



FHL

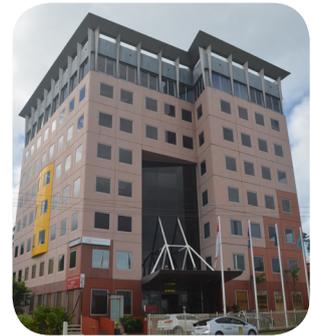
PROPERTIES
LIMITED

Annual Report
2016

Our Properties

FHLP's principal business activities include the renting and management of properties. We currently own the following properties in the central business district of the capital city, Suva.

RA MARAMA is an 8 level mixed use office complex located within the Southern fringe of Suva's Central Business District, and is currently the only high rise office complex on Gordon Street giving it superb views of the Suva harbor and Government Buildings, with over 43,000 square feet of office space and basement car parking.



VANUA HOUSE is also an 8 level mixed use office and retail complex with access from both Victoria Parade and Joske Street. The building has over 40,000 square feet including car parking on level 3 and a retail arcade on the Ground Floor. Located in the centrally prime location, the building has an excellent view of the town and the Suva Harbor.



RATU SUKUNA HOUSE is located on the corner of Victoria Parade and MacArthur Street. This landmark building has over 46,000 square feet in 9 levels of office and retail space with a stunning view of the Suva Harbor.



FHLP BUILDING is a comfortable wooden double storey structure housing 4 offices on Gladstone Road. The property is opposite the Government Buildings and has quite a significant land area with access from both Gladstone and Gorrie Street.



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Board Directors



**Colonel (Retd) Sakiusa Raivoce, MSD
Chairman**

Is a Security Consultant and a former Senior Military Officer having served in Headquarters, RFMF as a Staff Officer and Government House as Military Assistance/ADC to the President of the Republic of Fiji. Colonel Raivoce served on UN Peace Keeping Duties in the Middle East, (Lebanon, Sinai Desert, Syria, Kuwait and Iraq). He also served as Field Security Adviser in East Timor from September 1999 to Dec 2000. He served as Director for the British Security Firm Global Risks International as its Representative in Fiji from 2003 to 2012. He is currently the Chairman for FHL People & Leadership Sub Committee and FHL Properties Limited and also the director for Basic Industries Limited.



**Surendra K Patel
Director**

Mr Patel is an accountant by profession and holds a Bachelor of Commerce degree from Auckland University. He is a member of the RB Patel family who owned the business before the company listed in 2001. He has extensive experience in the finance and the supermarket business and is part of the family members currently managing the company under a consultancy agreement for the managers FHL Retailing Limited. He is an executive director of RB Patel Group Ltd and Pacific Management Consulting Ltd.



**John O'Connor
Director**

John O'Connor is the Chief Executive Officer for Fiji Rugby Union. Prior to joining FRU, he was the CEO for National Fire Authority (NFA). He was the General Manager – Human Resources with Fiji Electricity Authority and had held various Senior Managerial roles in the Authority. Also served as Civil Servant prior to joining the Private Sector. He holds a Masters of Business Administration and a Masters of Arts in Governance and Leadership, both from the University of the South Pacific and other Graduate Qualifications from the Newcastle and the Ballarat Universities. Also, he received an Order of Merit from the Australian Institute of Company Directors.



**Arun Kumar Narsey
Director**

Arun Narsey is a Chartered Accountant by Profession and practices under the name styled as A M Narsey & Co., Chartered Accountants. He has over 30 years' experience in the field of professional accounting holding various senior and management positions with KPMG (locally and internationally) and Ernst & Young. He is a member of the Fiji Institute of Accountants and Chartered Accountants: Australia and New Zealand. Arun is currently a director of FHL Properties Limited, Merchant Finance Limited, Amalgamated Telecom Holdings Limited, Fiji Directories Limited, Telecom Fiji Limited and the Chairman of Amalgamated Telecom Holdings Kiribati Limited and a Local Advisory Board Member of Bank of Baroda. Arun also serves as a co-opted member of Fiji Higher Education Commission, a member of the management board of Jai Narayan College and is the honorary auditor of Fiji Society for the Blind. He has previously served as a board member of Maritime & Ports Authority of Fiji.



**Nouzab Fareed
Director**

Nouzab Fareed is the Group Chief Executive Officer for Fijian Holdings Group. He is a Board Director for all companies in the Group. In addition, he is also a Board Director of South Pacific Stock Exchange.

Fareed is the President of Fiji – PNG Business Council and the Vice President of Fiji Chamber of Commerce. He is a Board member for Fiji Employers & Commerce Federation, CPA Australia – Fiji Chapter and Fiji Exporters Council. In addition, he sits on MBA Advisory Committee of University of South Pacific. He is a Past - President of Fiji Institute of Accountants as well as Australian Institute of Directors – Fiji Chapter.

Fareed has more than 24 years of Executive Experience. His diverse exposure covers from Education, IT, Travel & Tourism, Media, Commodity Broking, Corporate Finance, Management Services, Fund Management & Stock Broking, Leasing, Courier & Manufacturing. Prior to joining FHL, he was the Director Business Development with Mercantile Merchant Bank Ltd in Sri Lanka. He was a Board Director for FedEx and Western Union in Sri Lanka.

Fareed is a Chartered Accountant (Fiji), Chartered Management Accountants (FCMA) and a Fellow of CPA (Australia). He is also Chartered Marketer (UK), a Licensed Investment Advisor (Fiji), a Certified Fraud Examiner (CFE) of USA. He is a Graduate Member of Australian Institute of Company Directors (AICD) and has a MBA in Banking & Marketing and a Master of Arts in International Economics.

He is a guest lecturer for MBA Program at University of South Pacific and has made presentations at several international conferences.

Fareed has received Executive Training from Harvard Business School, University of Oxford, Australian Graduate School of Management (AGSM), Graduate Business School of Auckland, Asian Productivity Organization and AOTS (Japan).

Nouzab Fareed is the only Distinguished Toastmaster (DTM) in the South Pacific.

Chairman's Report



This year, although challenging, has also been a rewarding one for FHLP with a recorded 32% growth in operational profit compared to the last financial year (2015).

**Colonel (Retd) Sakiusa Raivoce, MSD
Chairman**

It gives me immense pleasure to greet you in my capacity as Chairman after another successful financial year for our company with the Fiji Economy still recovering from Cyclone Winston. The Reserve Bank of Fiji has forecasted economic growth at the annual rate of 2.4% driven by recent fiscal policy stimulus for both consumption and investment activities as the economy continues to recover from the recent natural disasters. Inflation is also expected to be high due to the effects of Winston as there have been shortages in market items with year-end inflation outlook to be revised upwards to 3.5%.

In the FHLP financials, stakeholders will note that our 2015 accounts have been restated. The restatement was due to the change in recording of our properties from the cost model to the revaluation model. The latest valuation recorded the FHLP Portfolio at \$36.18m (2015:\$33.32m) which had a positive increase of \$2.86m. This had a major impact on the recorded profit before tax of \$3.93m from \$1.75m in 2015. The Company declared dividends totalling \$500,000 for the year (2015: nil).

During the year, FHLP undertook some significant upgrading works for all our properties totalling close to \$0.75m in electrical and plumbing upgrades. Our upgrading program will continue into the next financial year for all our properties.

During the year in review, the Board met six (6) times and we are very fortunate to have such a well versed and diversified Board comprising of Messers. Arun Narsey, John O'Connor, Suren Patel and Nouzab Fareed. I would like to sincerely thank them for their wise counsel and continuous commitment to the strategic growth of FHL Properties Limited. I would

also like to thank Mr Ulai Taoi for his contribution to the Board during his term. On behalf of the board, I would like to acknowledge Ms. Rowena Fong for her promotion to Chief Executive Officer for FHLP, this is a milestone achievement for the Company and her professional career.

There has also been significant progress with the FHL Tower Project with the appointment of our design team and the continuous consultation with regulatory authorities for the necessary approvals on our proposed design. The Tower is expected to be a state of the art 17 storey commercial office building with a few retail shops on the Ground Floor and three levels of parking.

This year, although challenging, has also been a rewarding one for FHLP with a recorded 32% growth in operational profit compared to the last financial year (2015). I would like to take this opportunity to thank Management and staff of the company for their continuous commitment and tireless effort throughout the year and look forward to their continued performance in the new financial year.

The 2017 financial year looks to be exciting yet challenging with the anticipation of the FHL Tower project to commence construction and the continuation of the upgrading projects for all the buildings. We continue to remain optimistic of the economic environment and have implemented strategies to maintain a competitive return to our shareholders.

**Colonel (Retired) Sakiusa Raivoce
Chairman**

Our Team



Front L-R :

Sitiveni Koya - Property Officer, Esther Raikoti - Finance Officer,
Rowena Fong - Chief Executive Officer, Raijeli Nanovu - Property Administration Officer,
Meli Kanito - Assistant Manager Properties

Back L-R :

Serua Vusoniceva - Property Maintenance Officer, Levani Ledua - Property Maintenance Officer,
Luke Raoma - Property Maintenance Officer, Tomasi Sukanaivalu - Property Maintenance Officer,
Sunia Dauniwaqalevu - Property Maintenance Trainee

Chief Executive Officer's Report



Rowena Fong
Chief Executive Officer

Rowena joined the FHL Group in 2005 and has held several senior positions in other FHL Subsidiaries prior to joining FHL Properties Limited in 2013. She holds a Masters in Business Administration from the University of the South Pacific, Graduate Certificate in Applied Finance & Investment from FINSIA and a Bachelor of Arts Degree in Management & Public Administration and Information Systems from the University of the South Pacific. Rowena is an Approved Real Estate Salesperson (No.100).

Greetings from FHL Properties. It is always a pleasure to update our key stakeholders on our performance and overall progress. Firstly to reflect on this past year's performance which was characterised by challenging economic conditions as a result of the impact of Cyclone Winston which affected Fiji earlier this year.

The Reserve Bank revised inflation rate upwards to 3.5%; a direct result of the impact of this disaster driven by shortages of market items. The Central Bank has also forecasted the Fiji Economy to grow at 2.4% which will be driven by Government's recent fiscal policy stimulus for both consumption and investment activities whilst the economy continues its road to recovery from Winston.

The overall performance of FHLP has been strong with an improvement in financial results compared to



Our key challenge continues to remain at implementing the most cost-effective strategies to ensure that our valued tenants have access to the highest standard of services offered without impacting shareholders' return.



the same period last year. Tenancy averaged at 98% throughout the year and renewals of existing leases rolled over for a further term for all our properties which contributed to the improved performance, recording a slight increase in total income from \$3.8m to \$3.9m.

During the financial year, FHLP also changed the method of accounting for land and building classification of investment properties from cost model to the revaluation model. Under the revaluation model, after initial recognition, the investment properties will be measured at fair value at the date of the revaluation. The latest valuation recorded the FHLP Portfolio at \$36.18m (2015: \$33.32m) which had a positive increase of \$2.86m. As a result of the adoption of this new method, FHLP 2015 accounts was restated to reflect this effect.

The revaluation significantly impacted profit before tax with 2016 recording a profit before tax of \$3.93m from \$1.75m in 2015. During the year, the Company also declared dividends totaling \$500,000 (2015: nil).

In May this year, FHLP increased its authorized capital of the company from \$5million to \$9million. This was a direct result of the conversion of the \$4m loan from Fijian Holdings Limited (FHL). The loan was initially given by the parent company (FHL) in 2012 for the purchase of Ra Marama from Fijian Holdings Property Trust Fund. The \$4m loan was converted to 4 million ordinary shares. This allowed FHLP to significantly reduce its liabilities and place FHLP in a much stronger financial position.

Chief Executive Officer's Report (cont'd)

For any property owner, majority of its income is derived from rental and it is prudent that we control our expense line. Our key challenge continues to remain at implementing the most cost-effective strategies to ensure that our valued tenants have access to the highest standard of services offered without impacting shareholders' return.

During the year, FHLP continued with its upgrading programme with the completion of Ra Marama electrical upgrading totalling over \$0.25m in a move to more energy efficient lighting throughout the entire building. There was also a significant review and upgrade of the entire electrical setup throughout the building. Towards the end of the financial year, similar electrical upgrade works had begun in Ratu Sukuna House which will continue into the new financial year.

A new 400KVA generator was installed at Ratu Sukuna House replacing the existing one which had technical problems after the continued outages following Cyclone Winston. The entire water pump system was also changed at Vanua House to replace the existing setup.

A significant number of smaller upgrading works was undertaken in all the properties throughout the year. These upgrade works are essential and have contributed to the improved services to our tenants and building compliance standard. We believe that this has also resulted in the improved occupancy level and continued rollover of company leases for another term of 3 – 5 years throughout our property portfolio.

Our major project, the new FHL Tower has significantly progressed since my last report with the appointment of our entire design team and the continuous consultation with regulatory authorities for the necessary approvals on our proposed design. The Geotech team has completed its ground survey and we have received the outline approval from the Suva City Council.

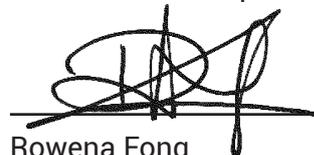
Over the new financial year we will review the design concept and finalise submission to the regulatory authorities before we call on bids for the construction phase. The Tower is expected to be a state of the art 17 storey commercial building with premium office

space and a small retail area on the Ground Floor with lots of parking. It is expected to be ready early 2019.

After Cyclone Winston, to help those that suffered the most, the FHLP Team together with its sister company, FHL Fund Management visited Delai Yadua village in the Ra Province and Dakuinuku village in Tailevu. The team managed to provide these villages with more than 1.5 tonnes of food, clothing and beddings. It was truly an emotional experience witnessing the devastating impact of Winston on their lives.

At this point, I would like to take this opportunity to thank the Board of directors for their continued support, sound insight and wise counsel. I would also like to record my sincere appreciation to the staff for their tireless efforts and commitment throughout the year, for whom without these results would not have been achieved for our shareholders'. Lastly and most importantly, I would like to thank our tenants for their continued support and confidence in FHLP.

The 2017 financial year looks to be yet another challenging one as we continue with the upgrading programme for all the buildings and the anticipation of the FHL Tower project to commence construction. We continue to remain optimistic of the economic environment and continue to review our strategies to maintain a competitive return to our shareholders.



Rowena Fong
Chief Executive Officer

FHL PROPERTIES LIMITED

Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016

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FHL PROPERTIES LIMITED

Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016

Director's Report

In accordance with a resolution of the Board of Directors, the directors herewith submit the statement of financial position of the company as at 30 June 2016, the statement of comprehensive income, the statement of changes in equity and the 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 are:

Retired Colonel Sakiusa Raivoce

Mr Arun Narsey

Mr Surendra Kumar Patel

Mr Nouzab Fareed

Mr John O'Connor -appointed 12 August 2015

Principal Business Activities

The principal activities of the company are renting and management of properties. There was no significant change in the nature of the company's principal activities during the financial year.

Results

The operating profit for the year was \$3,274,907 (2015 restated: \$1,408,839) after taking into account an income tax expense of \$653,219 (2015 restated: \$339,146).

Dividends

The directors have declared dividends of \$500,000 for the year (2015: dividends declared \$nil)

Bad and Doubtful Debts

Prior to the completion of the company's financial statements, the directors took reasonable steps to ascertain that action had been taken in relation to writing off bad debts and the provision for doubtful debts. In the opinion of directors, adequate provision has been made for doubtful debts.

As at the date of this report, the directors are not aware of any circumstances, which would render the amount written off for bad debts or provision for doubtful debts in the company inadequate to any substantial extent.

Non-Current Assets

Prior to the completion of the financial statements of the company, the directors took reasonable steps to ascertain whether any non-current assets were unlikely to be realised in the ordinary course of business compared to their values as shown in the accounting records of the company. Where necessary these assets have been written down or adequate provision has been made to bring the values of such assets to an amount that they might be expected to realise.

As at the date of this report, the directors are not aware of any circumstances, which would render the values attributed to non current assets in the company's financial statements misleading.

Unusual Transactions

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

FHL PROPERTIES LIMITED
Financial Statements
 FOR THE YEAR ENDED 30 JUNE 2016

Director's Report (cont'd)

Basis of Accounting

The directors believe that the basis of preparation of accounts is appropriate and the company will be able to continue in operation for at least twelve months from date of this report. Accordingly, the directors believe that the classification and carrying amounts of the assets and liabilities as stated in the accounts to be appropriate.

Events Subsequent to Balance Date

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the company, the results of those operations, or the state of affairs of the company in subsequent financial year.

Related Party Transactions

In the opinion of the directors, all related party transactions have been adequately recorded in the books of the company and reflected in the financial statements.

Other Circumstances

As at the date of this report:

- (i) no charge on the assets of the company has been given since the end of the financial year to secure the liabilities of any other person;
- (ii) no contingent liabilities have arisen since the end of the financial year for which the company could become liable; and
- (iii) no contingent liabilities or other liabilities of the company has become or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the company to meet its obligations as and when they fall due.

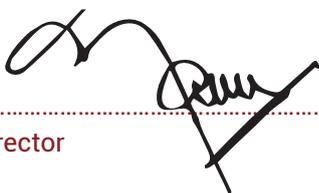
As at the date of this report, the directors are not aware of any circumstances that have arisen, not otherwise dealt with in this report or the company's financial statements, which would make adherence to the existing method of valuation of assets or liabilities of the company misleading or inappropriate.

Directors' Benefits

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than those included in the aggregate amount of emoluments received or due and receivable by directors shown in the financial statements or received as the fixed salary of a full-time employee of the company or of a related corporation) by reason of a contract made by the company or by a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

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

Dated this 8th day of August 2016.



.....
 Director



.....
 Director

FHL PROPERTIES LIMITED

Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016

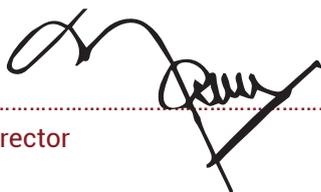
STATEMENT BY DIRECTORS

In accordance with a resolution of the Board of Directors of FHL Properties Limited, we state that in the opinion of the directors:

- (i) the accompanying statement of 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 2016;
- (ii) 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 2016;
- (iii) 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 2016;
- (iv) 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 2016;
- (v) 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; and
- (vi) all related party transactions have been adequately recorded in the books of the company.

For and on behalf of the board and in accordance with a resolution of the directors.

Dated this 8th day of August 2016.



.....
Director



.....
Director

Independent Audit Report



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

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

To the members of FHL Properties Limited

We have audited the accompanying financial statements of FHL Properties Limited, which comprise the statement of financial position as at 30 June 2016, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year ended and a summary of significant accounting policies and other explanatory notes.

Directors' and Management's Responsibility for the Financial Statements

The directors and management are responsible for the preparation and fair presentation of these Financial Statements in accordance with International Financial Reporting Standards and the requirements of the Fiji Companies Act, 1983. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these Financial Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion :

- a) proper books of account have been kept by the company, so far as it appears from our examination of those books, and
- b) the accompanying financial statements which have been prepared in accordance with International Financial Reporting Standards
 - i) are in agreement with the books of account; and
 - ii) to the best of our information and according to the explanations given to us:
 - a) give a true and fair view of the state of affairs of the company as at 30 June 2016 and of its financial performance, changes in equity and its cash flows for the year ended on that date; and
 - b) give the information required by the Fiji Companies Act, 1983 in the manner so required.

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.

Suva, Fiji
8 August 2016

Ernst & Young
Chartered Accountants

A member firm of Ernst & Young Global Limited

Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016

STATEMENT OF COMPREHENSIVE INCOME

	<u>Notes</u>	2016 \$	2015 \$ Restated
Revenue			
Rental income	2(a)	3,660,157	3,520,758
Other income	2(b)	246,844	289,790
		3,907,001	3,810,548
Expenses			
Employee benefit expense	3(a)	(337,497)	(321,035)
Depreciation and amortisation		(94,353)	(341,223)
Other operating expenses	3(b)	(1,929,754)	(1,781,933)
		(2,361,604)	(2,444,191)
Profit from operations		1,545,397	1,366,357
Finance costs (net)	3(c)	(477,271)	(558,372)
Profit from operations		1,068,126	807,985
Change in fair value of investment properties	8	2,860,000	940,000
Profit before income tax		3,928,126	1,747,985
Income tax expense	4(a)	(653,219)	(339,146)
Profit for the year		3,274,907	1,408,839
Other comprehensive income		-	-
Total comprehensive income for the year, net of tax		3,274,907	1,408,839

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

FHL PROPERTIES LIMITED
Financial Statements
 FOR THE YEAR ENDED 30 JUNE 2016

STATEMENT OF CHANGES IN EQUITY

	<u>Notes</u>	2016 \$	2015 \$ Restated
Share capital			
At 1 July		5,000,000	5,000,000
Issue of shares during the year		4,000,000	-
At 30 June	13	9,000,000	5,000,000
Retained earnings			
At 1 July		14,714,233	13,305,394
Profit for the year		3,274,907	1,408,839
Dividends for the year	11	(500,000)	-
At 30 June		17,489,140	14,714,233
Total shareholders' equity		26,489,140	19,714,233

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

FHL PROPERTIES LIMITED

Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016

STATEMENT OF FINANCIAL POSITION

	Notes	2016 \$	2015 \$ Restated
Assets			
Current assets			
Cash and short term deposits	14	346,717	96,290
Trade and other receivables	5	140,242	172,951
		486,959	269,241
Non-current assets			
Held-to-maturity investments	6	752,513	752,513
Investment properties	8	36,362,622	33,328,799
Plant and equipment	7	547,495	458,003
Deferred tax assets	4(b)	10,643	15,277
		37,673,273	34,554,592
Total assets		38,160,232	34,823,833
Current liabilities			
Trade and other payables	9	1,100,362	967,392
Income tax payable		17,160	63,113
Employee benefit liability	10	24,298	17,150
Provisions	11	860,000	360,000
Interest bearing borrowings	12	701,698	964,098
		2,703,518	2,371,753
Non-current liabilities			
Interest bearing borrowings	12	5,435,461	9,731,887
Deferred tax liability	4(b)	3,532,113	3,005,960
		8,967,574	12,737,847
Total liabilities		11,671,092	15,109,600
Net assets		26,489,140	19,714,233
Shareholders' equity			
Share capital	13	9,000,000	5,000,000
Retained earnings		17,489,140	14,714,233
Total shareholders' equity		26,489,140	19,714,233

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



Director



Director

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

FHL PROPERTIES LIMITED
Financial Statements
 FOR THE YEAR ENDED 30 JUNE 2016

STATEMENT OF CASH FLOWS

	<u>Note</u>	2016 \$	2015 \$
Operating activities			
Rental income		3,721,413	3,520,478
Interest income		26,295	23,515
Interest paid		(503,566)	(581,887)
Other income		246,844	289,790
Payment to suppliers and employees		(2,160,246)	(2,271,818)
Income tax refund		-	145,132
Income tax paid		(168,385)	(40,512)
Net cash provided by Operating Activities		1,162,355	1,084,698
Investing activities			
Acquisition of plant, equipment and investment properties		(368,612)	(26,226)
Proceeds from disposal of assets		15,510	-
Net (used in) Investing Activities		(353,102)	(26,226)
Financing activities			
Dividends paid		-	(140,000)
Repayment of borrowings		(558,826)	(1,056,257)
Net cash (used in) Financing Activities		(558,826)	(1,196,257)
Net increase/(decrease) in cash and short term deposits		250,427	(137,785)
Cash and short term deposits at 1 July		96,290	234,075
Cash and short term deposits at 30 June	14	346,717	96,290

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

FHL PROPERTIES LIMITED

Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The company is a limited liability company incorporated and domiciled in Fiji. Its registered office is located at 91 Gordon Street, Suva. The principal activities of the company are renting and management of properties.

1.1 Statement of Compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and the Fiji Companies Act, 1983.

The financial statements were authorised for issue by the directors on 8 August 2016.

1.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies adopted by the company is set out in this note. The policies adopted are in accordance with IFRS, and unless stated otherwise are consistent with those applied in the prior year.

a) Basis of preparation

The financial statements of the Company have been drawn up in accordance with the provisions of the Fiji Companies Act 1983 and IFRS. The financial statements have been prepared primarily on the basis of historical costs and except investment properties which have been measured at fair value.

Standards issued but not effective

The standards and interpretations that are issued, but not effective, up to issuance of the company's financial statements disclosed below. The company intends to adopt these standards, if applicable, when it becomes effective.

<u>Reference</u>	<u>Title</u>	<u>Effective date</u>
IFRS 9	Financial Instruments	1 January 2018
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 16	Leases	1 January 2019

The company will review the impact of these standards in the next financial year.

b) 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 year in which the estimates are revised and in any future years affected.

c) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and revenue can be reliably measured. Revenue is measured at the fair value for the consideration received or receivable.

Rental income from investment properties are recognised in the statement of comprehensive income on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income.

FHL PROPERTIES LIMITED
Financial Statements
 FOR THE YEAR ENDED 30 JUNE 2016

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

1.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

d) Plant and equipment

(i) Owned assets

Items of plant and equipment are stated at cost less accumulated depreciation and impairment losses. Profits and losses on disposal of plant and equipment are taken into account in determining the results for the year.

(ii) Subsequent expenditure

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

(iii) Depreciation

Plant and equipment are depreciated at rates calculated to write-off plant and equipment over the term of their estimated useful lives. The rates and methods in use are as follows:

	<u>Rate</u>	<u>Method</u>
Plant and equipment	10%	Straight line
Motor vehicle	25%	Straight line

e) Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise, including the corresponding tax effect. Fair values are determined based on an annual valuation performed by an independent valuer.

Investment properties are derecognised either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in statement of comprehensive income in the period of derecognition.

Transfers are made to (or from) investment property only when there is a change in use.

Rental income from investment properties are accounted for as described in note 1.2 (c).

f) Foreign currencies

Foreign currency transactions during the year are translated to Fiji currency at rates ruling at the date of transaction. Assets and liabilities in foreign currencies at year end are translated to Fiji currency at rates ruling at balance date. Gains and losses (realised and unrealised) are brought to account in determining the profit or loss for the year.

g) Receivables

Trade receivables are carried at original invoice amounts less provision made for impairment of these receivables. A provision for impairment of receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables. This provision is based on a review of all outstanding amounts at year end. Bad debts are written off during the year in which they are identified.

Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

1.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

h) Cash and short term deposits

For the purposes of the statement of cash flows, cash and short term deposits comprise of cash at bank and short term deposits with original maturities of three months or less.

i) Investments

The classification of investments is dependent on the purpose for which the investments were required. Management determines the classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis. Investments that management has the intent and ability to hold to maturity are classified as held-to-maturity and are included in non-current assets. Held-to-maturity investments are carried at amortised cost.

j) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease. Where the company is the lessor, the assets leased out are classified in investment properties.

k) Trade and other creditors

These amounts represent liabilities for goods and services provided to the company prior to the end of the financial year and which are unpaid. The amounts are usually paid within 30 days of recognition.

l) Employee entitlement

Liabilities for employees' entitlements related to wages and salaries, annual leave and other current employee entitlements (that are expected to be paid within twelve months) are accrued at undiscounted amounts, calculated at amounts expected to be paid as at reporting date.

Liabilities for other employee entitlements, which are not expected to be paid or settled within twelve months of reporting date, are accrued in respect of all employees at the present value of future amounts expected to be paid.

m) Income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by balance date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

FHL PROPERTIES LIMITED
Financial Statements
 FOR THE YEAR ENDED 30 JUNE 2016

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

1.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

n) Dividends

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

o) Provisions

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

p) Impairment

The carrying amounts of the company's assets are reviewed at balance date to determine whether there is any indication of impairment. If any such indication exists, the assets recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the statement of comprehensive income.

q) Reporting currency

All figures are reported in Fiji dollars.

r) Comparative figures

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

1.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

Revaluation of land and buildings (investment property)

The company re-assessed its accounting for investment properties with respect after initial recognition. The Company has previously measured investment properties using the cost model, whereby, after initial recognition of the asset classified as investment properties, the asset was carried at cost less accumulated depreciation and accumulated impairment losses.

The Company elected to change the method of accounting for land and buildings classified as investment properties, since the Company believes that revaluation model more effectively demonstrates the financial position of land and buildings and is more aligned to practices adopted by its competitors where the properties are held to earn rentals. In addition, the activity in the property markets in which these assets are located provides observable market data on which reliable fair value estimates can be derived.

After initial recognition, the Company uses the revaluation model, whereby land and buildings will be measured at fair value at the date of the revaluation. The Company applied the revaluation model retrospectively. The effect of this adjustment is disclosed in Note 19.

Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

1.4 FINANCIAL RISK MANAGEMENT POLICIES

1.4.1 Financial risk factors

The company's activities expose it to a variety of financial risks: market risk (including fair value interest risk, cash flow interest risk and price risk), credit risk and liquidity risk. The company, in line with FHL Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance.

Risk management is carried out by the management under policies approved by the board of directors. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, non-derivative financial instruments and investment of excess liquidity.

(a) Market risk

This is the risk that the value of the company's portfolio will change due to movements in market factors like interest rates, currency, price and foreign exchange.

(i) Price risk

Price risk is the risk that the value of an investment will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market.

Different investments (cash, shares, bonds, property) tend to perform differently under the same operating environment. The company mitigates this risk by diversifying its investment portfolio. A significant portion of investment is in properties where the impact of price risk is minimal.

(ii) Cash flow and fair value interest rate risk

As the company has no significant interest-bearing assets, the company's income and operating cash flows are substantially independent of changes in market interest rates. Term borrowings have fixed interest rates whilst overdraft facilities have varying interest rates. The impact of interest on overdraft is not considered to be significant.

(iii) Legal and compliance risk

Legal and compliance risk refers to the risk of being legally non-compliant due to changes in Government and Regulators' current policies and regulations. The company has a Compliance Officer who reports directly to the Group Chief Executive Officer. The company anticipates changes in legal trends and implementation of market best practices, understanding and know-how, to balance competitive business pressure against legal risk.

(iv) Data risk

This is the risk of losing shareholders' account information and all their details despite having a dual system of storage via hard copy filing and an electronic database. The company always ensures confidentiality and security of all shareholders' information. The company has also a database system with adequate storage space and conducts daily backups. There is also a Disaster Recovery Plan in place.

(b) Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the company. Credit risk arises from cash and short term deposits, financial instruments and deposits with banks and financial institutions, as well as credit exposures to tenants, including outstanding receivables and committed transactions. The company minimises its risk by conducting thorough due diligence of any investments it makes, ensuring that there are guarantees on these investments by principal directors or sister companies, limiting the amounts given as loans or extended as credit and, also implementing certain conditions to allow the company to eventually collect funds. For potential rental tenants, a screening process, similar to a due diligence is performed, prior to their being granted leases. Checks are made as to their background, as well as their credit histories, with the Credit Bureau.

FHL PROPERTIES LIMITED
Financial Statements
 FOR THE YEAR ENDED 30 JUNE 2016

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

1.4 FINANCIAL RISK MANAGEMENT POLICIES continued

1.4.1 Financial risk factors continued

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and availability of funding through available committed credit facilities. Through the group, the company maintains flexibility in funding by maintaining available credit lines and cash resources from operations.

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

	Less than 1 year	1 to 5 years	Over 5 years	Total
<u>At 30 June 2016</u>	\$	\$	\$	\$
Borrowings	701,698	2,806,792	2,628,669	6,137,159
Trade and other payables	1,100,362	-	-	1,100,362
	<u>1,802,060</u>	<u>2,806,792</u>	<u>2,628,669</u>	<u>7,237,521</u>
<u>At 30 June 2015</u>	\$	\$	\$	\$
Borrowings	964,098	3,856,392	5,875,495	10,695,985
Trade and other payables	967,392	-	-	967,392
	<u>1,931,490</u>	<u>3,856,392</u>	<u>5,875,495</u>	<u>11,663,377</u>

1.4.2 Capital risk management

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

In order to maintain or adjust 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.

Consistent with FHL Group Policy, the company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the statement of financial position) less short term deposits. Total capital is calculated as 'equity' as shown in the company's statement of financial position plus net debt.

FHL PROPERTIES LIMITED

Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

	2016 \$	2015 \$
1.4 FINANCIAL RISK MANAGEMENT POLICIES continued		
1.4.2 Capital risk management continued		
The gearing ratio of the company is as follows:		
Total borrowings (Note 12)	6,137,159	10,695,985
Trade and other payables (Note 9)	1,100,362	967,392
Less: Cash and short term deposits (Note 14)	(346,717)	(96,290)
Net debt	6,890,804	11,567,087
Total equity	26,489,140	19,714,233
Total capital (total equity plus net debt)	33,379,944	31,281,320
Gearing ratio	21%	37%
2. OPERATING REVENUE	\$	\$
(a) Rental income		
Vanua House	1,053,967	887,623
Ratu Sukuna House	1,202,959	1,278,777
Ra Marama House	1,353,081	1,305,408
FHLP Building	50,150	48,950
	3,660,157	3,520,758
(b) Other income		
Management fees	104,371	104,371
Gain on disposal of fixed assets	4,567	-
Other revenue	137,906	185,419
	246,844	289,790
3. EXPENSES		
(a) Personnel expenses	\$	\$
Wages and salaries	229,679	234,558
Bonus	23,121	26,721
Gratuity	8,733	(4,721)
Fiji National Provident Fund	25,654	21,187
FNU levy	2,638	3,046
Staff training	24,808	26,124
Other personnel costs	22,864	14,120
	337,497	321,035
(b) Other operating expenses		
Auditors' remuneration - audit services	8,900	8,500
- other services	1,500	1,313
Accounting fees	1,258	999
Directors fees	20,000	22,518
Management fees - holding company	240,000	240,000
Repairs and maintenance:		
- General	13,498	2,147
- Vanua House	135,730	103,845
- Ratu Sukuna House	202,347	93,306
- Ra Marama House	154,289	166,849
- FHLP Building	634	1,250
Impairment of receivables	(30,319)	(32,299)
Other expenses	1,181,917	1,173,505
	1,929,754	1,781,933

FHL PROPERTIES LIMITED
Financial Statements
 FOR THE YEAR ENDED 30 JUNE 2016

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3. EXPENSES continued	2016	2015
(c) Finance cost - net	\$	\$
Interest income	26,295	23,515
Interest expense	(503,566)	(581,887)
	<u>(477,271)</u>	<u>(558,372)</u>
4. INCOME TAX	\$	Restated \$
(a) Income tax expense		
A reconciliation between tax expense and the accounting profit multiplied by Fiji's tax rate for the years ended 30 June 2016 and 2015 is as follows:		
Profit before income tax	3,928,126	1,747,985
Prima facie tax payable at 20%	785,625	349,597
Non-deductible expenses	6,186	3,956
Over provision from prior year	2,415	2,572
Restatement of deferred tax balances	(141,007)	(16,979)
Income tax expense reported in the income statement	<u>653,219</u>	<u>339,146</u>
The major components of income tax expense for the years 30 June 2016 and 2015 are:		
Current income tax	791,811	353,553
Deferred income tax	(138,592)	(14,407)
Income tax expense reported in the income statement	<u>653,219</u>	<u>339,146</u>
(b) Deferred tax liabilities - Net		
The net deferred tax liabilities reflects the estimated future expense at the income tax rate of 20% on the following items:		
Deferred tax liabilities	\$	\$
Accelerated depreciation for tax purposes and revaluation increments	(3,434,455)	(2,908,302)
Cyclone reserve	(97,658)	(97,658)
	<u>(3,532,113)</u>	<u>(3,005,960)</u>
Deferred tax assets		
Provision for impaired receivables	5,783	11,847
Provision for employee benefits	4,860	3,430
	<u>10,643</u>	<u>15,277</u>
Net deferred tax liabilities	<u>(3,521,470)</u>	<u>(2,990,683)</u>
5. TRADE AND OTHER RECEIVABLES	\$	\$
Trade receivables	64,428	125,684
Less: Provision for impaired receivables	(28,917)	(59,236)
	<u>35,511</u>	<u>66,448</u>
Prepayments	39,969	43,179
Owing by related party (Note 17 (c))	10,119	8,382
Other receivables	54,643	54,942
	<u>140,242</u>	<u>172,951</u>

Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

5. TRADE AND OTHER RECEIVABLES continued

For terms and conditions relating to related party receivables, refer to Note 17.
Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days.
As at 30 June, the ageing analysis of trade receivables is as follows:

Year	Total	< 30 days	Past due but not impaired		
			30 - 60 days	60 - 90 days	>90 days
2016	35,511	20,329	12,824	1,882	476
2015	66,448	52,937	13,511	-	-

As at 30 June 2016, trade receivables of \$28,917 (2015: \$59,236) were impaired and fully provided for.
Movements in the provision for impairment were as follows:

	2016 \$	2015 \$
At 1 July	59,236	91,535
Provision for impaired receivables	(30,319)	(32,299)
At 30 June	28,917	59,236
	\$	\$
Cyclone reserve account	488,289	488,289
Term deposit	264,224	264,224
	752,513	752,513

6. HELD-TO-MATURITY INVESTMENTS

Cyclone reserve account
Term deposit

The above deposits are placed in Merchant Finance & Investment Company Limited and will mature on 30 June 2017 and 4 July 2017 and are expected to be renewed upon maturity.

7. PLANT AND EQUIPMENT

	Plant and equipment \$	Motor Vehicles \$	Total \$
Cost:			
At 1 July	2,185,613	62,174	2,247,787
Additions	194,789	-	194,789
Disposals	(394,991)	-	(394,991)
At 30 June	1,985,411	62,174	2,047,585
Depreciation and impairment:			
At 1 July	1,737,974	51,810	1,789,784
Depreciation for the year	83,989	10,364	94,353
Disposals	(384,047)	-	(384,047)
At 30 June	1,437,916	62,174	1,500,090
Net book value - 30 June 2016	547,495	-	547,495
Net book value - 30 June 2015	447,639	10,364	458,003

FHL PROPERTIES LIMITED
Financial Statements
 FOR THE YEAR ENDED 30 JUNE 2016

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

8. INVESTMENT PROPERTIES	2016	2015
Valuation:	\$	\$
At 1 July	33,320,000	32,380,000
Change in fair value	2,860,000	940,000
At 30 June	36,180,000	33,320,000
Work in progress		
At 1 July	8,799	-
Additions	173,823	8,799
At 30 June	182,622	8,799
Closing balance at 30 June	36,362,622	33,328,799
The fair value of the above investment properties was based on a valuation carried out by independent valuers.		
9. TRADE AND OTHER PAYABLES	\$	\$
Trade creditors and accruals	594,146	388,496
Rental bond - exclusive of related parties	404,785	426,895
VAT payable	6,235	15,435
Owing to related parties (Note 17(c))	95,196	136,566
	1,100,362	967,392
10. EMPLOYEE BENEFIT LIABILITY	\$	\$
At 1 July	17,150	22,310
Arising during the year	24,298	17,150
Utilised	(17,150)	(22,310)
At 30 June	24,298	17,150
11. PROVISIONS	\$	\$
<u>Provision for dividends</u>		
At 1 July	360,000	500,000
Arising during the year	500,000	-
Paid during the year	-	(140,000)
At 30 June	860,000	360,000
12. INTEREST BEARING BORROWINGS	\$	\$
<u>Current</u>		
Credit facility - ANZ bank	(i) 17,537	360
Loan facility 1 - ANZ bank	(ii) 192,835	185,058
Loan facility 2 - ANZ bank	(iii) 491,326	470,974
Loan facility 3 - ANZ bank	(iv) -	307,706
	701,698	964,098

Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

12. INTEREST BEARING BORROWINGS continued

Non-current

		2016 \$	2015 \$
Credit facility - ANZ bank	(i)	405,036	8,315
Loan facility 1 - ANZ bank	(ii)	2,153,319	2,344,967
Loan facility 2 - ANZ bank	(iii)	2,877,106	3,378,605
Loan from Fijian Holdings Limited	(v)	-	4,000,000
		5,435,461	9,731,887
		6,137,159	10,695,985

- (i) The company has a credit facility limit of \$1 million (2015 limit of : \$1 million) with ANZ Banking Group Limited at the interest rate of 3.90% per annum with interest repayment and bulk reduction from time to time. Drawdowns are made from this facility for capital expenditure requirements to cover maintenance and up keep of existing properties;
- (ii) The loan is payable at monthly repayments of \$23,880 with interest rate of 3.90% per annum;
- (iii) The loan is payable at monthly repayments of \$51,820 with interest rate of 3.90% per annum; and
- (iv) The loan is payable at monthly repayments of \$37,660 with interest rate of 3.90% per annum.
- (v) During the year, the loan was converted to shares to Fijian Holdings Limited.

The loans from the ANZ Bank are secured as follows:

- (a) First registered mortgage debenture dated 7/10/98 over the assets and undertakings of the company. this is a fixed and floating charge over all present and future assets, undertakings (including good will) and unpaid/ called capital of the company;
- (b) First registered mortgage number 451140 dated 7/10/98 over Certificate of Title number 19239 on property known as "Vanua House"; and
- (c) First registered mortgage, over Certificate of Title number 4098, being property known as "Ratu Sukuna House."
- (d) First Registered Mortgage over Certificate of Title No.12609, being property known as "Ra Marama house."

13. SHARE CAPITAL

	\$	\$
Authorised share capital 9,000,000 ordinary shares of \$1 each (2015: 5,000,000 shares @ \$1)	9,000,000	5,000,000
Issued and paid up capital 9,000,000 ordinary shares of \$1 each (2015: 5,000,000)	9,000,000	5,000,000

14. CASH AND SHORT TERM DEPOSITS

Cash and short term deposits consist of cash on hand and balances with banks net of bank overdraft. Cash and short term deposits included in the statement of cash flows comprise the following amounts:

	\$	\$
Cash on hand	400	400
Cash at bank	346,317	95,890
	346,717	96,290

Financing Facilities

The company has an overdraft facility of \$200,000 (2015: \$200,000) which was not utilised at year end.

FHL PROPERTIES LIMITED
Financial Statements
 FOR THE YEAR ENDED 30 JUNE 2016

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

15. CAPITAL COMMITMENTS

There were no capital commitments at balance date (2015: Nil).

16. CONTINGENT LIABILITIES

There were no contingent liabilities at balance date (2015: Nil).

17. RELATED PARTY INFORMATION

The company is a wholly owned subsidiary of Fijian Holdings Limited.

(a) Directors

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

Retired Colonel Sakiusa Raivoce

Mr Arun Narsey

Mr Suren Kumar Patel

Mr Nouzab Fareed

Mr John O'Connor

-appointed 12 August 2015

Mr Ulai Taoi

-resigned 12 August 2015

(b) Transaction with related parties

The related party transactions during the year were as follows:

Fijian Holdings Limited

Car park income

2016 2015

Facility income

\$ \$

Interest expense

5,600 4,800

Management fee expense

53,227 52,024

Rental income

(239,342) (260,000)

(240,000) (240,000)

142,200 142,200

(278,315) (300,976)

FHL Fund Management Limited

Car park income

1,924 1,795

Facility income

20,840 15,856

Rental income

54,906 46,900

77,670 64,551

FHL Stockbrokers Limited

Car park income

- 305

Facility income

897 3,587

Rental income

2,669 10,675

3,566 14,567

Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

17. RELATED PARTY INFORMATION continued

(b) Transaction with related parties

Merchant Finance Limited

	2016	2015
	\$	\$
Car park income	8,482	8,014
Facility income	50,020	45,065
Interest income	14,363	18,813
Rental income	132,700	132,700
Billboard	17,648	18,783
	223,213	223,375

The transactions were on normal commercial terms and conditions no more favourable than those which would have been adopted if dealing with the shareholder at arms length in the same circumstances.

(c) Balance with related parties

Accounts receivables

	\$	\$
Merchant Finance and Investment Company Limited	10,119	8,382

Trade payables

Fijian Holdings Limited -rental bond, loan interest and management fees	40,669	82,039
FHL Stockbrokers Limited -rental bond	3,002	3,002
FHL Fund Management Limited -rental bond	13,528	13,528
Merchant Finance & Investment Company Limited -rental bond	37,997	37,997
	95,196	136,566

Held-to-maturity investments

Merchant Finance and Investment Company Limited	752,513	752,513
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(d) Key management personnel

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

The aggregate compensation of key management personnel comprises of only short-term benefits amounted to \$87,791 (2015: \$73,972).

18. OPERATING LEASES

The company has entered into leases with its tenants for 3 to 10 years and for varying amounts during the tenancy of the lease. Lessees have a right to renewal subject to negotiation.

	\$	\$
Receivable not later than 1 year	2,190,286	2,209,880
Receivable later than 1 year but not later than 5 years	3,196,638	3,206,958
More than 5 years	15,652	21,601
	5,402,576	5,438,439

FHL PROPERTIES LIMITED
Financial Statements
 FOR THE YEAR ENDED 30 JUNE 2016

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

19. FAIR-VALUE RETROSPECTIVE APPLICATION RESTATEMENT

The impact of the restatement of the 2015 results as explained in note 1.3 is as follows:

	Initially reported	Adjustment	Restated
Statement of Comprehensive Income			
Revenue	3,810,548	940,000	4,750,548
Expenses	(3,002,563)	-	(3,002,563)
Profit before income tax	807,985	940,000	1,747,985
Income tax expense	(168,146)	(171,000)	(339,146)
Profit for the year	<u>639,839</u>	<u>769,000</u>	<u>1,408,839</u>
Statement of Financial Position			
Investment properties	18,645,767	14,674,233	33,320,000
Accumulated depreciation	1,889,255	(1,889,255)	-
Deferred tax liability	<u>427,192</u>	<u>2,578,768</u>	<u>3,005,960</u>
Statement of Changes in Equity			
Retained earnings	<u>2,618,768</u>	<u>12,095,465</u>	<u>14,714,233</u>
Statement of Changes in Cash Flows			
No impact.			

21. SUBSEQUENT EVENT

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the company, the results of those operations, or the state of affairs of the company in subsequent financial year.

22. PRINCIPAL BUSINESS ACTIVITIES

The principal activities of the company are renting and management of properties.

23. COMPANY DETAILS

Principal place of business
 41 Gladstone Road
 Suva, Fiji

Registered office
 91 Gordon Street
 Suva, Fiji

Number of employees during the year

2016	2015
12	12



PROPERTIES
LIMITED

41 Gladstone Road, Suva
Post Office Box 2321
Government Buildings
Suva Fiji.
T (679) 330 3506 / 331 4946
F (679) 331 5502
Email: info@fhlproperties.com.fj