

The Company leases multifunctional devices for its offices across various locations, with a term of five years.

Extension options

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

Notes to and forming part of the financial statements (continued)

For the year ended 30 June 2019

19. Property, plant and equipment

	Land & buildings	Motor vehicles	Office alterations	Office furniture	Office machinery	Work in Progress	Total
	$	$	$	$	$	$	$
Cost							
Balance at 1 July 2017	1,346,280	1,402,093	787,072	782,481	1,984,011	242,005	6,543,942
Acquisitions	-	247,200	13,292	118,338	38,316	1,199	418,345
Transfer (out)/in	-	-	16,625	-	-	(16,625)	-
Disposals	-	(133,000)	-	(59,999)	(10,261)	-	(203,260)
Balance at 30 June 2018	1,346,280	1,516,293	816,989	840,820	2,012,066	226,579	6,759,027
Balance at 1 July 2018	1,346,280	1,516,293	816,989	840,820	2,012,066	226,579	6,759,027
Acquisitions	918,093	382,233	4,060	29,589	37,672	15,942	1,387,589
Transfer (out)/in	104,535	-	-	-	-	(104,535)	-
Disposals	-	(207,300)	-	-	-	-	(207,300)
Balance at 30 June 2019	2,368,908	1,691,226	821,049	870,409	2,049,738	137,986	7,939,316
Accumulated Depreciation							
Balance at 1 July 2017	15,925	913,836	620,687	624,058	1,703,074	-	3,877,580
Depreciation charge for the year	8,498	214,714	43,896	87,295	168,394	-	522,797
Disposals	-	(129,250)	-	(46,108)	(9,952)	-	(185,310)
Balance at 30 June 2018	24,423	999,300	664,583	665,245	1,861,516	-	4,215,067
Balance at 1 July 2018	24,423	999,300	664,583	665,245	1,861,516	-	4,215,067
Depreciation charge for the year	8,993	233,059	45,810	58,284	103,737	-	449,883
Disposals	-	(207,300)	-	-	-	-	(207,300)
Balance at 30 June 2019	33,416	1,025,059	710,393	723,529	1,965,253	-	4,457,650
Carrying amount							
At 1 July 2017	1,330,355	488,257	166,385	158,423	280,937	242,005	2,666,362
At 30 June 2018	1,321,857	516,993	152,406	175,575	150,550	226,579	2,543,960
At 30 June 2019	2,335,492	666,167	110,656	146,880	84,485	137,986	3,481,666

Notes to and forming part of the financial statements (continued)
For the year ended 30 June 2019

	2019 $	2018 $
20. Intangible assets		
Software costs		
Cost :		
Balance at the beginning of the year	106,809	106,809
Acquisition	6,800	-
Transfer from WIP	-	-
Balance at the end of the year	113,609	106,809
Accumulated amortisation :		
Balance at the beginning of the year	(94,853)	(73,764)
Amortisation charge for the year	(12,057)	(21,089)
Balance at the end of the year	(106,910)	(94,853)
Carrying amount :		
Balance at the beginning of the year	11,956	33,045
Balance at the end of the year	6,699	11,956

21. Share capital

	2019 $	2018 $
i) Authorised capital		
50,000,000 ordinary shares (2018: 50,000,000 ordinary shares)	50,0000,000	50,0000,000
ii) Issued and paid up capital		
30,000,000 ordinary shares	30,000,000	30,000,000

Shares of the Company have no par value

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholder's meetings. All shares rank equally with regard to the residual assets of the Company.

Notes to and forming part of the financial statements (continued)

For the year ended 30 June 2019

	2019 $	2018 $
22. Credit loss reserve		
Balance at the beginning of the year	2,875,936	2,875,936
Transfer from retained earnings	-	-
Balance at the end of the year	2,875,936	2,875,936

The Credit Loss Reserve is established at prudent levels for possible losses inherent in the loan portfolio which are not associated with any facility or amount. These are maintained in respect of all credit facilities outstanding which are not subject to individually assessed provision requirements. The Credit Loss Reserve is required to be held as an equity reserve through an appropriation of retained earnings.

23. Commitments and contingent liabilities

a) Commitments

Commitments in respect of loans and approved credit commitments offered but not yet advanced as at balance date amounted to approximately $5,270,295 (2018: $4,506,547).

The Company is committed to incur other capital expenditure of $177,900 (2018:$154,958).

b) Contingent liabilities

Contingent liabilities amounted to $nil (2018:$nil).

Several actions have been instituted against the Company which it is defending and in the Directors' opinion, no material loss is expected to arise.

24. Assets held for sale

	2019 $	2018 $
Opening balance	-	1,416,172
Additions	-	-
Disposals	-	-
Reclassification to investment property		(1,416,172)
Closing balance	-	-

25. Related party transactions

Directors

The Directors of the Company in office at any time during the year were:

Sanjit Bhai Patel	Non-Independent
Nouzab Fareed	Non-Independent
Arun Narsey	Independent
Sunil Sharma	Independent
Mereoni Matavou (resigned 13/03/2019)	Non-Independent
Sereana Matakibau (appointed 13/03/2019)	Independent

Amounts paid to Non-Independent Directors are disclosed below under Directors allowance and Directors fees.

Holding company

The Company's holding company is Fijian Holdings Limited, a company incorporated in Fiji.

Notes to and forming part of the financial statements (continued)
For the year ended 30 June 2019

25. Related party transactions (continued)

Loans to Directors

As at 30 June 2019, $nil (2018: $nil) was outstanding from the Directors.

Guarantee by Basic Industries Limited

Basic Industries Limited has provided a guarantee to cover the loan balance provided by the Company to a customer amounting to $83,575 (2018:$150,538).

	2019 $	2018 $
Transactions with related parties		
High notes issued		
FHL Properties Limited	273,903	-
FHL Stockbrokers Limited	-	25,262
R B Patel Limited	412,135	412,135
FHL Fund Management Limited	622,950	600,000
Fijian Holdings Unit Trust	11,000,000	7,000,000
FHL on SPSE account	20,000	20,000
FHL Retailing	1,300,000	-
Life Cinema	400,000	-
Fiji TV	2,100,000	-
Fijian Property Trust Company Limited Cyclone Reserve Account	506,121	497,012
Dividend payable		
Fijian Holdings Limited	3,040,000	2,800,000
Fijian Holdings Unit Trust	760,000	-
Interest payable		
FHL Properties Limited	893	-
FHL Fund Management Limited	25,968	25,011
Fijian Property Trust Company Limited Cyclone Reserve Account	1,714	739
Fijian Holdings Unit Trust	37,403	53,600
FHL Stockbrokers Limited	-	94
FHLS on Account of SPSE	323	314
FHL Retailing	2,871	-
Life Cinema	4,310	-
Fiji TV	1,174	-
RB Patel Limited	26,633	8,214
Other payable		
Fijian Holdings Limited	190,961	124,303
Fiji Television Limited	-	9,668
Other receivables		
FHL Properties (Pte) Ltd	37,997	-

Notes to and forming part of the financial statements (continued)
For the year ended 30 June 2019

	2019 $	2018 $
25. Related party transactions (continued)		
Transactions with related parties (continued)		
Dividend paid		
Fijian Holdings Limited	4,300,000	3,600,000
Fijian Holdings Unit Trust	375,000	1,000,000
Service provider fees		
Fijian Holdings Unit Trust	5,271	-
FHL Fund Management Limited	-	9,743
Other income		
FHL Fund Management Limited	-	1,422
Expenses		
Rent and facility charges		
FHL Properties Limited	231,258	226,038
Interest expense on High Notes		
FHL Properties Limited	-	9,518
FHL Fund Management Limited	22,950	22,410
Fijian Property Trust Company Limited Cyclone Reserve Account	18,514	17,894
Fijian Holdings Unit Trust	427,276	230,012
FHL Stockbrokers Limited	909	909
FHLS on Account of SPSE	675	738
Life Cinema Limited	-	-
FHL Retailing	12,322	-
RB Patel Limited	-	4,773
Directors Allowance		
Basic Industries Limited	831	594
FHL Fund Management Limited	613	1,037
Pacific Cement Limited	713	238
FHL Properties (Pte) Ltd	125	-
Serendip Investments Ltd	238	-
Fijian Holdings Limited	8,500	8,500
Directors Fees		
Fijian Holdings Limited	40,000	49,973
Management fees		
Fijian Holdings Limited	853,141	687,314

Notes to and forming part of the financial statements (continued)
For the year ended 30 June 2019

	2019 $	2018 $
25. Related party transactions (continued)		
Other expenses		
Fijian Holdings Limited	9,785	122,415
FHL Properties Limited	-	94,841
Fiji Television Limited	14,508	22,868
Serendip Investments Ltd	80	-
RB Patel Limited	1,084	3,163

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 the planning, directing and controlling the activities of the Company.

Name	Title	Contract Date Start	Contract Date End
Rowena Fong	Chief Executive Officer	22/06/2017	Current
Dineshwar Lal	Consultant	29/12/2014	Current
Bobby Ali	Divisional General Manager West	18/12/2014	Current
Bobby Dayal	Divisional General Manager East	29/03/2015	Current
Anil Prasad	Divisional General Manager North	01/04/2015	Current
Pio Nataniela	Head of Corporate	16/12/2014	Current

The aggregate compensation of the key management personnel is set out below:

	2019 $	2018 $
Short-term benefits	645,553	571,882

Notes to and forming part of the financial statements (continued)
For the year ended 30 June 2019

	2019 $	2018 $
26. Provision for Dividends		
Dividends declared or paid by the Company are:		
Balance at 1 July 2018/2017	2,800,000	2,400,000
Add: Interim dividend 2019 declared and paid during the year ($0.06 per share) (2018: $0.05)	1,875,000	1,500,000
Add: Final dividend 2019 declared during the year ($0.13 per share) (2018: $0.12)	3,800,000	3,500,000
Less: dividends paid	(4,675,000)	(4,600,000)
Balance at 30 June	3,800,000	2,800,000

27. Statement of cash flows

Reconciliation of cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents include cash at bank, cash on hand and short term deposits. Cash and cash equivalents at the end of the financial year as shown in the statement of cash flows are reconciled to the related items in the statement of financial position as follows:

	2019 $	2018 $
Cash and cash equivalents	13,532,924	4,893,999

28. Risk management disclosures

Introduction

The Company is committed to the management of risk to achieve sustainability of service to its customers, employment of its staff and profits to its shareholders and, therefore, takes on controlled amounts of risk when considered appropriate. The risk management framework is targeted at ensuring the Company maintains sufficient capital at a level, which equals or exceeds the minimum “Capital Adequacy Ratio” requirements prescribed by the Reserve Bank of Fiji.

The primary risks are those of credit, market, liquidity and operational risk. The Company’s risk management strategy is set by Executive Management and approved by the Board.
Implementation of risk management strategy and the day to day management of risk is the responsibility of the Chief Executive Officer, supported by the executives of the Company.

The Risk and Compliance officer is responsible for monitoring compliance with the Company’s risk management policies and procedures and for reviewing the risk management framework in relation to the risks faced by the Company. The Fijian Holdings Group also monitors compliance with the group’s risk management policies and framework in relation to risks faced by each company in the group. The management team is assisted in these functions by an outsourced Internal Audit function, 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.

Notes to and forming part of the financial statements (continued)

For the year ended 30 June 2019

28. Risk management disclosures (continued)

The following sections describe the risk management framework components:

a) Credit risk

The Company's primary exposure to credit risk arises through its loans and advances to customers. The amount of credit exposure in this regard is represented by the carrying amounts of the assets on the statement of financial position.

Credit risk is the potential risk of loss arising from failure of a debtor to meet their contractual obligations. In order to manage credit risk, the Company closely monitors its existing customers to ensure that a debt service ratio greater than 1 and loan to value ratio of 85% is maintained and ensuring that all new customers go through a comprehensive credit screening.

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.

Explanation of the terms: 12-months ECL, lifetime ECL and credit-impaired are included in Note 1(i).

2019

	12 months ECL $	Lifetime ECL not credit impaired $	Lifetime ECL credit impaired $	Total $
Loans and advances to customers				
Grade - Standard	98,351,612	-	-	98,351,612
Grade - Special mention	-	30,265,656	-	30,265,656
Grade - Substandard	-	26,532,983	-	26,532,983
Grade - Doubtful	-	-	14,590,567	14,590,567
Grade - Loss	-	-	3,794,777	3,794,777
	98,351,612	56,798,639	18,385,344	173,535,595
Loss allowance	(1,252,130)	(2,312,095)	(4,997,601)	(8,561,826)
Carrying amount	**97,099,482**	**54,486,544**	**13,387,743**	**164,973,769**

2018

	12 months ECL $	Lifetime ECL not credit impaired $	Lifetime ECL credit impaired $	Total $
Loans and advances to customers				
Grade - Standard	89,962,541	-	-	89,962,541
Grade - Special mention	-	25,853,609	-	25,853,609
Grade - Substandard	-	10,335,191	-	10,335,191
Grade - Doubtful	-	-	11,198,341	11,198,341
Grade - Loss	-	-	2,900,701	2,900,701
	89,962,541	36,188,800	14,099,042	140,250,383
Loss allowance	(1,140,048)	(1,523,934)	(4,429,388)	(7,093,370)
Carrying amount	**88,822,493**	**34,664,866**	**9,669,654**	**133,157,013**

Notes to and forming part of the financial statements (continued)
For the year ended 30 June 2019

28. Risk management disclosures (continued)

a) Credit risk (continued)

Collateral held and other credit enhancements
The Company 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 2019	30 June 2018	Principal type of collateral
Loans and advances to customers			
Motor vehicle	100	100	Motor vehicles
Personal loans	100	100	Property and equipment

At 30 June 2019, the net carrying amount of credit-impaired loans and advances to customers amounted to $18,385,344 (2018: $ 14,099,042) and the value of identifiable collateral (mainly properties and motor vehicles) held against those loans and advances amounted to $30,991,795 (2018: $21,051,819). For each loan, the value of disclosed collateral is capped to the nominal amount of the loan that is held against.

Amounts arising from ECL
Inputs, assumptions and techniques used for estimating impairment.
See accounting policy in Note 1(i)(v).

Significant increase in credit risk
When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Company 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 Company'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
The Company 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,

Notes to and forming part of the financial statements (continued)
For the year ended 30 June 2019

28. Risk management disclosures (continued)

a) Credit risk (continued)

Amounts arising from ECL (continued)

Special Mention, Sub Standard, Doubtful and Loss for credit risk management purposes. All loans and advances are secured by collateral.

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. The Company collects performance and default information about its credit risk exposures analysed by type of product and borrower as well as by credit risk grading.

The Company 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, key macro-economic indicators used is GDP growth, based on publications by the Reserve Bank of Fiji.

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, the Company 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.

Notes to and forming part of the financial statements (continued)
For the year ended 30 June 2019

28. Risk management disclosures (continued)

a) Credit risk (continued)

Amounts arising from ECL (continued)

As a backstop, the Company 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.

The Company 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 1(i)(iv).

The Company renegotiates loans to customers in financial difficulties (referred to as 'forbearance activities') to maximise collection opportunities and minimise the risk of default. Under the Company'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 the Company's forbearance policy, the estimate of PD reflects whether the modification has improved or restored the Company's ability to collect interest and principal and the Company's previous experience of similar forbearance action. As part of this process, the Company 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 1(i)(v)) 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.

Notes to and forming part of the financial statements (continued)
For the year ended 30 June 2019

28. Risk management disclosures (continued)

a) Credit risk (continued)

Definition of default

The Company considers loans and advances to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company 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 the Company.

In assessing whether a borrower is in default, the Company 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 the Company; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

Incorporation of forward-looking information

The Company 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, the Company 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 the Company for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Company carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

The Company 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 2019 included the following ranges of key indicators for the years ending 30 June 2020 and 2021.

	2020	**2021**
GDP growth	2.7%	3.0%

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

Notes to and forming part of the financial statements (continued)
For the year ended 30 June 2019

28. Risk management disclosures (continued)

a) Credit risk (continued)

Measurement of ECL
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. The Company estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, and recovery costs of any collateral that is integral to the 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. The Company 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 a 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, the Company 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, the Company considers a longer period. The maximum contractual period extends to the date at which the Company 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.

Notes to and forming part of the financial statements (continued)
For the year ended 30 June 2019

28. Risk management disclosures (continued)

a) Credit risk (continued)

For portfolios in respect of which the Company has limited historical data, external benchmark information is used to supplement the internally available data. The portfolios for which external benchmark information represents a significant input into measurement of ECL are as follows:

	Exposure	External benchmark used PD
Cash and cash equivalents	$13,532,924	Standard & Poor default study
Debt investment securities	$5,500,000	Standard & Poor default study

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 1(i).

2019

	12-month ECL ($)	Lifetime ECL not credit-impaired ($)	Lifetime ECL credit-impaired ($)	Total ($)
Loans and advances to customers at amortised cost				
Balance at 1 July	1,140,048	1,523,934	4,429,388	7,093,370
Transfer to 12 months ECL	17,971	(10,665)	(7,306)	-
Transfer to lifetime ECL not credit impaired	(552,121)	555,942	(3,821)	-
Transfer to lifetime ECL credit impaired	(184,737)	(1,015,819)	1,200,556	-
Net remeasurement of loss allowance	286,378	833,643	417,278	1,537,299
New financial assets originated or purchased	707,092	743,014	360,894	1,811,000
Financial assets that have been derecognised	(162,501)	(297,808)	(843,822)	(1,304,131)
Write-off	-	(20,146)	(555,566)	(575,712)
Balance at 30 June	**1,252,130**	**2,312,095**	**4,997,601**	**8,561,826**

Notes to and forming part of the financial statements (continued)
For the year ended 30 June 2019

28. Risk management disclosures (continued)

a) Credit risk (continued)

Loss allowance (continued)

	2018			
	12-month ECL ($)	**Lifetime ECL not credit-impaired ($)**	**Lifetime ECL credit-impaired ($)**	**Total ($)**
Loans and advances to customers at amortised cost				
Balance at 1 July	1,179,618	1,098,965	3,660,378	5,938,961
Transfer to 12 months ECL	43,953	(43,953)	-	-
Transfer to lifetime ECL not credit impaired	(341,968)	341,968	-	-
Transfer to lifetime ECL credit impaired	(61,557)	(216,131)	277,688	-
Net remeasurement of loss allowance	(123,372)	197,219	2,089,323	2,163,170
New financial assets originated or purchased	775,365	637,053	889,395	2,301,813
Financial assets that have been derecognized	(319,390)	(435,547)	(1,797,500)	(2,552,437)
Write-off	(12,601)	(55,640)	(689,896)	(758,137)
Balance at 30 June	**1,140,048**	**1,523,934**	**4,429,388**	**7,093,370**

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

Cash and cash equivalents
The Company held cash and cash equivalents of $13,532,924 at 30 June 2019 (2018:$4,893,999). Cash and cash equivalents is held with banks, which are rated B- to AA-, based on 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 Company considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

The Company uses a similar approach for assessment of ECLs for cash to those used for debt securities.

Debt investment securities
The Company held debt investment securities of $5,550,000 at 30 June 2019 (2018: $17,050,305). Debt investment securities are held with banks and the Fiji Government, which are rated B- to AA-, based on S&P ratings.

Impairment on debt investment securities held with banks has been measured on the 12 month expected loss basis and reflects the short maturities of the exposures. The Company considers that its debt investment securities held with banks have low credit risk based on the external credit ratings of the counterparties. Impairment on debt investment securities held with the Fiji Government has been measured on the lifetime expected loss basis.

Notes to and forming part of the financial statements (continued)
For the year ended 30 June 2019

28. Risk management disclosures (continued)

a) Credit risk (continued)

Credit-impaired financial assets
See accounting policy in Note 1(i)B(v).

Credit-impaired loans and advances are graded doubtful to loss in the Company's internal credit risk grading system (see Note 28(a)).

Collateral

The Company employs a range of policies and practices to mitigate credit risk with the most common practice being the security collateral. The Company implements guidelines 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. Revolving individual credit facilities for Company staff to a maximum of $3,000 are unsecured. In addition, in order to further minimise the potential for credit loss, the Company will seek additional collateral from the counterparty once impairment indicators are identified for the relevant individual loans and advances.

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 the Company's in-house credit officers or independent valuers.

Concentration of credit risk
The Company monitors concentrations of credit risk by industry. An analysis of concentrations of credit risk from loans and advances is shown below.

Industry	**2019 %**	**2018 %**
Agriculture	8.84	10.38
Building and construction	20.53	20.76
Manufacturing	3.26	2.93
Mining and quarrying	0.24	0.41
Private individuals	9.88	9.95
Professional and business services	5.47	2.67
Transport, communication and storage	37.46	41.04
Wholesale, retail, hotels and restaurants	8.34	8.02
Others	5.98	3.84
	100	100

Notes to and forming part of the financial statements (continued)
For the year ended 30 June 2019

28. Risk management disclosures (continued)

b) Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations from its financial liabilities. Prudent and careful management of the Company's liquidity position is essential in order to ensure that adequate funds are available to meet the Company's ongoing financial obligations. In order to comply with the Reserve Bank's requirement and the Banking Act 1995, the Company must hold as liquid deposits an amount equivalent to 10% of its total borrowed funds.

The Company 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. The key measure used by the Company 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 status of re-investment) and the Board Asset Liability Sub-Committee (ALCO) is kept informed.

The Company further addresses its liquidity risk via a Letter of Comfort from its parent, Fijian Holdings Limited, pledging its support and assistance as required to ensure that the Company maintains capital and liquidity levels to enable it at all times to meet its obligations as and when due. The Company also has a finance facility of $4 million with ANZ Bank that is unutilised as at balance date.

The following analysis of financial liabilities and financial assets is based on contractual terms and includes interest:

As at 30 June 2019	1 - 3 months $	4- 12 months $	1 - 5 years $	Over 5 Years $	Gross nominal outflow $	Carrying amount $
Financial liabilities						
Deposits from customers	22,560,181	75,688,327	64,131,541	977,689	**163,357,737**	**149,471,896**
Other liabilities	7,087,721	-	-	-	**7,087,721**	**7,087,721**
Total financial liabilities	**29,647,902**	**75,688,327**	**64,131,541**	**977,689**	**170,445,458**	**156,559,617**
Financial assets						
Cash and cash equivalents	13,567,730	-	-	-	**13,567,730**	**13,532,924**
Debt securities	-	504,747	4,461,973	1,031,752	**5,998,472**	**5,550,000**
Loans and advances	7,432,814	10,764,576	185,742,670	15,821,977	**219,762,037**	**173,535,595**
Total financial assets	**21,000,544**	**11,269,323**	**190,204,643**	**16,853,729**	**239,328,239**	**192,618,519**

Notes to and forming part of the financial statements (continued)

For the year ended 30 June 2019

28. Risk management disclosures (continued)

b) Liquidity Risk (continued)

As at 30 June 2018	1 - 3 months $	4- 12 months $	1 - 5 years $	Over 5 Years $	Gross nominal outflow $	Carrying amount $
Financial liabilities						
Deposits from customers	28,707,387	56,487,699	44,435,776	1,847,700	**131,478,562**	**122,612,787**
Other liabilities	6,319,198	-	-	-	**6,319,198**	**6,319,198**
Total financial Liabilities	**35,026,585**	**56,487,699**	**44,435,776**	**1,847,700**	**137,797,760**	**128,931,985**
Financial assets						
Cash and cash equivalents	4,896,862	-	-	-	**4,896,862**	**4,893,999**
Debt securities	4,508,178	7,065,704	5,034,570	1,052,876	**17,661,328**	**17,050,305**
Loans and advances	14,769,557	46,404,061	102,590,232	10,424,799	**174,188,649**	**140,250,384**
Total financial assets	**24,174,597**	**53,469,765**	**107,624,802**	**11,477,675**	**196,746,839**	**162,194,688**

Liquidity exposure is measured by calculating the Company's Net Liquidity Gap and by comparing current ratios with targets. The Board ALCO monitors the Company's liquidity position by reviewing the following measures:

Target for 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%

Other Liquidity Ratios

In addition to the above, the Company uses the following ratios as benchmarks 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 asset requirement	Minimum 12%	Not to fall below 10%

Notes to and forming part of the financial statements (continued)
For the year ended 30 June 2019

28. Risk management disclosures (continued)

c) Market Risk

Market risk is the risk that changes in the market prices of, and regulatory policies on, interest rate, equity prices and credit spreads will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to limit market risk exposures within acceptable parameters, while optimising the return on risk.

i) 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 value 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. The Company is not subject to interest rate risk as all the financial assets and liabilities are at a fixed rate and no financial instruments are fair valued through the profit or loss.

The management of interest rate risk against interest rate gap limits is supplemented by management's regular monitoring of the sensitivity of the Company's financial assets and liabilities to various standard interest scenarios and market offerings.

Interest rate risk will be managed through: 1) investments; 2) loan pricing; and 3) deposit pricing. The Company always 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 RBF for monitoring purposes.

Interest rate is reviewed consistently against those offered in the market and revised where appropriate.

Below is a range of interest rates for the Company's loans and advances:

Industry	**2019**	**2018**
	%	**%**
Agriculture	10-27	10-27
Building and construction	11-26	11-25
Manufacturing	12-24	12-25
Mining and quarrying	14-24	14-24
Private individuals	7-27	7-27
Professional and business services	8-25	12-24
Transport, communication and storage	12-27	12-27
Wholesale, retail, hotels and restaurants	11-26	12-25
Others	10-30	10-24

Notes to and forming part of the financial statements (continued)
For the year ended 30 June 2019

28. Risk management disclosures (continued)

d) Capital Risk Management

The Company's objectives when managing capital is to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders to maintain an optimal capital structure to reduce the cost of capital. In order to maintain the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Company's objectives when managing capital, which is a broader concept than the 'equity' on the face of the balance sheet, are:

- To comply with the capital requirements set by the Reserve Bank of Fiji:
- To safeguard the Company'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 Company's business.

Capital adequacy and the use of regulatory capital are monitored daily by the Company'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 the Company to (a) hold at least 10% or more of its total holdings in liquid assets and (b) maintain a ratio of total regulatory capital to risk-weighted assets at or above 15%. The Company complied with these requirements during the year. The Company ensures that its capital adequacy ratio is above 20% as per its Asset and Liability Sub-committee policy.

The Company also measures its General Reserve Credit Losses (GRCL) requirement on an annual basis and ensures that sufficient allocation is made for it.

29. Events subsequent to balance date

There has not arisen in the interval between the end of the 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 and management, to affect significantly the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial years.

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