
KONTIKI FINANCE
ANNUAL REPORT 2019
Secure, Local, Innovative

About us

Kontiki Finance Limited is a Fijian majority owned company established in 2014 to provide Fijians with competitive and accessible financing for both consumers and small to medium size businesses. To support this, Kontiki Finance is open for business seven days a week and processes applications quickly, often the same day. When it comes to finance, Kontiki Finance is a leading alternative to the major banks and finance companies.

So whether you're purchasing a car or increasing the size of your vehicle fleet, organising a holiday, want to consolidate your debts, or use your motor vehicle as collateral, you can count on Kontiki Finance to work with you, and provide you with the solution that is right for you.

For our retail and motor vehicle dealer partners, Kontiki Finance is a full service provider of accessible and easy-to-understand financing solutions that allows it to better serve its client relationships by managing credit applications, credit authorisation, billing, remittance and customer service processing.

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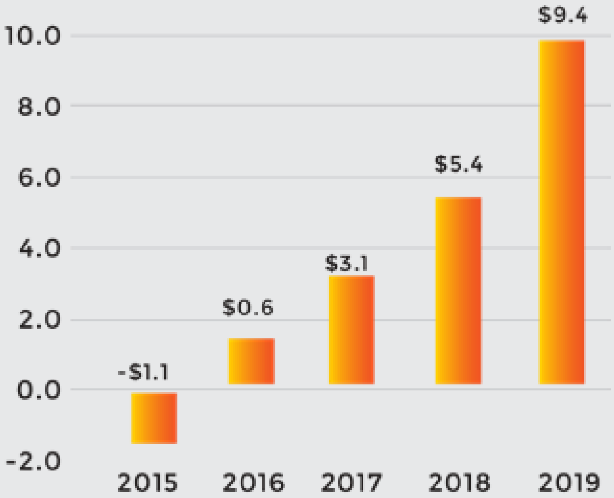
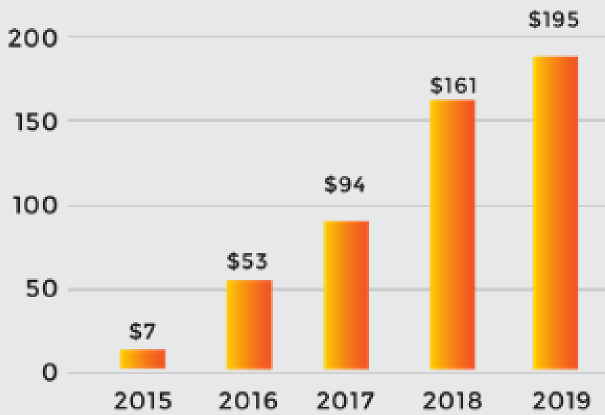
Snapshot

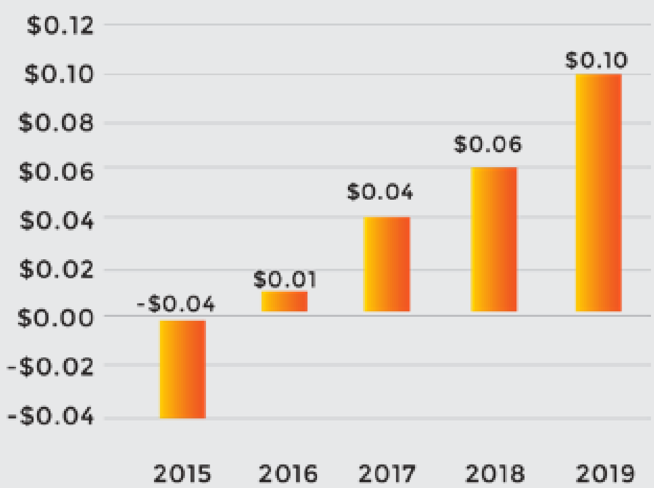
GROUP NET PROFIT AFTER TAX($M)



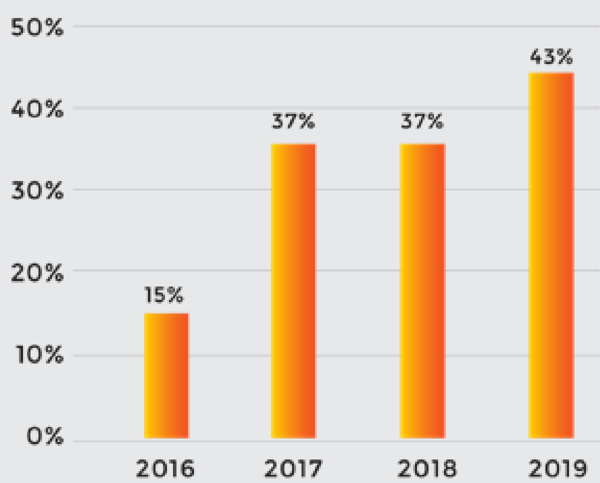
GROUP ASSETS UNDER MANAGEMENT ($M)



GROUP EARNINGS PER SHARE



GROUP RETURN ON EQUITY



An impressive performance, with more to come.

Chairman's Message

Dear Shareholders,

I am pleased to report that Kontiki Finance Limited produced a strong result for the financial year ending 30th June 2019.

Group Net Profit After Tax (NPAT) increased by 75% to $9.376 million, making us one of the fastest growing listed companies in Fiji. This has enabled us to return total dividends to our shareholders during the year of 5.5 cents per share.

It is also pleasing to note that the Group achieved an impressive Return on Shareholders' Equity of 43% for the year.

Other highlights

We also provided two motor vehicles for the Fiji Cancer Society to use to visit patients, and helped raise funds for Dilkusha Home, Lifeline Fiji and many others. Kontiki Finance continues to form strong community partnerships in rugby, lawn bowls, Fiji Va'a Paddling, Badminton and child welfare.

Support from deposit holders remains strong, supporting our lending growth. Term deposits have grown by 18% over the year to $159 million. Meanwhile our highly experienced management team remains stable. They have continued to do an outstanding job ensuring we maintain the highest standards of customer service despite continued growth. Our Board of Directors also remains strong with the addition of Barry Whiteside (former Governor of the Reserve Bank of Fiji).

Outlook for the year ahead.

Looking forward to the year ahead, we expect the challenging international economic environment to impact on economic activity in Fiji. However, with strong foundations in place across the key areas of funding, management, marketing and customer service, we will continue to work to drive growth in our profit in the coming year. It is important to note that our share of the consumer and small to medium enterprise lending market (excluding home loans) is approximately 13% – leaving potential growth ahead as we continue to build our brand and presence across Fiji.

With this momentum behind us, we are confident that your involvement with Kontiki Finance will continue to be rewarding, and I thank you for the faith you have shown in our company.

Your sincerely,

Daryl Tarte MF
Chairman

Business Overview

KFL is a full-service provider of accessible finance solutions targeted mainly at consumers and small to medium enterprises (SMEs). The Company commenced operations in October 2014 and opened its doors to customers in March 2015.

KFL is licensed by the Reserve Bank of Fiji as a "Credit Institution" under the Banking Act, 1995. Under its Credit Institution license, KFL is able to solicit term deposits from members of the public and to utilise the funds to make loans to clients.

The Company has a wholly-owned subsidiary company, Platinum Insurance Limited, which provides loan protection insurance to KFL's loan clients and is supervised by the Reserve Bank of Vanuatu.

KFL aims to offer innovative, flexible and accessible finance solutions to the consumer and SME segments of the market. KFL provides this through a highly experienced management team leveraging intellectual property and business intelligence proven by them in other markets.

PRODUCTS AND SERVICES

The Company provides a range of finance solutions to its clients including loans, term deposits and related products and services. These are detailed below.
Loans

KFL provides personal loans, vehicle financing loans and other credit products to clients, using three main distribution channels:

- Dealer - Loan applications referred mainly by motor vehicle dealers whose customers wish to purchase new or used motor vehicles. Providing an accessible finance solution supports dealer sales and allows the motor vehicle dealer to focus on its core business of maximising unit sales.
- Retail Point-of-Sale (POS) - Loan applications from customers referred to KFL by merchants. Typically, such loans are used to finance white goods, brown goods, furniture and technology goods.
- Direct - Loan applications received directly from customers for personal financing, new purchases or re-financing of existing loans.

Critical to the provision of loans is KFL's rigorous credit analysis and approval systems that meet international best-practice, managed by a highly experienced team of local and expatriate staff. KFL's experienced team also provides customers with valuable advice on structuring their loan portfolios including refinancing and consolidation.

TERM DEPOSITS

Under its Credit Institution license, KFL is able to solicit and accept term deposits, which are the primary source of funding for KFL's loan book. Term Deposits are offered for fixed terms ranging from three months to ten years, and deposit rates paid by KFL are amongst the most competitive in the market.

INSURANCE

KFL offers a range of insurance products to support its credit business, including motor, chattel and loan protection insurance. These insurance products allow customers, with KFL's help, to tailor their loans and manage their risk exposure. These also reduce credit risk for KFL.

Loan protection insurance is provided through KFL's wholly-owned captive insurer, Platinum Insurance Limited.

SERVICE SUPPORT

KFL's services are provided through a flexible and accessible system. The Company constantly strives to streamline and simplify its processes for credit application, credit authorisation, billing, remittance and customer service processing, in order to better serve clients.

- KFL currently operates at TappooCity in Suva, with service centres in Lautoka and Labasa. Customers visiting KFL's service centres can also speak directly to dedicated customer representatives in the Suva office using in-house teleconferencing facilities.
- Business can also be conducted by phone, on-line, via postal service, or by mobile manager, reducing the need for customers to visit KFL's offices.
- Customers have seven-day access to customer service representatives, including after normal business hours.

Community Engagement

As a locally owned business, it is a priority for Kontiki Finance to be involved in enriching the lives of the Fijian community through various sponsorship activities, fundraising, financial literacy programs and other community involvement.

In 2019 Kontiki Finance, contributed to Fiji Cancer Society, Dilkusha Home and Lifeline Fiji. Staff supported Fiji Cancer Society with several fundraising activities where they managed to raise over $9,000. The Company also donated two fleet vehicles to the Cancer Society, enabling the Society to reach more patients over Fiji and to distribute much needed medical supplies.

Kontiki Finance was instrumental in assisting Lifeline Fiji with running their first Gala Dinner event. The event raised more than $65,000 for Lifeline Fiji, creating more awareness on suicide prevention and mental health in the country. We also sponsored a workshop for Lifeline Fiji where councillors from all 26 provinces were able to learn the skills required to assist with suicide prevention across the country. We are striving to work with Lifeline Fiji to help break down the stigma associated with discussion and prevention of suicide.

Donation to Fiji Cancer Society 2018 Pinktober fundraising

Kontiki Finance Board Chairman handing over donated Vehicle keys to Fiji Cancer Society.

Staff Participating in the 2019 Suva Marathon race.

Certificate presentation at the 2019 Lifeline Mental Health Awareness workshop

Staff at Kontiki Finance also raised funds to assist with the needs of the children at Dilkusha Home. The children were treated to a Lovo dinner and presented a cheque for $4,000. Ongoing support include bathroom renovations at the Home.

Other fundraising involve assisting a person suffering from a spinal injury. We helped him establish his own business and build a small farm to enable his family to generate income to assist with their needs and his ongoing care.

We continue to support financial literacy, through various media platforms, several sporting events across Fiji and Organisations such as the Fiji Red Cross Society. Kontiki Finance and its staff are proud to be in position that we can make a difference in our communities.

Donation to Sekonaia Kotobalavu's Farm Project

Our Services

TERM DEPOSITS

We have among the best term deposit rates in the country since we started helping you grow your wealth to make living more comfortable and enjoyable. This investment is also capital guaranteed.

DEBT CONSOLIDATION LOANS

Finance all your existing loans into one easy Kontiki Loan, making life that much easier for you.

CAR LOANS

We can help you access your new or used vehicle and workout a repayment to suit your budget, including lending out for longer, leaving you with more cash in your pocket at the end of the month.

EQUITY RELEASE

This product allows you to obtain a loan by using the capital value of your motor vehicle as security, even if you have an existing loan on the vehicle we can assess your application with that in mind.

LOAN PROTECTION INSURANCE

We offer loan protection insurance (LPI) which can protect you in times of involuntary unemployment, sickness, accident and death. This is another comprehensive service we have to make sure that you are looked after properly.

Board of Directors

DARYL TARTE
| CHAIRMAN
MF

FRANCIS CHUNG
| DIRECTOR
BCOM, CA (NZ)
– RETIRED, CA (FIJI)

LITIA NIUMATAIWALU
| DIRECTOR
MCOM, BBUS, DIPBANK

DARYL TARTE | CHAIRMAN MF	A Fiji citizen and Member of the Order of Fiji, Daryl has worked in executive, advisory and governance roles over many years. He joined the sugar industry in 1968 and served as the Secretary of the Sugar Board & Advisory Council, then as Executive Vice Chairman. Other roles in the industry include being the first Industrial Commissioner of the Sugar Industry Tribunal. Daryl previously chaired the Capital Markets Development Authority, Kontiki Growth Fund and MIOT Private Hospitals, and was the director of Air Terminal Services and Namale Plantation Resort. He was the long-serving Manager of the Sugar Cane Growers Fund Authority and recently retired as a director of Telecom Fiji. Daryl is also an author, having written several successful novels as well as the Biography of Ratu Sir Penaia Ganilau and has been Hon. Consul for Federal Republic of Germany for 15 years. Daryl is an independent director of KFL.
FRANCIS CHUNG | DIRECTOR BCOM, CA (NZ) – RETIRED, CA (FIJI)	Francis is a Fiji citizen and brings many years of experience in accounting, taxation and management. After joining the then Ernst & Whinney in 1986, he became the sole Partner of the firm from 1988 to 1999, with a specialisation in tax and business advisory. Following the firm's international transition to Ernst & Young, he served as Managing Partner from 2000 until his retirement in 2011. He is currently a director of several companies including Capital Insurance Fiji, Solander Pacific and Drone Services Fiji PTE Ltd. He is also the honorary Treasurer of the Fiji Red Cross Society and Champagnat Marist Education and a Trustee for United Trust. Francis graduated from the University of Canterbury, New Zealand with a Bachelor of Commerce in 1974 and completed his Fiji accountancy qualification in 1986. He is a current member of the Fiji Institute of Accountants and recently retired from Chartered Accountants Australia & New Zealand. Francis is an independent director of KFL.
LITIA NIUMATAIWALU | DIRECTOR MCOM, BBUS, DIPBANK	Litia is a Fiji citizen, with over 18 years of experience in the banking and finance sector in Fiji with National Bank of Fiji / Colonial. Since leaving the banking industry, she has managed various family business interests whilst undertaking financial and business consulting work. Litia has previously served in an advisory capacity for good governance, financial and risk management in various civil societies namely, The Fiji Young Women's Christian Association, Fiji Council of Social Services, Pacific Association of Non- Governmental Organizations (PIANGO), and Fiji Cancer Society. Litia graduated with a Master of Commerce (Banking & Finance) and Bachelor of Business (Banking & Finance) from the University of Sydney and the University of South Australia respectively, in Australia. She also completed a Diploma in Banking from the University of the South Pacific in Fiji. Litia is an independent director of KFL

GLEN CRAIG
| DIRECTOR

GRIFFON EMOSE
| DIRECTOR
BCOM, GRAD DIP
APP FIN & INV., CFA

BARRY WHITESIDE
| DIRECTOR, MA, BA,
FAICD

GLEN CRAIG | DIRECTOR	Glen is a Vanuatu citizen. He is the Managing Partner of the specialist South Pacific corporate advisory firm, Pacific Advisory. He is a Licensed Securities Dealer and holds a CSP Licence from the Vanuatu Securities Commission. Glen has an extensive private sector background in Climate Finance, Policy Development, Tourism, Agriculture and Property Industry with practical hands on knowledge of the intricacies of doing business in the Pacific context. He offers a broad range of advisory and strategic services to Governments, Financial Institutions , Corporates, Regional Agencies and Institutional Investors. Glen has resided in Vanuatu for 15 years and sits on numerous Private and Public Boards and Committees including the current Chairperson of the Vanuatu Business Resilience Council and on the Board of both Vanuatu Rugby League and the Vanuatu Surfing Association. Glen is passionate about driving development in the South Pacific through direct Investment in sustainable industries.
GRIFFON EMOSE | DIRECTOR BCOM, GRAD DIP APP FIN & INV., CFA	A Fiji citizen, Griffon is the Managing Director of Kontiki Capital. He was previously the Manager Public Awareness & Investor Education at the Capital Markets Development Authority and an economist at the Ministry of Finance where he served with the Economic Policy Analysis Unit and the Financial Management Reform Project. He is licensed by the RBF as an Investment Adviser Representative and serves on several other boards. Past directorships include for the South Pacific Stock Exchange, Fiji Gas and Pleass Global. Griffon graduated with a Bachelor of Commerce from the University of Auckland, New Zealand and completed the Graduate Diploma in Applied Finance & Investment through the Securities Institute of Australia (now the Financial Services Institute of Australasia). He is a member of the CFA Institute and earned the CFA Charter in 2005.
BARRY WHITESIDE | DIRECTOR, MA, BA, FAICD	A Fiji citizen, Barry served as Governor of the Reserve Bank of Fiji from May 2011 to May 2017 and prior to that as Deputy Governor from October 2009. He has a career spanning just over 40 years across all core areas of the Central Bank including Economics/Research, Financial Markets, Financial Institutions Supervision and Currency and Corporate Services. Barry graduated with a Bachelor of Arts (Economics/Administration) from the University of the South Pacific and a Master of Arts (Economics) from Simon Fraser University in Vancouver, Canada. He is a Fellow of the Australian Institute of Company Directors and the Fiji Institute of Bankers. He currently serves as a Director with the Pacific Catastrophe Risk Insurance Company and as a Director/Trustee of the JP Bayly Trust.Barry is an independent Director of KFL.

Senior Management Team

GREGORY CATHCART

| Group Chief Executive Officer, Head of Credit
Dip Bus (Finance), F Fin

Greg is a Fiji citizen with over 38 years' experience as a finance executive in several geographies including Australia, New Zealand, Fiji, Papua New Guinea, Indonesia, Kuwait, and Bahrain. He has a record of successfully delivering performance outcomes, onboarding and managing large multi-partnered deals, launching and managing retail deposit and loan products, and negotiating and managing wholesale funding facilities.

Greg has previously held senior and executive positions with listed entities and major corporates abroad. These include Executive Director and Chief Executive Officer of Pacific Retail Finance Group (division of NZX-listed PRG, later sold to NYSE-listed GE), Head of Business Development & Support at Australian Guarantee Corporation (division of ASX-listed Westpac) and Group Credit Manager at NZX-listed Fisher & Paykel Finance (later sold to ASX-listed FXL).

Greg has a Post Graduate Diploma in Business with a Finance major from the Business School at Auckland University, New Zealand and is a Fellow of the Financial Services Institute of Australasia (FINSIA). He was elected Chairman of the Finance Companies Association, the professional industry body for Licensed Credit Institutions in Fiji, in 2016. He also served previously on the Accounting, Law and Finance Committee at Unitec in Auckland, New Zealand for seven years until 2006.

DAVID OLIVER

| Group Chief Financial Officer, Head of Treasury, Head of Risk, Company Secretary
BA (Hons) Econ, Grad Dip App Fin & Inv., F Fin, FRM

David is a Fiji citizen with over 25 years of investment banking experience in New Zealand, Fiji, and the Pacific. He is highly experienced in financial risk management, evaluating business feasibility, acquisition, divestiture, valuation, due diligence and financing transactions.

David was previously Manager, Corporate Advisory at Macquarie Bank in New Zealand. Prior to that, he managed the Department of Public Enterprises in Fiji, where he oversaw the development and implementation of Fiji's public enterprise reform programme. He has extensive experience as a business and economic analyst, having previously filled this role at Telecom New Zealand, New Zealand Treasury and Shell Oil (NZ).

David holds a Bachelor of Arts (First Class Honours) in Economics from Victoria University of Wellington, New Zealand and is a Fellow of the Financial Services Institute of Australasia (FINSIA), having completed the Graduate Diploma in Applied Finance & Investment. He is a member of the Global Association of Risk Professionals (GARP) and is certified with the Financial Risk Manager (FRM) designation. He is licensed by the RBF as an Investment Adviser and Broker Dealer Representative.

PHILLIP LACEY

| Group Head of Products and Distribution

A New Zealand citizen, Phillip has over 30 years of financial services experience, specialising in relationship-managed sales in direct and intermediary channels. He was previously General Manager of NYSE-listed GE Capital's NZ Mortgage business and ran credit, collections and loss-recoveries functions for Pacific Retail Finance. He also served as Head of Collections for AGC Finance (owned by Westpac Bank) managing a human resource of 60 employees.

Phillip assisted with establishing Simply Insurance for Pacific Retail Finance, which achieved a maiden NPBT of NZ$8.9m in its first full year of operations. At PRF, he conducted risk analysis of Direct Channel products and processes and detailed process approval of all distribution collateral including TV campaigns, radio, direct mail and print media. He also ran and owned a three-branch Wizard Home Loans franchise, writing loans of NZ$96m and won Wizard Home Loans performance awards in multiple years.

Corporate Governance Statement

KFL is committed to developing and maintaining corporate governance policies that are consistent with industry best-practice. To this end, the Company supports the Reserve Bank of Fiji's Corporate Governance Code for the Capital Markets. The Code's principles, and how these are implemented within KFL, are detailed below.

PRINCIPLE 1 - ESTABLISH CLEAR RESPONSIBILITIES FOR BOARD OVERSIGHT

The Company's Corporate Governance Policy clearly defines the role of the Board and its committees, namely the Audit Committee and the Asset and Liability Committee (ALCO). The Board has overall responsibility for the company, including approving and overseeing the implementation of its business objectives, risk strategy, financial soundness, corporate governance and corporate values.

The Board is also guided by the Board Charter which includes, amongst other things:

- a commitment to ensure compliance of the Company's legal and regulatory obligations to respective stakeholders;
- the roles, functions, obligations, rights, responsibilities and powers of the Board;
- the policies, practices and procedures the Board must follow in carrying out its duties, functions and responsibilities; and
- a commitment to review, ratify, monitor and implement systems of risk management and internal control, as well as corporate governance.

PRINCIPLE 2 - CONSTITUTE AN EFFECTIVE BOARD

Candidates for directorship may be nominated by shareholders in a general meeting or appointed by the Board on a temporary basis. Directors appointed by the Board may only hold the position until the next Annual General Meeting.

The Board Charter sets the guidelines that directors should meet. In particular:

- Proposed Board members must meet the fit and proper criteria as defined by the RBF Banking Supervision Policy Statement No 10: Fit and Proper Requirements for Licensed Financial Institutions in Fiji.
- Directors should have a clear understanding of their role in corporate governance and be able to exercise sound and objective judgement about the affairs of KFL.
- The Board should possess, both as individuals and collectively, appropriate experience, competencies and personal qualities, including professionalism and personal integrity.
- The Board should have an adequate mix of core competencies in finance, accounting, financial services, business or management experience, industry knowledge, legal, strategic planning and risk management.
- The Board Charter also requires that the Company must have policies and practices for the selection, approval, renewal and succession of directors. New directors must also be provided sufficient time to familiarise themselves with KFL's business and risk profile, risk management, governance practices and internal controls. In practice, this includes the provision of an information pack containing all relevant documents upon appointment and briefings by senior management.
- The Board reviews and reassesses the adequacy of the Board Charter regularly.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Corporate Governance Statement (continued)

DIRECTOR ATTENDANCE at Board Meetings	Board Meeting		Audit Committee	
	Held	Attended	Held	Attended
Daryl Tarte	8	8	5	5
Francis Chung	8	8	5	5
Glen Craig	8	8	N/A	N/A
Griffon Emose	8	8	5	5
Litia Niumataiwalu	8	8	N/A	N/A
Barry Whiteside	5	5	N/A	N/A

PRINCIPLE 3 - APPOINTMENT OF CHIEF EXECUTIVE OFFICER

The Corporate Governance Policy clearly defines the roles and responsibilities of the CEO. The CEO's contract of employment also details the duties, functions and responsibilities of the position.

The Board is responsible for selecting the CEO and having in place an appropriate succession plan. The Board also provides oversight of the CEO, in particular:

- monitoring to ensure the CEO's actions are consistent with the strategy and policies approved by the Board;
- setting formal performance standards consistent with the long-term objectives, strategy and financial soundness of the Company, and monitoring performance against these standards; and
- ensuring that the CEO's knowledge and expertise remain appropriate given the nature of the business and the institution's risk profile.
- The Board ensures that the Company's organisational structure facilitates effective decision making and good governance.

PRINCIPLE 4 - APPOINTMENT OF BOARD AND COMPANY SECRETARY

The Shareholders are responsible for selecting the Board. The Board is responsible for appointing a competent Company Secretary who is the administrative link between the Board and management. The Company Secretary also monitors statutory requirements and board policies and procedures and ensures that they are followed in a timely manner.

PRINCIPLE 5 - TIMELY AND BALANCED DISCLOSURE

The Company has a policy of informing shareholders promptly of any events that might significantly affect the value of the Company. This is a requirement under the SPSE Listing Rules, which KFL is required to follow as a listed company.

In addition, annual reports are provided to shareholders and annual general meetings are held annually to provide shareholders the opportunity to have their queries answered and be updated on the Company's performance and plans.

The Company also welcomes contact with shareholders at any time should they have pressing concerns or queries.

PRINCIPLE 6 - PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING

The Corporate Governance Policy is designed to promote sound corporate governance practices within KFL. The Policy promotes principles of transparency, accountability, responsibility and relevant disclosure. It also emphasises the separate responsibilities of directors and Senior Management and has been written considering all relevant legislative and regulatory requirements.

Other policies and procedures have been put in place to cascade the core corporate governance principles contained in the Policy down to all aspects of the Company's operations.

PRINCIPLE 7 - REGISTER OF INTERESTS

The Corporate Governance Policy sets out principles governing conflicts of interest of employees. In particular, employees are required to declare any position or interest outside KFL that could lead to a conflict of interest, as well as communicate any potential conflicts of interest to the CEO for proper management of the conflict.

Similarly, the Board Charter sets out principles governing conflicts of interest for directors. The minutes of board meetings reflect any declarations of conflicts of interest and how the conflict was managed. A register of interests for directors is also maintained.

PRINCIPLE 8 - RESPECT RIGHTS OF SHAREHOLDERS

All shareholder queries may be directed to the Company Secretary who is responsible for replying to and addressing them. Aside from attendance at the AGM, shareholders are able to submit written questions for the AGM via the Company Secretary. KFL also has a website which is regularly updated with significant events that may be of interest to shareholders.

PRINCIPLE 9 - ACCOUNTABILITY AND AUDIT

The Company has an external auditor to serve as an independent evaluator of the Company's financial reporting.

This function is supported by an Internal Audit function involving an independent party.

The Company has an Audit Committee in place that meets quarterly, or more often as needs dictate. The committee, amongst other things, is tasked with overseeing the external and internal audit functions.

PRINCIPLE 10 - RECOGNISE AND MANAGE RISK

The Company has a comprehensive risk management framework of policies and procedures. The Audit Committee oversees the risk function.

Group Net Profit After Tax (NPAT) increased 75% to $9.376 million

This has enabled us to return total dividends to our shareholders during the year of 5.5 cents per share.

CONSOLIDATED FINANCIAL STATEMENTS

DIRECTORS' REPORT

In accordance with a resolution of the Board, the Directors present their report on the entities consisting of Kontiki Finance Limited ("the Company") and its Subsidiary (collectively "the Group") as at 30 June 2019.

The historical financial information included in this Directors' Report has been extracted from the audited Financial Statements accompanying this Directors' Report.

Information in this Directors' Report is provided to enable shareholders to make an informed assessment of the operations, financial position, performance and other aspects of the Company and the Group, and whether the Company and the Group are trading as a going concern.

Principal Activities

The principal activities of the Company during the year were that of receiving deposits and extending of credit and related services. There was no significant change in the nature of these activities during the financial year.

The Company has a Subsidiary Company incorporated in Vanuatu, Platinum Insurance Limited. The principal activity of the Subsidiary is to act as a captive insurer underwriting loan protection insurance for the Company, Kontiki Finance Limited, based in the Republic of Fiji.

The Company was listed on the South Pacific Stock Exchange on 4 July 2018.

Review and Results of Operations

The operating Group profit for the year was $9,375,985 (2018: $5,365,448) after allowing for an income tax expense of $1,192,223 (2018: $1,502,101). The operating profit of the Company for the year was $7,720,676 (2018: $5,749,437) after taking into account an income tax expense of $1,192,223 (2018: $1,502,101).

Our Values

The core values of our business are:

- Accountability
- Innovation
- Integrity
- People

Our Strategy

Our strategy is focused on driving shareholder value by providing innovative, flexible and accessible finance solutions to the consumer and small and medium enterprise segments of the market. The Group provides this through a highly experienced management team leveraging intellectual property and business intelligence proven by them in other markets.

Our Priorities This Year

The key priority of the Group for the 2019 financial year was to continue building its loan portfolio.

Key Statistics

Key statistics as at 30 June 2019	Group	Company
Total number of employees	157	157
Total funds under management	194,624,546	185,589,197
Total operating income	36,208,117	34,051,946
Net profit after tax	9,375,985	7,720,676
Earnings per share	$0.10	$0.09

The Future

The development of new products and markets, and enhancements to existing products will continue to allow the Group to sell bundled products, win new business and/or reduce risk.

Bad and Doubtful Debts

Prior to the completion of the Group's and the Company's financial statements, the Directors took reasonable steps to ascertain that action had been taken in relation to writing off of bad debts and the making of provision for expected credit losses. In the opinion of Directors, adequate provision has been made for expected credit losses.

As at the date of this report, the Group and the Company are not aware of any circumstances, which would render the amount written off for bad debts or the provision for expected credit losses in the Group and the Company, inadequate to any substantial extent.

Non-Current Assets

Prior to the completion of the financial statements of the Group and the Company, the Directors took reasonable steps to ascertain whether any non-current assets were unlikely to realise in the ordinary course of business their values as shown in the accounting records of the Group and 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 Group's and the Company's financial statements misleading.

Unusual Transactions

In the opinion of the Directors, the results of the operations of the Group and 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 Group and the Company in the current financial year, other than those reflected in the financial statements.

Other Circumstances

As at the date of this report:

(i) no charge on the assets of the Group and 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 Group and the Company could become liable; and

(iii) no contingent liabilities or other liabilities of the Group and 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 Group and 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 Group and the Company's financial statements, which would make adherence to the existing method of valuation of assets or liabilities misleading or inappropriate.

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) by reason of a contract made by the Group and the Company with the Director or with a firm of which he is a Director, or with a company in which he has a substantial financial interest.

Basis of Accounting

The Directors believes that the basis of the preparation of the financial statements is appropriate and the Group and the Company will be able to continue its operation for at least twelve months from the date of this statement. Accordingly the Directors believes the classification and carrying amounts of assets and liabilities as stated in these financial statements are appropriate.

All related party transactions have been adequately recorded in the books of the Group and the Company.

Dividends

Dividend amounting to $2,667,760 was declared and paid in 2019 from the profits recorded in 2018. In addition, an interim dividend of $2,252,169 was declared and paid during the year 2019.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Group and the Company during the year ended 30 June 2019.

Events occurring after the end of the financial period

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

Details of Directors and Executives

The Directors of the Company during the financial period and up to the date of this report were:

Daryl Tarte (Chairman)
Francis Chung
Glen Craig
Griffon Emose
Litia Niumataiwalu
Barry Whiteside (Appointed 29 October 2018)

Details of Directors' direct and indirect shareholdings in the Company as at 30 June 2019 are shown in the table below:

Name	Position	Group	Company
Daryl Tarte	Chairman	352,582	352,582
Francis Chung	Director	881,445	881,445
Glen Craig	Director	6,012,160	6,012,160
Griffon Emose	Director	1,636,440	1,636,440
Barry Whiteside	Director	100,000	100,000

Board and Committee meeting attendance

Details of the number of meetings held by the Board and its Audit Committee during the period ended 30 June 2019, and attendance by Board members, are set out below:

Director	Position	Board		Audit Committee	
		A	B	A	B
Daryl Tarte	Chairman	8	8	5	5
Francis Chung	Member	8	8	5	5
Glen Craig	Member	8	8	-	-
Griffon Emose	Member	8	8	5	5
Litia Niumataiwalu	Member	8	8	-	-
Barry Whiteside	Member	5	5	-	-

Column A: number of meetings held while a member

Column B: number of meetings attended

Auditor Independence

The Directors have obtained an independence declaration from the Group's auditor, Ernst & Young. A copy of the auditor's independence declaration is set out in the *Auditor's Independence Declaration to the Directors of Kontiki Finance Limited* on page 6.

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

Dated this 19th day of September 2019.

Daryl Tarte
....
Name:

....
Chairman

DIRECTORS' DECLARATION

DIRECTORS' DECLARATION

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

The Directors of Kontiki Finance Limited ("the Company") and its Subsidiary (collectively "the Group") have made a resolution that declared:

a) in the Directors' opinion, the financial statements and notes of the Company and the Group for the financial year ended 30 June 2019:

   i) give a true and fair view of the financial position of the Company and the Group as at 30 June 2019 and of the performance of the Company and the Group for the year ended 30 June 2019.

   ii) have been made out in accordance with the Companies Act 2015.

b) they have received declarations as required by Section 395 of the Companies Act 2015.

c) at the date of this declaration, in the Directors' opinion, there are reasonable grounds to believe that the Company and the Group will be able to pay its debts as and when they become due and payable.

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

Dated this 19th day of September 2019.

Daryl Tarte
…………………………………
Name:

……………………………………………………………
Chairman

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Auditor's Independence Declaration to the Directors of Kontiki Finance Limited

As lead auditor for the audit of Kontiki Finance Limited ("the Holding Company") and its subsidiary (collectively "the Group") for the financial year ended 30 June 2019, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the Companies Act 2015 in relation to the audit; and

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

This declaration is in respect of Kontiki Finance Limited and the entities it controlled during the financial year.

Ernst & Young
Chartered Accountants

Steven Pickering
Partner
Suva, Fiji

19 September 2019

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Independent Audit Report

To the members of Kontiki Finance Limited

Report on the Financial Statements

Opinion

We have audited the financial statements of Kontiki Finance Limited ("the Company") and its subsidiary company (collectively "the Group"), which comprise the statement of financial position of the Company and the Group as at 30 June 2019, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information and the Directors' Declaration.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company and the Group as at 30 June 2019 and of their financial performance and 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 ("ISA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company and the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other than the provision of assurance services in our capacity as auditor, we have no relationship with, or interest in, the Company and the Group. Partners and employees of our firm deal with the Company and the Group on normal terms within the ordinary course of trading activities of the business of the Company and the Group.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, our description on how our audit addressed the matters is provided in that context.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report, including in relation to the key audit matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying financial statements.

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Key Audit Matters continued

Provision for credit loss

Why significant	How our audit addressed the key audit matter
As described in Note 2 (d) Impairment of financial assets, Note 7 Receivable from customers and Note 23 Financial risk management, the provisions for expected credit losses are determined under application of IFRS 9 Financial Instruments. This is a key audit matter as significant judgement is involved to determine the expected credit losses. Key areas of judgement included: - the interpretation of the requirements to determine impairment under application of IFRS 9, which is reflected in the Company and the Group's expected credit loss model; - the identification of exposures with a significant deterioration in credit quality; - assumptions used in the expected credit loss model such as the financial condition of the counterparty, expected future cash flows and forward-looking macroeconomic factors (e.g. gross domestic product growth) as disclosed in Note 23 Financial risk management and Note 2 (d) Impairment of financial assets; and - the need to apply additional overlays to reflect current or future external factors that are not appropriately captured by the expected credit loss model.	In obtaining sufficient appropriate audit evidence we: ► Assessed the modelling techniques and methodology used against the requirements of IFRS 9 Financial Instruments. ► Assessed and tested the design and operating effectiveness of the controls over the: – data used to determine the provisions for doubtful debts, including transactional data captured at loan origination, ongoing internal credit quality assessments, storage of data in data warehouses and interfaces to the expected credit loss model. – expected credit loss model, including model build and approval, ongoing monitoring/validation, model governance and mathematical accuracy. ► Assessed key modelling assumptions with a focus on the: - financial condition of the counterparties and expected future cashflows; - sensitivity of the collective provisions to changes in modelling assumptions. ► Examined a sample of exposures and performed procedures to evaluate the: – timely identification of exposures with a significant deterioration in credit quality; and – expected loss calculation for collective provisioning. ► Involved IT specialists in areas that required specific expertise (including data reliability and the expected credit loss model). ► Assessed whether the financial statement disclosures appropriately reflect the Company and the Group's exposure to credit risk.

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Key Audit Matters continued

Estimation of insurance liabilities

Why significant	How our audit addressed the key audit matter
The subsidiary company has significant insurance liabilities, including the provision for reported claims by policyholders, incurred but not reported claims reserve ("IBNR") and unearned premium reserves as of 30 June 2019 totalling to $8.7m. The provision for reported claims by policyholders comprises the total value of individual outstanding claims estimated by internal or external loss adjusters when a claim has been initiated. These estimates are reassessed during the various stages of the claim processing cycle and are revised based on changes in specific circumstances pertaining to each claim. The IBNR recorded represents an estimate of the liability for claim-generating events that have taken place during the year but have not yet been reported to the subsidiary company as of 30 June 2019. IBNR is recorded at the reporting date based on the computations performed by an external actuary appointed by management, after considering historical claim trends, empirical data and current assumptions that may include a margin for adverse deviations. Due to the magnitude of the balances and the estimation uncertainty and subjectivity involved in the assessment of these reserves, in particular the ultimate total settlement amount of the insurance contract liabilities, we consider this to be a key audit matter. The Group's disclosures regarding policyholder liabilities are included in Notes 16 and 17 to the financial statements.	In obtaining sufficient appropriate audit evidence we: ▶ Tested controls over the initiation, review and approval of the claim process across the different lines of business including the claim settlement process. ▶ Evaluated the provision for reported claims by policyholders recorded by management by reviewing the loss reports, internal policies and assumptions made by management. ▶ Evaluated the objectivity, independence and expertise of the actuarial valuator appointed by management. ▶ Considered the data provided by the Group to the external actuary on which the actuarial valuation was based and assessed the completeness and accuracy of this data. ▶ Involved our internal actuarial specialist to verify the computation and evaluate the methodology and assumptions used by the actuary by comparison to generally accepted industry practices. ▶ Considered the adequacy and completeness of the disclosures in relation to policyholder liabilities.

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Other Information

The Directors and management are responsible for other information. The other information comprises the information in the Company and the Group's Annual Report for the year ended 30 June 2019, but does not include the financial statements and the Auditor's Report thereon.

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

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

Responsibilities of the Directors and management for the Financial Statements

The Directors and management are responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and for such internal control as management and the Directors 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 and the Directors are responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management and the Directors either intend to liquidate the Company and the Group to cease operations, or have no realistic alternative but to do so.

The Directors and management are responsible for overseeing the Company's and the Group's financial reporting process.

Auditor's 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatement can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

- 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 and the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management and the Directors.

- Conclude on the appropriateness of management and the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We communicate with management and the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We are also required to provide the Directors and management with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

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Report on Other Legal and Regulatory Requirements

In our opinion, the financial statements have been prepared in accordance with the requirements of the Banking Act 1995 and the Companies Act 2015 in all material respects, and:

i) we have been given all information, explanations and assistance necessary for the conduct of the audit; and

ii) the Company and the Group has kept financial records sufficient to enable the financial statements to be prepared and audited.

Ernst & Young
Suva, Fiji

Steven Pickering
Partner
Level 7
Pacific House
1 Butt Street
Suva, Fiji.

19 September 2019

KONTIKI FINANCE LIMITED AND ITS SUBSIDIARY

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2019

	Notes	Group 2019 $	Group 2018 $	Company 2019 $	Company 2018 $
Revenue					
Interest revenue calculated using the effective interest method	3.1	34,081,070	23,594,245	33,784,650	23,535,590
Interest expense calculated using the effective interest method	4.1	(9,345,754)	(6,235,399)	(9,345,754)	(6,217,719)
Net interest income		24,735,316	17,358,846	24,438,896	17,317,871
Fee and commission income	3.2	168,635	175,612	168,635	946,293
Premium income	16	1,528,776	992,113	-	-
Net trading income	3.3	429,636	126,656	98,661	45,035
Total revenue		26,862,363	18,653,227	24,706,192	18,309,199
Less: expenses					
Movements in expected credit loss/allowance for impairment	7	(2,479,667)	(2,005,858)	(2,479,667)	(2,005,858)
Personnel expenses	4.2	(7,916,440)	(5,806,297)	(7,916,440)	(5,806,297)
Depreciation of plant and equipment		(610,622)	(417,324)	(610,622)	(417,324)
Amortisation of intangible assets		(236,130)	(170,522)	(236,130)	(170,522)
Other operating expenses	4.3	(5,051,296)	(3,385,677)	(4,550,434)	(2,657,660)
Total operating expenses		(16,294,155)	(11,785,678)	(15,793,293)	(11,057,661)
Operating profit before tax		10,568,208	6,867,549	8,912,899	7,251,538
Income tax expense	5	(1,192,223)	(1,502,101)	(1,192,223)	(1,502,101)
Net profit after tax		9,375,985	5,365,448	7,720,676	5,749,437
Other comprehensive income		-	-	-	-
Total comprehensive income for the year, net of tax		9,375,985	5,365,448	7,720,676	5,749,437
Earnings per share	20	$ 0.10	$ 0.06	$ 0.09	$ 0.06

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

KONTIKI FINANCE LIMITED AND ITS SUBSIDIARY

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2019

		Group		Company	
	Notes	2019 $	2018 $	2019 $	2018 $
Issued capital					
Balance at the beginning of the year		10,884,772	7,900,186	10,884,772	7,900,186
Issue of share capital	19	1,908,509	2,984,586	1,908,509	2,984,586
Balance at the end of the year		12,793,281	10,884,772	12,793,281	10,884,772
Retained earnings					
Balance as at end of last year		7,982,674	2,617,226	9,134,932	3,385,495
Impact of adopting IFRS 9	29	(607,473)	-	(607,473)	-
Restated opening balance under IFRS 9		7,375,201	2,617,226	8,527,459	3,385,495
Net profit for the year		9,375,985	5,365,448	7,720,676	5,749,437
Dividends declared during the year		(4,919,929)	-	(4,919,929)	-
Balance at the end of the year		11,831,257	7,982,674	11,328,206	9,134,932
Total equity		24,624,538	18,867,446	24,121,487	20,019,704

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

KONTIKI FINANCE LIMITED AND ITS SUBSIDIARY

STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 30 JUNE 2019

	Notes	Group 2019 $	Group 2018 $	Company 2019 $	Company 2018 $
ASSETS					
Cash and cash equivalents	6	8,001,095	9,714,205	7,980,326	9,663,674
Financial assets at fair value through profit or loss	9	877,045	907,930	-	-
Debt financial assets at amortised cost	8	54,089,000	46,141,154	45,983,000	43,405,154
Receivable from customers	7	126,412,835	101,021,486	126,316,957	99,081,282
Prepayments and other assets	10	2,271,225	2,301,527	2,120,568	2,294,334
Investment in subsidiary	11	-	-	215,000	215,000
Plant and equipment	13	1,776,437	1,562,521	1,776,437	1,562,521
Intangible assets	14	729,329	580,185	729,329	580,185
Deferred tax asset	5	467,580	569,460	467,580	569,460
Total assets		194,624,546	162,798,468	185,589,197	157,371,610
EQUITY AND LIABILITIES					
Due to customers	12	159,375,520	135,422,529	159,375,520	135,422,529
Trade and other payables	15	1,727,168	1,625,738	1,890,075	1,635,100
Current tax liability		70,724	179,159	70,724	179,159
Employee benefit liability	18	131,391	115,118	131,391	115,118
Unearned premium	16	8,362,279	6,233,513	-	-
Provisions	17	332,926	354,965	-	-
Total liabilities		170,000,008	143,931,022	161,467,710	137,351,906
SHAREHOLDERS EQUITY					
Issued capital	19	12,793,281	10,884,772	12,793,281	10,884,772
Retained earnings		11,831,257	7,982,674	11,328,206	9,134,932
Total equity		24,624,538	18,867,446	24,121,487	20,019,704
TOTAL EQUITY AND LIABILITIES		194,624,546	162,798,468	185,589,197	157,371,610

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

KONTIKI FINANCE LIMITED AND ITS SUBSIDIARY

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2019

	Notes	Group		Company	
		2019 Inflows/ (Outflows) $	2018 Inflows/ (Outflows) $	2019 Inflows/ (Outflows) $	2018 Inflows/ (Outflows) $
Operating activities					
Interest income received		32,543,576	22,653,608	32,247,157	22,538,614
Interest expense paid		(9,345,754)	(6,235,399)	(9,345,754)	(6,217,719)
Non interest income received		267,296	1,238,043	267,296	991,328
Premium income received		5,930,556	1,995,756	-	-
Payments to suppliers and employees		(12,219,154)	(7,872,100)	(11,902,144)	(8,792,996)
Payments for claims		(937,214)	(266,899)	-	-
Net customer loans granted		(28,986,976)	(39,726,043)	(28,986,976)	(37,912,324)
Term deposits received		23,952,992	56,767,073	23,952,992	54,333,072
Income taxes paid		(1,098,295)	(1,603,058)	(1,098,295)	(1,603,058)
Net cash flows from Operating Activities		10,107,027	26,950,981	5,134,276	23,336,917
Investing activities					
Acquisition of plant and equipment		(868,484)	(1,206,034)	(868,484)	(1,206,034)
Proceeds from sale of plant and equipment		25,401	-	25,401	-
Acquisition of intangible asset		(385,274)	(259,246)	(385,274)	(259,246)
Acquisition of debt financial instruments		(7,947,846)	(21,241,154)	(2,577,846)	(18,705,154)
Net proceeds from sale/acquisition of financial asset through profit or loss		329,248	(907,931)	-	-
Dividends received		38,238	25,282	-	200,000
Net cash flows (used in) Investing Activities		(8,808,717)	(23,589,083)	(3,806,203)	(19,970,434)
Financing activities					
Capital contribution from shareholders		1,908,509	2,984,586	1,908,509	2,984,586
Dividends paid		(4,919,929)	-	(4,919,929)	-
Net cash (used in)/flows from Financing Activities		(3,011,420)	2,984,586	(3,011,420)	2,984,586
Net (decrease)/increase in cash and cash equivalents		(1,713,110)	6,346,484	(1,683,348)	6,351,969
Cash and cash equivalents at 1 July		9,714,205	3,367,721	9,663,674	3,311,705
Cash and cash equivalents at 30 June	6	8,001,095	9,714,205	7,980,326	9,663,674

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Financial Statements of Kontiki Finance Limited ("the Company") and its Subsidiary (collectively "the Group") for the year ended 30 June 2019 were authorised for issue in accordance with a resolution of the Directors on 19 September 2019. The entity owners have the power to amend the financials after issue, if applicable.

Kontiki Finance Limited is a limited liability company incorporated and domiciled in the Republic of Fiji. The principal activities of the Company are described in Note 26.

The Subsidiary, Platinum Insurance Limited is a limited liability company incorporated and domiciled in the Republic of Vanuatu. The principal activities of the Company are described in Note 26.

The Company was listed on the South Pacific Stock Exchange on 4 July 2018.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared on a historical cost basis, except for derivative financial instruments, other financial assets and liabilities held for trading and financial assets and liabilities designated at fair value through profit or loss (FVPL), debt and equity instruments at fair value through other comprehensive income (FVOCI) and available for sale investment (AFS) all of which have been measured at fair value. The financial statements are presented in Fijian dollars (FJD).

Statement of compliance

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

Presentation of financial statements

The Group presents its statement of financial position in order of liquidity based on the Group's intention and perceived ability to recover/settle the majority of assets/liabilities of the corresponding financial statement line item. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non–current) is presented in Note 7, Note 12 and Note 23.

Financial assets and financial liabilities are generally reported gross in the statement of financial position except when IFRS netting criteria are met.

Basis of consolidation

The Financial Statements comprise the financial statements of Kontiki Finance Limited ('the Company') and its Subsidiary as at 30 June 2019.

The Subsidiary is fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

The Financial Statements of the Subsidiary is prepared for the same reporting period as the parent Company, using consistent accounting policies.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Going concern

The financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

2.1. Significant accounting judgments, estimates and assumptions

The preparation of the Company and the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Estimations and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date that have a significant task of causing a material adjustment to the carrying amount of assets and liabilities within the next financial period are discussed in the next page:

2.1. Significant accounting judgments, estimates and assumptions *continued*

Estimations and assumptions - *continued*

Impairment losses on financial assets (Policy applicable after 1 July 2018)

The measurement of impairment losses both under IFRS 9 and IAS 39 across all categories of financial assets in scope requires judgement, in particular, assessment of significant increase in credit risk, measurement of lifetime expected credit losses and forward-looking assumptions. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Group's expected credit loss (ECL) calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL model that are considered accounting judgements and estimates include:

- The Group's criteria for assessing if there has been a significant increase in credit risk (SICR), in which case allowances for financial assets should be measured on a lifetime expected credit loss (LTECL) basis;
- The segmentation of financial assets when their ECL is assessed on a collective basis;
- Development of ECL models, including the various formulas and the choice of inputs; and
- Determination of economic inputs, such as GDP, and their effect on probability of default (PD), exposure at default (EAD) and loss given default (LGD).

It has been the Group's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

Impairment losses on financial assets (Policy applicable before 1 July 2018)

The Company and the Group reviews its problem loans and advances at each reporting date to assess whether an allowance for impairment should be recorded in the income statement. In particular, judgment by management is required in the estimation of the amount and timing of the impairment provision for loans and advances. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

In addition to specific allowances against individually significant loans and advances, the Company and the Group also makes collective impairment allowances against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. This takes into consideration factors such as the historical loss experience of loans with similar credit risk characteristics, specific industry trends, loss ratio over different loan types, and arrears analysis.

Measurement of insurance liabilities

The insurance liability is subject to a liability adequacy test, to determine whether the liability is sufficient to meet future claims and administration costs for the remaining term of the current policies. The basis of the assessment requires judgement on future claims and future administrations costs in relation to gross unearned premiums. The measurement of insurance liabilities thus requires judgement, in particular estimates of the timing of the cash flows.

2.2. Summary of significant accounting policies

a) Foreign currencies

The financial statements are presented in Fiji dollars (FJD), which is the Company and the Group's functional and presentation currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance date.

All differences are taken to the statement of profit or loss and other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates when the fair value is determined.

On consolidation, the assets and liabilities of foreign operations are translated at the exchange rate prevailing at the reporting date and their income statements are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in other comprehensive income.

b) Plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Such costs include the cost of replacing part of the plant and equipment when that cost is incurred, if the recognition criteria is met. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the statement of profit or loss and other comprehensive income as incurred.

2.2. Summary of significant accounting policies *continued*

b) Plant and equipment - continued

Depreciation is calculated on a straight line basis over the useful life of the asset as follows:

	Rate
Office equipment	20%
Furniture & fittings	20%
Motor vehicles	20%

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss and other comprehensive income in the year the asset is recognised.

The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

c) Financial instruments

Policy applicable from 1 July 2018

Recognition and initial measurement

The Group recognises a financial asset or a financial liability in its statement of financial position when, and only when, the Group becomes party to the contractual provisions of the instrument.

Except for loans and advances that do not have a significant financing component, at initial recognition, the Group measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

From 1 July 2018, the Group only measures Cash and cash equivalents, Due to customers of financial assets, Receivables from customers and Non-listed financial assets and liabilities at amortised cost.

Classification and subsequent measurement of financial assets

On initial recognition, a financial asset is classified and measured at amortised cost; fair value through other comprehensive income (FVOCI) – debt investments, fair value through other comprehensive income – equity investments, or fair value through profit or loss (FVPL).

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss:

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

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

A debt investment is measured at fair value through other comprehensive income if it meets both of the following conditions and is not designated as at fair value through profit or loss:

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

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

2.2. Summary of significant accounting policies - *continued*

c) Financial instruments - *continued*

Policy applicable from 1 July 2018 - *continued*

Classification and subsequent measurement of financial assets - continued

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

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

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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

Business model assessment

Business model assessment involves determining how financial assets are managed in order to generate cash flows. The objective of the business model is to hold assets and collect contractual cash flows. Any sales of the asset are incidental to the objective of the model. The contractual cash flow characteristics assessment involves assessing the contractual features of an instrument to determine if they give rise to cash flows that are consistent with a basic lending arrangement.

The SPPI test

Contractual cash flows are consistent with a basic lending arrangement if they represent cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI). Principal is defined as the fair value of the instrument at initial recognition. Principal may change over the life of the instrument due to repayments or amortization of premium/discount. Interest is defined as the consideration for the time value of money and the credit risk associated with the principal amount outstanding and for other basic lending risks and costs, and a profit margin. If the Group identifies any contractual features that could significantly modify the cash flows of the instrument such that they are no longer consistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

Classification and subsequent measurement of financial liabilities

After initial measurement, debt issued and other borrowed funds are subsequently measured at amortised cost. Amortised cost is calculated by taking into account any discount or premium on issued funds, and costs that are an integral part of the effective interest rate (EIR). A compound financial instrument which contains both a liability and an equity component is separated at the issue date. The Group classifies all financial liabilities as subsequently measured at amortised cost.

Deposits are accounted for at amortised cost. Interest on deposits, calculated using the effective interest rate method, is recognised as interest expense. Interest on borrowings is recognised using the effective interest rate method as interest expense.

Derecognition of financial assets

Derecognition due to substantial modification of terms and conditions

The Group derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes.

Derecognition other than for substantial modification

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

2.2. Summary of significant accounting policies - *continued*

c) Financial instruments - *continued*

Policy applicable from 1 July 2018 - *continued*

Modifications of financial assets

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

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

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. If an existing financial liability is replaced by another from the same counter-party on substantially different terms, or the terms of the existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability at fair value. The difference in the respective carrying amount of the existing liability and the new liability is recognised as a gain/loss in the statement of profit or loss and other comprehensive income.

Policies applicable before 1 July 2018

Initial recognition of financial instruments

The classification of financial instruments at initial recognition depends on the purpose for which the financial instruments were acquired and their characteristics. All financial instruments are measured initially at their fair value plus, in the case of financial assets and financial liabilities not at fair value through profit and loss, any directly attributable incremental costs of acquisition or issue.

Held to maturity financial investments

Held-to-maturity financial investments are those which carry fixed or determinable payments and have fixed maturities and which the Company and the Group has the intention and the ability to hold to maturity. After initial measurement, held-to-maturity financial investments are subsequently measured at amortised cost using the effective interest rate method, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Amortisation is included as 'Interest income' in the income statement. The losses arising from impairment of such investment are recognised in the income statement line 'Impairment losses on financial investments'.

Loans and advances to customers

Loans and advances to customers are financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short term resale and are not classified as 'Financial assets held for trading', designated as 'Financial investment - available for sale' or 'Financial assets designated at fair value through profit or loss'. After initial measurement, amounts due from banks and loans and advances to customers are subsequently measured at amortised cost using the effective interest rate method, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortisation is included in 'Interest income' in the income statement. The losses arising from impairment are recognised in the income statement in 'Movements in expected credit loss/allowance for impairment'.

Debt issued/dues to customers and other borrowed funds

Issued financial instruments or their components, which are not designated at fair value through profit or loss, are classified as liabilities under 'debt issued and other borrowed funds' or 'dues to customers', where the substance of the contractual arrangement results in the Company and Group having an obligation either to deliver cash or another financial asset for a fixed number of own equity shares. The components of compound financial instruments, that contain both liability and equity elements, are accounted for separately, with the equity component being assigned the residual amount after deducting from the instruments as a whole the amount separately determined as the fair value of the liability component on the date of issue.

After initial recognition, debt issued and other borrowings are subsequently measured at amortised cost using the effective interest rate method.

2.2. Summary of significant accounting policies - *continued*

c) Financial instruments - *continued*

Policies applicable before 1 July 2018 - *continued*

Financial liabilities

Interest bearing loans and borrowings

All loans and borrowings are initially recognised at fair value less directly attributable transaction costs, and have not been designated as at fair value through the statement of profit or loss and other comprehensive income.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised on the statement of profit or loss and other comprehensive income when the liabilities are derecognised as well as through the amortisation process.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through the statement of profit or loss and other comprehensive income includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through the statement of profit or loss and other comprehensive income.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on liabilities held for trading are recognised on the statement of profit or loss and other comprehensive income.

d) Impairment of financial assets

Policy applicable from 1 July 2018

Measurement of Expected Credit Loss (ECL)

As described in Note 2.1 and Note 28, the adoption of IFRS 9 has fundamentally changed the Group's loan loss impairment method by replacing IAS 39's incurred loss approach with a forward-looking ECL approach. From 1 July 2018, the Group has been recording the allowance for expected credit losses for all loans and other debt financial assets not held at FVPL, together with loan commitments, in this section all referred to as 'financial instruments'. Equity instruments are not subject to impairment under IFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL). The Group's policies for determining if there has been a significant increase in credit risk are set out in this note.

The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

LTECLs and 12mECLs are calculated on a collective basis for both the secured and unsecured portfolios. The Group's policy for grouping financial assets measured on a collective basis is explained in this note.

The Group uses an expected credit loss approach as required under IFRS 9 to measure allowance for credit losses.

This impairment model measures credit loss allowances for financial assets using a three-stage approach based on the extent of credit deterioration since origination:

- Stage 1 – 12 month ECL applies to all financial assets that have not experienced a significant increase in credit risk (SICR) since origination and are not credit impaired. Stage 1 financial assets also include financial assets where the credit risk has improved, and the asset has been reclassified from Stage 2. The ECL is computed using a 12 month probability of default (PD) and the estimated loss given default (LGD).
- Stage 2 – When a financial asset experiences a SICR subsequent to origination, but is not credit impaired, it is considered to be in Stage 2. This Stage also includes assets where the credit risk has improved, and the financial instrument has been reclassified from Stage 3. The ECL is computed using the lifetime PD that represents the probability of default occurring over the remaining estimated life of the financial asset, and the estimated LGD.
- Stage 3 – Financial assets considered credit impaired are included in this stage. Similar to Stage 2, the credit loss allowance continues to be based on the LTECL. The ECL is computed using a 100% PD and the estimated LGD.

2.2. Summary of significant accounting policies *continued*

d) Impairment of financial assets - *continued*

Policy applicable from 1 July 2018 - *continued*

Measurement of expected credit loss - continued

Calculation of expected credit loss

The ECL is calculated by measuring expected cash shortfalls, discounted by the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The key elements of the ECL calculation are outlined below:

- **PD** – The probability of default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the remaining estimated life, if the facility has not been previously derecognised and is still in the portfolio.

- **EAD** – The exposure at default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected draw-downs on committed facilities, and accrued interest from missed payments.

- **LGD** – The loss given default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the Group would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

The mechanics of the ECL method are summarised below:

- Stage 1 – The 12mECL is calculated as the portion of LTECL that represents the ECL that results from default events on a financial asset that are possible within the 12 months after the reporting date. The 12mECL allowance is calculated based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by the original EIR.

- Stage 2 – When a financial asset has shown a significant increase in credit risk since origination the allowance is credit loss allowance is calculated using the LTECL. The mechanics are similar to those explained above, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

- Stage 3 – For financial assets considered credit-impaired, the lifetime expected credit losses is used for these loans. The method is similar to that for Stage 2 assets with the PD set at 100%.

Forward-looking information

The Group includes prospective information (such as GDP growth, inflation and tourist arrivals) in determining its expected credit loss. This information is sourced from publicly-available economic data and forecasts. The inputs and models used for calculating expected credit losses may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays may be made as temporary adjustments using expert credit judgment.

Assessment of significant increase in credit risk (SICR)

The Group assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the expected life of the loan. The assessment considers borrower-specific quantitative and qualitative information without consideration of collateral, and the impact of forward-looking macroeconomic factors.

The common assessments for SICR include macroeconomic outlook, management judgement, and delinquency and monitoring. Forward-looking macroeconomic factors are a key component of the macroeconomic outlook. The importance and relevance of each specific macroeconomic factor depends on factors such as the type of product and the characteristics of the financial instruments. With regards to delinquency and monitoring, there is a rebuttable presumption that the credit risk of the loan has increased since initial recognition when contractual payments are more than 30 days overdue. In addition, an account is considered to have experienced a SICR when it has been extended by more than 3 months. The account is then reclassified from Stage 1 to Stage 2.

2.2. Summary of significant accounting policies *continued*

d) Impairment of financial assets - *continued*

Policy applicable from 1 July 2018 - *continued*

Measurement of expected credit loss - continued

Expected life

When measuring expected credit loss, the Group considers the maximum contractual period over which the Group is exposed to credit risk. All contractual terms are considered when determining the expected life, including prepayment, and extension and rollover options. For revolving credit facilities, the expected life is estimated based on the period over which the Group is exposed to credit risk and how the credit losses are mitigated by management actions.

Presentation of allowance for credit losses in the statement of financial position:

- Financial assets measured at amortised cost: as a deduction from the gross carrying amount of the financial assets. Refer to Note 2.2. c) for a list of financial assets measured at amortised cost.

Definition of default

The Group considers a financial instrument to be in default as a result of one or more loss events that occurred after the date of initial recognition of the instrument and the loss event has a negative impact on the estimated future cash flows of the instrument that can be reliably estimated. This includes events that indicate:

- significant financial difficulty of the borrower;
- default or delinquency in interest or principal payments;
- high probability of the borrower entering a phase of bankruptcy or a financial reorganisation; and
- measurable decrease in the estimated future cash flows from the loan or the underlying assets that back the loan.

The Group considers that default has occurred and classifies the financial asset as impaired when it is more than 90 days past due.

The Group holds collateral for secured loans and may sell the collateral in the absence of default by the loan account holder. For the purposes of ECL calculations, the Group has taken the fair value of these collaterals to be $nil and not included the fair value of the collaterals held in the calculation of ECL.

Write-off policy

The Group writes off an impaired financial asset (and the related impairment allowance), either partially or in full, when there is no realistic prospect of recovery. Where financial assets are secured, write-off is generally after receipt of any proceeds from the realisation of security. In circumstances where the net realisable value of any collateral has been determined and there is no reasonable expectation of further recovery, write-off may be earlier. In subsequent periods, any recoveries of amounts previously written off are disclosed as other income in the statement of profit or loss and other comprehensive income.

Policies applicable before 1 July 2018

The Group assesses at each statement of financial position whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and advances to customers

For loans and advances to customers carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, to include the asset in a Group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

2.2. Summary of significant accounting policies *continued*

d) Impairment of financial assets - *continued*

Policy applicable before 1 July 2018 - *continued*

Loans and advances to customers - continued

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised. If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to the 'Bad and doubtful debts expense'.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of a collective evaluation of impairment, financial assets are Grouped on the basis of the Group's internal credit grading system that considers credit risk characteristics similar to those in the Group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the periods on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with, changes in related observable data from period to period (such as changes in unemployment rates, property prices, commodity prices, payments status, or other factors that are indicative of incurred losses in the Group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Held -to- maturity financial investments

For held to maturity investments the Group assesses individually whether there is objective evidence of impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement.

If, in a subsequent period, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognised, any amounts formerly charged are credited to the 'Impairment losses on financial investments'.

e) Cash and cash equivalents

Cash and cash equivalents comprise of cash on hand and cash in banks that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

f) Prepayments and other assets

Prepayments and other assets include interest receivable on loans and investments, advance payments and deposits.

In the consolidation process, related party receivables from the Subsidiary such as insurance commission and dividends recorded in the Company's book of account are eliminated against corresponding payables recorded in the Subsidiary Company's general ledger.

g) Employee entitlements

Provision is made for annual leave estimated to be payable to employees at balance date on the basis of statutory and contractual requirements.

2.2. Summary of significant accounting policies *continued*

h) Leased assets

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Company as a lessee

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are reflected on the statement of profit or loss and other comprehensive income. Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the statement of profit or loss and other comprehensive income on a straight line basis over the lease term.

i) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and reliable estimate can be made of the amount of the obligation. Where the Company expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when reimbursement is virtually certain. If the effect of time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as an interest expense.

Provision for claims payable and claims incurred but not reported (IBNR)

Outstanding claims are assessed by reviewing individual claims and making allowance for claims incurred but not reported, foreseeable events, past experience and industry trends. They are stated in the balance sheet net of any reinsurance or other recoveries.

Provision is also made for claims IBNR based on foreseeable events, past experience and industry trends. In the current year this allowance was calculated by reviewing the total Subsidiary exposure on all policies written by the Subsidiary, by the Subsidiary's Actuary. The IBNR is determined independently by the Subsidiary's Actuary Peter Davies B.Bus.Sc., FIA, FNZSA.

j) Unearned premiums

Premium revenue comprises amounts charged to policyholders and excludes taxes collected on behalf of statutory parties. The earned portion of premium received and receivable is recognised as revenue. Premium revenue is recognised as earned from the date of attachment of risk, over the period related to the insurance contract in accordance with the pattern of the risk expected under the contract. The unearned portion or premiums not earned at the reporting date is recognised in the statement of financial position as unearned premium. The provision for unearned premium is verified by the Subsidiary's Actuary Peter Davies B.Bus.Sc., FIA, FNZSA.

k) Deferred acquisition cost and commissions income

The Company earned commission for bringing in insurance business for the Subsidiary Company up until 30 June 2018. The commission earned by the Company was recognised as income in its book of accounts. However, the related brokerage costs (costs associated with obtaining and recording insurance business) incurred by the Subsidiary were capitalised and amortised, consistent with the earning pattern of the related insurance premium for that business. In the consolidation process, the commission income recorded in the Company's books were eliminated against the related asset recorded in the Subsidiary Company's books. Consequently, the financial result of the Group for 2018 recorded a lower profit balance compared to the Company in the statement of profit or loss and other comprehensive income despite the Subsidiary and Company recording net profit for the period ended 30 June 2018.

2.2. <u>Summary of significant accounting policies *continued*</u>

l) <u>Income tax</u>

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from, or paid to, the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted, by the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity or other comprehensive income is recognised in equity or other comprehensive income respectively. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate. Detailed disclosures are provided in Note 5.

Deferred income tax is provided, using the liability method, on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from goodwill amortisation or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interest in joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of any unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry-forward of unused tax assets and unused tax losses can be utilised:

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date.

<u>Income tax for the Subsidiary Company</u>

In the Republic of Vanuatu, no income taxes of any kind are payable.

m) <u>Intangible assets</u>

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the statement of profit or loss and other comprehensive income in the year in which the expenditure is incurred.

The useful lives of intangible assets for the Group are assessed to be finite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is renewed at least at each financial year end. Changes in the expected useful life or expected pattern of consumption in future economic benefits embodied in the asset is accounted by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit and loss and other comprehensive income in the expense category consistent with the function of the intangible assets.

Gain or losses arising from the derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit and loss and other comprehensive income when the asset is derecognised.

2.2. Summary of significant accounting policies *continued*

n) Trade and other payables

Liabilities for trade creditors and other amounts are carried at cost (inclusive of VAT where applicable) which is the fair value of the consideration to be paid in the future for goods and services received whether or not billed to the entity. Amounts payable that have been denominated in foreign currencies have been translated to local currency using the rates of exchange ruling at the end of the financial period.

o) Revenue recognition

Interest income and expense

Net interest income comprises interest income and interest expense calculated using the effective interest method. Refer to Note 3.1 and Note 4.1.

In its interest income/expense calculated using the effective interest method, the Group only includes interest on those financial instruments that are set out in Note 7, Note 8 and Note 12.

Other interest income/expense includes all financial assets/liabilities measured at FVPL, other than those held for trading, using the contractual interest rate.

Interest income/expense on all trading financial assets/liabilities is recognised as a part of the fair value change in Net trading income.

The Group calculates interest income on financial assets, other than those considered credit-impaired, by applying the EIR to the gross carrying amount of the financial asset.

Fee and commission income

The Group and Company earns fee and commission income from a range of financial services it provides to its customers. Fee and commission income is recognised at an amount that reflects the consideration to which the Group and Company expects to be entitled in exchange for providing the services.

The performance obligations, as well as the timing of their satisfaction, are identified, and determined, at the inception of the contract.

Insurance administrative fee

Insurance administrative fee is brought to account on an earned basis.

Underwriting activities

Revenue from underwriting activities includes revenue derived from premiums and commissions received. Revenue from underwriting activities is recognised on completion of each month's activities.

p) Impairment of non-financials assets

The Group assesses at each reporting date, or more frequently if events or changes and circumstances indicate that the carrying value of a non financial asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. Where the carrying amount of an asset (or cash generating unit) exceeds its recoverable amount, the asset (or cash generating unit) is considered impaired and is written down to its recoverable amount.

2.2. Summary of significant accounting policies *continued*

p) Impairment of non-financials assets *(continued)*

For assets an assignment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of the recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount.

q) Comparative figures

Comparative figures have been amended where necessary, for changes in presentation in the current year.

r) Earnings per share

Basic earnings per share is determined by dividing net profit after income tax attributable to shareholders of the Group, excluding any costs of servicing equity other than ordinary shares, by the number of ordinary shares outstanding at the end of the financial year, adjusted for bonus elements in ordinary shares issued during the year. Refer to Note 20.

s) Dividends

Dividends are recorded in the Group's financial statements in the year in which the directors approve them.

t) Segment information

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products and services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environment.

(a) Geographical segment

The Company operates predominantly in Fiji and the Subsidiary operates in Vanuatu, therefore two geographical areas for reporting purposes. Refer to Note 29(a).

(b) Business segment

The Company and the Group operates predominantly in the financial services industry. Refer to Note 29(b).

u) Determination of fair values

In order to show how fair values have been derived, financial instruments are classified based on a hierarchy of valuation techniques, as summarised below:

- Level 1 financial instruments − Those where the inputs used in the valuation are unadjusted quoted prices from active markets for identical assets or liabilities that the Group has access to at the measurement date. The Group considers markets as active only if there are sufficient trading activities with regards to the volume and liquidity of the identical assets or liabilities and when there are binding and exercisable price quotes available on the balance sheet date.
- Level 2 financial instruments − Those where the inputs that are used for valuation and are significant, are derived from directly or indirectly observable market data available over the entire period of the instrument's life. Such inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical instruments in inactive markets and observable inputs other than quoted prices such as interest rates and yield curves, implied volatilities, and credit spreads. In addition, adjustments may be required for the condition or location of the asset or the extent to which it relates to items that are comparable to the valued instrument. However, if such adjustments are based on unobservable inputs which are significant to the entire measurement, the Group will classify the instruments as Level 3.
- Level 3 financial instruments − Those that include one or more unobservable input that is significant to the measurement as whole.

Level 1 hierarchy of valuation is most applicable to the Group. Refer to Note 9 for details of hierarchy for valuation of financial assets at fair value through profit or loss.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS CONT'D

	Group 2019	Group 2018	Company 2019	Company 2018
3. REVENUE	$	$	$	$
3.1 Interest revenue calculated using the effective interest method				
Debt financial assets at amortised cost	3,016,017	1,401,108	2,719,597	1,342,453
Receivables from customers	31,065,053	22,193,137	31,065,053	22,193,137
	34,081,070	23,594,245	33,784,650	23,535,590
3.2 Fee and Commission Income				
Fees and charges	168,635	175,612	168,635	175,612
Insurance commission	-	-	-	770,681
	168,635	175,612	168,635	946,293
3.3 Net Trading Income				
Unrealised gains on financial assets	292,737	56,339	-	-
Dividend income	38,238	25,282	-	-
Bad debts recovered	98,661	45,035	98,661	45,035
	429,636	126,656	98,661	45,035
4. EXPENSES	$	$	$	$
Included in expenses are:				
4.1 Interest expense calculated using the effective interest method				
Term deposits	9,345,754	6,235,399	9,345,754	6,217,719
4.2 Personnel Expenses				
Salaries and wages	6,713,266	4,824,081	6,713,266	4,824,081
FNPF employer contribution	684,195	493,063	684,195	493,063
FNU Levy	72,317	48,403	72,317	48,403
Others	446,662	440,750	446,662	440,750
	7,916,440	5,806,297	7,916,440	5,806,297
4.3 Other operating expenses				
Accounting fees	77,300	77,680	73,880	73,720
Auditors remuneration	55,165	48,680	40,058	35,480
Bank charges	25,242	20,618	23,998	20,009
Directors fees and allowances	241,867	180,408	241,867	180,408
Office lease rental	400,135	315,681	400,135	315,681
Other operating expenses	4,251,587	2,742,610	3,770,497	2,032,362
	5,051,296	3,385,677	4,550,434	2,657,660

5. INCOME TAX EXPENSE

A reconciliation between income tax expense and the product of accounting profit multiplied by the tax rate for the year ended 30 June are as follows:

	Group 2019 $	Group 2018 $	Company 2019 $	Company 2018 $
Accounting profit before income tax	10,568,208	6,867,549	8,912,899	7,251,538
Prima facie income tax on the operating profit*	1,056,821	1,373,510	891,290	1,450,308
Interest income exempted				
Other incomes exempted	(165,531)	-	-	-
Change in tax rate	284,730	-	284,730	-
Non-deductible expense	16,203	128,591	16,203	51,793
Income tax expense reported in the statement of profit and loss and other comprehensive income	1,192,223	1,502,101	1,192,223	1,502,101

5. INCOME TAX EXPENSE - *continued*

* The Group/Company prima facie income tax was calculated at 10% (2018 : 20%) of Company's operating profit due to the Company being listed on the South Pacific Stock Exchange (SPX) in July 2018. The subsidiary company in based in the Republic of Vanuatu where no income taxes of any kind are payable.

	Group		Company	
	2019	2018	2019	2018
	$	$	$	$
Deferred income tax asset at 30 June relates to the following:				
Allowance for impairment losses	424,488	511,248	424,488	511,248
Accelerated depreciation for book purposes	29,953	35,188	29,953	35,188
Employee benefit liability	13,139	23,024	13,139	23,024
	467,580	569,460	467,580	569,460

6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand and at bank. Cash and cash equivalents included in the Statements of Cash Flows comprise the following amounts on the Statement of Financial Position:

	$	$	$	$
Cash on hand	3,968	3,468	3,968	3,468
Cash at bank	4,215,812	2,877,808	4,201,741	2,866,118
Demand deposits	3,781,315	6,832,929	3,774,617	6,794,088
	8,001,095	9,714,205	7,980,326	9,663,674

7. RECEIVABLE FROM CUSTOMERS

	$	$	$	$
Credit contracts	117,419,038	85,517,356	117,419,038	85,517,356
Hire purchase	13,642,014	16,556,720	13,642,014	16,556,720
Insurance premium	95,878	1,940,204	-	-
	131,156,930	104,014,280	131,061,052	102,074,076
Less: interest suspense	(499,201)	(436,551)	(499,201)	(436,551)
Receivables gross carrying value	130,657,729	103,577,729	130,561,851	101,637,525
Less: allowance for ECL/impairment losses	(4,244,894)	(2,556,243)	(4,244,894)	(2,556,243)
Net receivable from customers	126,412,835	101,021,486	126,316,957	99,081,282

Maturity analysis

Not longer than 3 months	4,274,851	4,956,057	4,178,973	3,015,853
Longer than 3 months but not longer than 12 months	13,309,601	9,965,616	13,309,601	9,965,616
Longer than 12 months but not longer than 5 years	100,100,536	75,618,863	100,100,536	75,618,863
Longer than 5 years	13,471,942	13,473,744	13,471,942	13,473,744
	131,156,930	104,014,280	131,061,052	102,074,076

ECL/Impairment allowance for loans and advances to customers

As at 30 June 2019, trade receivables with an initial value of $4,244,894 (2018:$2,556,243) were impaired and provided for. See next page for the movements in the ECL.

7. RECEIVABLE FROM CUSTOMERS *continued*

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

30 June 2019	Gross carrying value	Loss allowance	Expected weighted average loss rate	Credit Impaired
	$	$		
Stage 1	109,016,948	1,708,629	1.57%	No
Stage 2	18,380,988	1,101,386	5.99%	No
Stage 3	3,758,994	1,434,879	38.17%	Yes
Overall	**131,156,930**	**4,244,894**	**3.24%**	

A reconciliation of the allowance for impairment losses for receivables from customers is as follows:

30 June 2019	Movements in ECL	Total allowance for ECL	Reconciliation of Movement in expected credit loss
		$	$
Opening balance as at 1 July 2018 after IFRS 9 initial application	3,400,201	3,400,201	-
Loss allowance equal to 12m ECL/increase in provisions	54,127	2,411,670	2,411,670
Loss allowance equal to lifetime ECL with SICR/(write-off within the provision)	302,589	(1,456,679)	-
Loss allowance equal to lifetime ECL that are credit impaired/(write back)	487,977	(110,298)	(110,298)
Direct write-off	-	-	178,295
Closing balance	4,244,894	4,244,894	2,479,667

See Note 28 on change in accounting policy for the IFRS 9 transition impact. Total impairment as at 30 June 2018 was $2,556,243 and after the IFRS 9 transition ($843,958) total impairment as at 1 July 2018 was $3,400,201.

1 July 2018	Gross carrying value	Loss allowance	Expected weighted average loss rate	Credit Impaired
	$	$		
Stage 1	86,281,874	1,654,502	1.92%	No
Stage 2	14,144,873	798,797	5.65%	No
Stage 3	3,587,533	946,902	26.39%	Yes
Overall	**104,014,280**	**3,400,201**	**3.27%**	

See Note 28 on change in accounting policy for the IFRS 9 transition impact. Total impairment as at 30 June 2018 was $2,556,243 and after the IFRS 9 transition ($843,958) total impairment as at 1 July 2018 was $3,400,201.

30 June 2018	Individually Assessed Impairment	Collective impairment	Total Impairment	Reconciliation of Movement in allowance for impairment losses
	$	$	$	$
Opening balance	664,068	740,389	1,404,457	-
Increase in provisions	1,465,076	588,615	2,053,691	2,053,691
Write-off within the provision	(874,815)	-	(874,815)	-
Write back	(27,090)	-	(27,090)	(27,090)
Direct write-off	-	-	-	(20,743)
Closing balance	1,227,239	1,329,004	2,556,243	2,005,858

Collateral security for loans and advances is mainly motor vehicles.

See Note 23 on credit risk of loans and advances, which explains how the Company manages and measures credit quality of loans and advances that are neither past due nor impaired. Refer Note 28 for reconciliation of IAS 39 calculation for impairment loss and IFRS 9 ECL.

	Group		Company	
	2019	2018	2019	2018
8. DEBT INSTRUMENTS AT AMORTISED COST	$	$	$	$
Term deposits	41,570,000	34,022,154	35,000,000	32,622,154
Government debt securities - bonds and bills	12,519,000	12,119,000	10,983,000	10,783,000
	54,089,000	46,141,154	45,983,000	43,405,154

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	$	$	$	$
Quoted equity shares	877,045	907,930	-	-

As at 30 June 2019, the Group had $877,045 of equity shares. The fair value of the equity shares is determined by reference to published price quotations in an active market. During the year, the Group purchased $222,681 of shares, sold $546,303 of shares and had an unrealised gain of $292,737.

Set out below is a comparison, by class, of the carrying amounts and fair values of the Group's financial instruments that are carried at fair value in the financial statements.

	Carrying Amount	Fair Value			
30-Jun-19		Level 1	Level 2	Level 3	Total
Quoted equity shares	877,045	877,045	-	-	**877,045**
30-Jun-18					
Quoted equity shares	907,930	907,930	-	-	**907,930**

10. PREPAYMENTS AND OTHER ASSETS	$	$	$	$
Other debtors	1,689,905	1,969,049	1,546,348	1,933,276
Prepayments	581,320	332,478	574,220	332,477
Receivable from related party (Note 22)	-	-	-	28,581
	2,271,225	2,301,527	2,120,568	2,294,334

11. INVESTMENT IN SUBSIDIARY	$	$	$	$
Shares in Subsidiary Company:				
- Platinum Insurance Limited	-	-	215,000	215,000

The Company holds 100% of the ordinary shares of Platinum Insurance Limited (PIL). The results of PIL have been consolidated in these financial statements

12. DUE TO CUSTOMERS	$	$	$	$
As at year end, Due to customers is as follows:				
Term deposits	159,375,520	135,422,529	159,375,520	135,422,529
Sector concentration				
Individual	107,107,204	84,285,021	107,107,204	84,285,021
Private sector business	14,720,952	17,450,239	14,720,952	17,450,239
Public enterprises	23,072,112	10,804,749	23,072,112	10,804,749
Non-profit institution	6,559,900	5,874,009	6,559,900	5,874,009
Non-bank financial institutions	5,290,574	14,547,123	5,290,574	14,547,123
Non-residents	2,624,778	2,461,388	2,624,778	2,461,388
	159,375,520	135,422,529	159,375,520	135,422,529
Maturity analysis				
Not longer than 3 months	13,790,166	17,441,139	13,790,166	17,441,139
Longer than 3 months and not longer than 12 months	39,960,972	51,587,063	39,960,972	51,587,063
Longer than 12 months and not longer than 5 years	100,998,978	61,994,921	100,998,978	61,994,921
Longer than 5 years	4,625,404	4,399,406	4,625,404	4,399,406
	159,375,520	135,422,529	159,375,520	135,422,529

13. PLANT AND EQUIPMENT

	Group		Company	
	2019	2018	2019	2018
Furniture and fittings	$	$	$	$
Cost:				
At 1 July	698,083	315,708	698,083	315,708
Additions	103,934	389,419	103,934	389,419
Disposals	-	(7,044)	-	(7,044)
At 30 June	802,017	698,083	802,017	698,083
Depreciation:				
At 1 July	231,810	122,219	231,810	122,219
Depreciation charge for the year	151,007	114,613	151,007	114,613
Disposal	-	(5,022)	-	(5,022)
At 30 June	382,817	231,810	382,817	231,810
Net written down value as at 30 June	419,200	466,273	419,200	466,273
Office equipment				
Cost:				
At 1 July	1,065,645	589,306	1,065,645	589,306
Additions	363,300	493,615	363,300	493,615
Disposal	(10,401)	(17,276)	(10,401)	(17,276)
At 30 June	1,418,544	1,065,645	1,418,544	1,065,645
Depreciation:				
At 1 July	374,234	193,127	374,234	193,127
Depreciation charge for the year	277,183	188,226	277,183	188,226
Disposal	(2,187)	(7,119)	(2,187)	(7,119)
At 30 June	649,230	374,234	649,230	374,234
Net written down value as at 30 June	769,314	691,411	769,314	691,411
Motor vehicles				
Cost:				
At 1 July	629,676	328,676	629,676	328,676
Additions	401,250	323,000	401,250	323,000
Disposal	(58,629)	(22,000)	(58,629)	(22,000)
At 30 June	972,297	629,676	972,297	629,676
Depreciation:				
At 1 July	224,839	116,221	224,839	116,221
Depreciation charge for the year	182,432	114,485	182,432	114,485
Disposal	(22,897)	(5,867)	(22,897)	(5,867)
At 30 June	384,374	224,839	384,374	224,839
Net written down value as at 30 June	587,923	404,837	587,923	404,837
Net book value as at 30 June	1,776,437	1,562,521	1,776,437	1,562,521

14. INTANGIBLE ASSETS

	$	$	$	$
Cost:				
At 1 July	921,984	662,738	921,984	662,738
Additions	385,274	259,246	385,274	259,246
At 30 June	1,307,258	921,984	1,307,258	921,984
Amortisation and impairment:				
At 1 July	341,799	171,277	341,799	171,277
Amortisation	236,130	170,522	236,130	170,522
At 30 June	577,929	341,799	577,929	341,799
Net written down value as at 30 June	729,329	580,185	729,329	580,185

	Group		Company	
	2019	2018	2019	2018
15. TRADE AND OTHER PAYABLES	$	$	$	$
Trade payables	497,559	453,889	479,627	435,015
Payable to related party (Note 22)	21,875	16,042	174,480	16,042
Accrued and other liabilities	1,207,734	1,155,807	1,235,968	1,184,043
	1,727,168	1,625,738	1,890,075	1,635,100

Terms and conditions of the above financial liabilities are as follows:

- Trade payables are non-interest bearing and are normally settled as and when due.

16. UNEARNED PREMIUM	$	$	$	$
Opening balance	6,233,513	3,313,993	-	-
Gross premiums written	7,779,757	6,120,528	-	-
Less premiums cancelled	(4,076,479)	(2,182,068)	-	-
Less premiums earned	(1,574,512)	(1,018,940)	-	-
	8,362,279	6,233,513	-	-
Premiums earned	1,574,512	1,018,940	-	-
Reinsurance revenue	(45,736)	(26,827)	-	-
Premium income*	1,528,776	992,113	-	-

*Premium income includes premium earned and net reinsurance revenue.

17. PROVISIONS	$	$	$	$
a) Outstanding claims				
At 1 July	272,240	24,936	-	-
(Paid) / Arising during the year	(190,668)	247,304	-	-
At 30 June	81,572	272,240	-	-

Outstanding claims are based on assessments of all claims received by the Subsidiary prior to finalising the financial statements.

b) Claims incurred but not reported (IBNR)				
At 1 July	82,725	20,997	-	-
Loss reserve movement	168,629	61,728	-	-
At 30 June	251,354	82,725	-	-
Total provisions as at 30 June	332,926	354,965	-	-

18. EMPLOYEE BENEFIT LIABILITY	$	$	$	$
Annual leave	131,391	115,118	131,391	115,118

19. SHARE CAPITAL	$	$	$	$
Issued and paid up capital				
Ordinary shares fully paid	12,793,281	10,884,772	12,793,281	10,884,772

During the year, the Company raised share capital totaling to $1,908,509 (2018: $2,984,586). The total number of shares at the end of the year was 90,859,817.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS CONT'D

	Group		Company	
	$	$	$	$
20. EARNINGS PER SHARE	2019	2018	2019	2018
Profit attributable to ordinary shares for basic earnings	9,375,985	5,365,448	7,720,676	5,749,437
Weighted average ordinary shares at end of financial year	89,855,720	88,851,623	89,855,720	88,851,623
Basic earnings per share ($)	$ 0.10	$ 0.06	$ 0.09	$ 0.06

21. COMMITMENTS AND CONTINGENT LIABILITIES

	$	$
a) Contingent liabilities	Nil	Nil
b) Capital commitments	1,984,740	1,755,491

Capital expenditure commitment of $1,984,740 is budgeted for the purchase of motor vehicles, IT hardware and software, office furniture, fittings and equipment.

c) Operating lease commitments contracted for building rentals

Future operating lease rentals not provided for in the financial statements and payable:

Not later than one year	1,105,294	468,002
Later than one year but not later than five years	2,972,398	1,133,184
Later than five years	-	1,073,394
	4,077,692	2,674,580

The Company has commercial lease agreements with Tappoo Limited, Khan Investments, Gurbachan Singh, Janty Holdings and Singh's Investments. The lease agreements are for rental of office space and a warehouse. Rental charges range from $2,180 to $25,000 VIP per month.

The Group and the Company will be adopting IFRS 16 Leases in the 2020 financial year, which will result in these off-balance sheet items being recorded in the statement of financial position.

22. RELATED PARTY TRANSACTIONS

(a) **Directors**

The names of persons who were directors of Kontiki Finance Limited at the date of this report are as follows:

Daryl Tarte (Chairman)
Francis Chung
Glen Craig
Griffon Emose
Litia Niumataiwalu
Barry Whiteside (Appointed 29 October 2018)

		Company	
		2019	2018
(b) **Owing to related parties**	**Transaction type**	$	$
- Platinum Insurance Limited	Insurance premiums	152,605	-
- Directors	Directors fees	21,875	16,042
(c) **Owing by related party**	**Transaction type**	$	$
- Platinum Insurance Limited	Insurance Premium Refunds	-	28,581
		-	28,581

22. RELATED PARTY TRANSACTIONS *continued*

(d) **Other related party transactions were as follows:**

Transaction type	Transaction type	Company 2019 $	Company 2018 $
Income			
- Platinum Insurance Limited	Insurance commission	-	770,681
Expenses			
- Platinum Insurance Limited	Income refund	578,659	-
- Kontiki Stockbroking Pte Limited	Referral and broking fee	21,188	12,965
- Kontiki Capital Pte Limited	Advisory and managerial services	47,960	28,340
- Compensation of key management personnel	Directors fees and other benefits	241,867	180,408
	Short term employee benefits	1,477,247	1,789,783

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Risk is inherent in the Group and Company's activities but it is managed through a process of ongoing identification, measurement and monitoring subject to risk limits and other controls. This process of risk management is critical to the Group and the Company's profitability and each individual within the Group and Company is accountable for the risk exposures relating to their responsibilities. The Group and Company is exposed to credit risk, liquidity risk and operational risk in the main. The Asset and Liability Committee (ALCO) has oversight of liquidity risk, the Board has oversight of credit risk, and the Board Audit Committee has oversight of all other risks.

The main risk arising from the Group's financial statements are credit risk, liquidity risk and operational risk. The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

Credit risk

Credit risk is the risk that the Group and Company will incur a loss because its customers or counterparties fail to discharge their contractual obligations. The Group and Company manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and by monitoring exposures in relation to such limits.

Credit risk is managed through credit verification procedures. Loan receivable balances are monitored on an ongoing basis. The credit quality of customer accounts which are neither past due nor impaired is classified to be good and are expected to be recovered.

The Company has established an account review process to provide early identification of possible changes in the creditworthiness on customers. The credit quality review process allows the Company to assess the potential loss as a result of the risks to which it is exposed and take corrective action.

Counterparty limits for liquidity placements are established using credit agency risk ratings.

	Group 2019 $	Group 2018 $	Company 2019 $	Company 2018 $
Cash and cash equivalents	8,001,095	9,714,205	7,980,326	9,663,674
Receivable from customers	126,412,835	101,021,486	126,316,957	99,081,282
Debt financial assets at amortised cost	54,089,000	46,141,154	45,983,000	43,405,154
Prepayments and other assets	2,271,225	2,301,527	2,120,568	2,294,334
Financial assets at fair value through profit or loss	877,045	907,930	-	-
	191,651,200	160,086,302	182,400,851	154,444,444

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *continued*

Impairment assessment

Definition of default and cure

The Group and Company considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments.

As a part of a qualitative assessment of whether a customer is in default, the Group and Company also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Group and Company carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate. Such events include:

- The borrower is in default or near default;
- The borrower requested emergency funding from the Company;
- The borrower has past due liabilities to public creditors or employees;
- The borrower is deceased;
- A material decrease in the underlying collateral value where the recovery of the loan is expected from the sale of the collateral;
- A material decrease in the borrower's turnover or the loss of a major customer;
- A covenant breach not waived by the Company; and
- The debtor (or any legal entity within the debtor's group) filing for bankruptcy application/protection

It is the Group and the Company's policy to consider a financial instrument as 'cured' and therefore re-classified out of Stage 3 when none of the default criteria have been present for at least six consecutive months. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the updated credit grade, at the time of the cure, and whether this indicates there has been a significant increase in credit risk compared to initial recognition.

The level of provision maintained varies according to the classification of loans in accordance with the current arrears position of the accounts. Provisions may be adjusted where there are any known difficulties in the cash flows of the customers, or infringement of the original terms of the contract.

Information about the Group and the Company's exposure to credit risk and ECL for receivables as at 30 June 2019 is set out in Note 7.

The summary of the Group and the Company's exposure to credit risk is as follow:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$	**$**	**$**	**$**
Stage 1 - not credit impaired and no SICR*	109,016,948	86,281,874	108,921,070	84,341,670
Stage 2 - SICR but not credit impaired	18,380,988	14,144,873	18,380,988	14,144,873
Stage 3 - Credit impaired	3,758,994	3,587,533	3,758,994	3,587,533
Gross Credit Exposure	131,156,930	104,014,280	131,061,052	102,074,076
Less: allowance for ECL/impairment losses	(4,244,894)	(2,556,243)	(4,244,894)	(2,556,243)
Less: interest suspense	(499,201)	(436,551)	(499,201)	(436,551)
Net Credit Exposure	126,412,835	101,021,486	126,316,957	99,081,282

*Stage 1 for Group includes insurance premium receivable of $95,878 (2018: $1,940,204).

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *continued*

Credit risk concentration

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

	Group		Company	
	2019	2018	2019	2018
	$	$	$	$
Individual	121,262,869	93,982,430	121,262,869	93,982,430
Professional and business services	3,044,576	2,136,119	3,044,576	2,136,119
Agriculture	120,228	71,094	120,228	71,094
Building and construction	986,367	121,230	986,367	121,230
Transport, communication and storage	5,647,012	5,763,203	5,647,012	5,763,203
	131,061,052	102,074,076	131,061,052	102,074,076
Insurance premium receivable	95,878	1,940,204	-	-
	131,156,930	104,014,280	131,061,052	102,074,076

The principal risk the subsidiary company faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long–term claims. Therefore, the objective of the subsidiary company is to ensure that sufficient reserves are available to cover these liabilities. The subsidiary company manages this risk by having reinsurance placed with counterparties that have a good credit rating that are subject to regular reviews. The concentration of risk is avoided by following policy guidelines in respect of counterparties' limits that are set each year by the Board and are subject to regular reviews. At each reporting date, management performs an assessment of creditworthiness of reinsurers and updates the reinsurance purchase strategy. There has not been material differences between the actual claims compared with estimates recorded in the accounts.

Liquidity risk

Liquidity risk is the risk that the Group and Company will be unable to meet its payment obligations when they fall due under normal and stress circumstances. To limit this risk, management aims to match the maturity profile of its term deposit base so as to as closely as possible match that of the loan portfolio. Management also manages liquidity placements so as to ensure adequate liquidity at all times. Cash flows and liquidity are monitored on a daily basis. This incorporates an assessment of expected cash flows and the availability of maturing liquidity placements to provide additional funding if required.

Maturity analysis of financial assets and liabilities

The table below shows the financial assets and liabilities analysed according to when they are expected to be recovered or settled. With regard to loans and advances to customers, the Group and Company uses the same basis of expected repayment behavior that was used for estimating the EIR.

ASSETS	Less than 3 months	3 -12 months	12 months - 5 years	More than 5 Years	Total
Cash and cash equivalents	8,001,095	-	-	-	8,001,095
Financial assets at fair value through profit or loss	877,045	-	-	-	877,045
Debt financial assets at amortised cost	30,266,851	8,500,000	-	15,322,149	54,089,000
Prepayments and other assets	2,271,225	-	-	-	2,271,225
EQUITY AND LIABILITIES					
Due to customers	13,790,166	39,960,972	100,998,978	4,625,404	159,375,520
Trade and other payables	1,727,168	-	-	-	1,727,168
Employee benefit liability	131,391	-	-	-	131,391
Unearned premium	2,549	62,436	2,691,035	5,606,259	8,362,279

Refer to Note 7 for maturity analysis of gross receivable from customers.

Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud and external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial crisis. The Group cannot expect to eliminate all operational risk, but through a control framework and by monitoring and responding to potential risks, the Group is able to manage risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, including use of internal audit.

24. CAPITAL MANAGEMENT

The primary objectives of the Group and the Company's capital management policy are to maintain adequate capital to ensure compliance with regulatory capital requirements, to support the growth of its business, and to maximise shareholder value.

The Group and the Company manages its capital structure and makes adjustments to it according to changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Group and the Company may adjust the dividend paid to shareholders, raise capital, or return capital to shareholders.

Capital management is under constant review by the Board.

Regulatory capital	**Company**	
	2019	**2018**
	$	**$**
Tier 1	21,216,665	13,386,424
Tier 2	8,326,537	6,597,640
Total capital	29,543,202	19,984,064
Risk weighted assets	142,819,695	112,676,646
Tier 1 capital ratio	15%	12%
Total capital ratio	21%	18%

Under its license conditions with the Reserve Bank of Fiji (RBF), the Company is required to maintain a minimum of 15% of risk weighted assets in total capital at any point in time.

Regulatory capital consists of Tier 1 capital, which comprises of share capital, retained earnings less deferred tax asset and intangible assets. The other component of regulatory capital is Tier 2 capital, which is made up of unaudited current year profit and credit loss reserve less deferred tax asset or 1.25% of risk weighted assets (whichever is lesser).

25. SUBSEQUENT EVENTS

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

26. PRINCIPAL BUSINESS ACTIVITY

The principal activities of the Group during the year were that of receiving deposits and extending of credit and related services. There was no significant change in the nature of this activity during the financial period.

The Company has a Subsidiary Company in Vanuatu, Platinum Insurance Limited. The principal activity of the Subsidiary is to act as a captive insurer underwriting loan protection insurance for its parent Company, Kontiki Finance Limited, based in the Republic of Fiji.

27. COMPANY DETAILS

Registered office
Level 5 Tappoo City Building
GPO Box 12508
Suva

The Company is a limited liability Company domiciled and incorporated in the Republic of Fiji.

The Company is listed on the South Pacific Stock Exchange.

Places of business
The places of business are located at: Suva, Lautoka and Labasa.

Number of employees at the end of the year	**2019**	**2018**
Executive	4	4
Finance	22	18
Product and distribution	79	51
Lending and compliance	46	28
Other	6	3
	157	104

All employees are employed by the Company and the Subsidiary does not have any employees.

28. CHANGE IN ACCOUNTING POLICY

New and Amended Standard Adopted by the Group and the Company

IFRS 9 - Financial Instruments

The Group has applied IFRS 9 'Financial Instruments' as issued by the International Accounting Standards Board, for the first time in its annual reporting period commencing 1 July 2018. IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9 resulted in changes in accounting policies and presentation. The nature and effects of the key changes to the Group resulting from its adoption of IFRS 9 are summarised below.

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

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income and fair value through profit or loss.

The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of fair value through profit or loss, held to maturity, loans and receivables and available for sale.

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

Reconciliation of financial assets from IAS 39 to IFRS 9

A reconciliation between the carrying amounts under IAS 39 to the balances reported under IFRS 9 as of 1 July 2018 is, as follows:

	IAS 39 Measurement		Remeasurement		IFRS 9	
Financial Assets	**Category**	**Amount**	**ECL**	**Others**	**Amount**	**Category**
		$	**$**	**$**	**$**	
Cash and cash equivalents	Loans & Receivables	9,714,205	-	-	9,714,205	Amortised Cost
Financial assets at fair value through profit or loss	Loans & Receivables	907,930	-	-	907,930	Amortised Cost
Debt financial assets at amortised cost	Loans & Receivables	46,141,154	-	-	46,141,154	Amortised Cost
Receivable from customers*	Loans & Receivables	101,021,486	(843,958)	262,761	100,440,289	Amortised Cost
Prepayments and other assets	Loans & Receivables	2,301,527	-	-	2,301,527	Amortised Cost

*As at 1 July 2018, The Group analysed the impact of extension of repayments to loan customers. The net present value of the revised cash flow was compared to the value existing at 30 June 2018. As a result, an adjustment amounting to $262,761 was recorded. Refer to Note 7 for reconciliation of ECL adjustment for 1 July 2018 balances.

28. CHANGE IN ACCOUNTING POLICY - continued

New and Amended Standard Adopted by the Group and the Company - continued

IFRS 9 - Financial Instruments - continued

Impact of adopting IFRS 9 on deferred tax

The impact of adopting IFRS 9 on deferred tax is shown below where the deferred tax asset was $569,460 under IAS 39 but due to remeasurement the balance is $653,856 under IFRS 9 on 1 July 2018.

	Balances under IAS 39/IAS 37 as at 30 June 2018	Remeasurement	Balances under IFRS 9 at 1 July 2018
Allowance for impairment losses	511,248	84,396	595,644
Accelerated depreciation for book purposes	35,188	-	35,188
Employee benefit liability	23,024	-	23,024
	569,460	84,396	653,856

(ii) Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at fair value through other comprehensive income, but not to investments in equity instruments.

Under IFRS 9, credit losses are recognised earlier than under IAS 39.

The Group applied IFRS 9's impairment requirements on 1 July 2018 and recorded an increase in allowance for impairment of $843,958.

The following summarises the impact, net of tax, of transition to IFRS 9 on retained earnings at 1 July 2018:

Retained earnings closing balance under IAS 39 (30 June 2018)	7,982,674
Recognition of expected credit losses under IFRS 9	(843,958)
Recognition of Modification to Receivables under IFRS 9	262,761
Related tax	(26,276)
Impact of adopting IFRS 9	(607,473)
Retained earnings opening balance under IFRS 9 (1 July 2018)	7,375,201

(iii) Presentation of financial statements

As a result of the adoption of IFRS 9, the Group has adopted consequential amendments to IAS 1 'Presentation of Financial Statements', which require impairment of financial assets to be presented in a separate line item in the statement of profit or loss and other comprehensive income.

Additionally, the Group has adopted consequential amendments to IFRS 7 'Financial Instruments: Disclosures' that are applied to disclosures about 2019 but have not been generally applied to comparative information.

(iv) Transition

The Group has used an exemption to not restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings as at 1 July 2018 as set out in the table above.

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

28. CHANGE IN ACCOUNTING POLICY - continued

New standards, amendments, annual improvements and interpretation that have been issued but are not mandatorily effective as at 30 June 2019

Certain new standards, amendments, annual improvements and interpretation which are not yet mandatorily effective and have not been adopted early in these financial statements, will or may have an effect on the Group's and Company's future financial statements. The Group and Company intends to adopt these standards, amendments, annual improvements and interpretation if applicable, when they become effective.

IFRS 16 - Leases

IFRS 16 Leases, which supersedes IAS 17 Leases, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC 15 *Operating Leases-Incentives* and SIC 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

IFRS 16 applies to annual periods commencing on or after 1 January 2019. Earlier adoption is permitted, but only if IFRS 15 Revenue from Contracts with Customers is also adopted. The Group has assessed the impact of IFRS 16 and plans to adopt the new standard on the required effective date.

On adoption of IFRS 16, the Group and Company will recognise lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities will be measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate. The incremental borrowing rate is the rate of interest that the Group and Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment.

The adoption of IFRS 16 will result in changes in accounting policies and presentation.

The following reconciles the Group's operating lease commitments at 30 June 2019 to lease liabilities as at 1 July 2019.

Operating lease commitments at 30 June 2019	10,481,551
Discounted using the incremental borrowing rate at 1 July 2019	8,413,251
Lease Liabilities recognised at 01 July 2019	8,413,251

The associated right-of-use assets are measured at the amount equal to the lease liability. Right-of-use assets are 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 re-measurements of the lease liability.

In applying IFRS 16 for the first time, the Group will be using practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short term leases; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group and Company elected not to apply IFRS 16 to contracts that were not identified as containing a lease under IAS 17 and IFRIC 4 'Determining whether an Arrangement contains a Lease'.

New Standards And Interpretations Not Adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2018; however, the Group has not applied the following new or amended standards in preparing these financial statements :

- Amendments to IFRS 9: Prepayment Features with Negative Compensation, effective for annual periods beginning on or after 1 January 2019 - the amendment had no impact on the financial statements of the Group and the Company.
- Annual Improvements to IFRSs 2015 – 2017 Cycle:
  - IAS 12 Income Taxes (income tax consequences) - the Company's current practice is in line with these amendments hence had no impact on the financial statement.

Standards issued but not yet effective

- IFRS 17 Insurance Contracts, effective for annual periods beginning on or after 1 January 2022. The Group is assessing the potential impact on its financial statements resulting from the application of these standards.
- Amendments to IAS 1 and IAS 8: Definition of material. These amendments are not expected to have a significant impact on the financial statements of the Group and the Company.

29. SEGMENT INFORMATION

The Directors have examined the Group's performance both from a business and a geographic perspective and have identified two reportable segments of its business:

- Finance business located in Fiji, receiving deposits and extending of credit and related services; and
- Captive insurance business located in Vanuatu, underwriting of loan protection insurance for the finance business.

(a) Geographic Segments

The Group operates in the geographical segments of Fiji and Vanuatu and the activities are mentioned in Note 26.

2019	Fiji	Vanuatu	Inter Segment	Total
Revenue	$	$	$	$
Interest revenue calculated using the effective interest method	33,784,650	296,420	-	34,081,070
Interest expense calculated using the effective interest method	(9,345,754)	-	-	(9,345,754)
Net interest income	24,438,896	296,420	-	24,735,316
Fee and commission income	168,635	-	-	168,635
Premium income	-	1,528,776	-	1,528,776
Net trading income	98,661	330,975	-	429,636
Total revenue	24,706,192	2,156,171	-	26,862,363
Less: expenses				
Movements in expected credit loss	(2,479,667)	-	-	(2,479,667)
Personnel Expenses	(7,916,440)	-	-	(7,916,440)
Depreciation of property, plant and equipment	(610,622)	-	-	(610,622)
Amortisation of intangible assets	(236,130)	-	-	(236,130)
Other operating expenses	(4,550,434)	(1,250,599)	749,737	(5,051,296)
Total operating expenses	(15,793,293)	(1,250,599)	749,737	(16,294,155)
Operating profit before tax	8,912,899	905,572	749,737	10,568,208
Income tax expense	(1,192,223)	-	-	(1,192,223)
Net profit after tax	7,720,676	905,572	749,737	9,375,985
Total assets	185,589,197	9,919,258	(883,909)	194,624,546
Total liabilities	161,467,710	8,713,135	(180,836)	170,000,008
Cash flows from operating activities	5,134,276	4,972,751	-	10,107,027
Cash flows from investing activities	(3,806,203)	(5,002,514)	-	(8,808,717)
Cash flows from financing activities	(3,011,420)	-	-	(3,011,420)

2018				
Revenue	$	$	$	$
Interest revenue calculated using the effective interest method	23,535,590	136,076	(77,421)	23,594,245
Interest expense calculated using the effective interest method	(6,217,719)	-	(17,680)	(6,235,399)
Net interest income	17,317,871	136,076	(95,101)	17,358,846
Fee and commission income	946,293	-	(770,681)	175,612
Premium income	-	992,113	-	992,113
Net trading income	45,035	81,621	-	126,656
Total revenue	18,309,198	1,209,810	(865,782)	18,653,227
Less: expenses				
Movements in allowance for impairment losses	(2,005,858)	-	-	(2,005,858)
Personnel Expenses	(5,806,297)	-	-	(5,806,297)
Depreciation of property, plant and equipment	(417,324)	-	-	(417,324)
Amortisation of intangible assets	(170,522)	-	-	(170,522)
Other operating expenses	(2,657,660)	(1,028,085)	300,068	(3,385,677)
Total operating expenses	(11,057,661)	(1,028,085)	300,068	(11,785,678)
Operating profit before tax	7,251,538	181,726	(565,713)	6,867,549
Income tax expense	(1,502,101)	-	-	(1,502,101)
Net profit after tax	5,749,437	181,726	(565,713)	5,365,448
Total assets	157,371,610	6,908,875	(1,482,017)	162,798,468
Total liabilities	137,351,906	6,608,326	(29,210)	143,931,022
Cash flows from operating activities	23,336,917	3,614,064	-	26,950,981
Cash flows from investing activities	(19,970,434)	(3,618,649)	-	(23,589,083)
Cash flows from financing activities	2,984,586	-	-	2,984,586

29. SEGMENT INFORMATION continued

(b) Business Segment

The following summary describes the operations of each business segment.

Business segments	Operations
Finance	Receiving deposits and extending of credit and related services
Insurance	Underwriting of loan protection insurance

The geographical and business segment information is the same for 2019 and 2018 as per Note 29a.

SOUTH PACIFIC STOCK EXCHANGE – LISTING REQUIREMENTS (OTHER INFORMATION)

Shareholdings of those persons holding twenty (20) largest blocks of shares as required under rule 51.2(v) of the Listing Rules.

Top 20 Shareholders			
	Shareholder Name	Number of Shares	Percenatge Holding
1	Impala Investments Pte Limited	18,128,648	20.0%
2	Corbett Holdings Pte Limited	14,724,684	16.2%
3	Melanesian Capital (Fiji) Pte Limited	4,771,820	5.3%
4	Retail Holdings Limited	4,541,730	5.0%
5	Chen Hui Lin	3,587,070	3.9%
6	Estate of George Niumataiwalu	3,000,776	3.3%
7	Chen Li Lan	2,408,100	2.7%
8	Mitchell Family Trust	1,907,413	2.1%
9	Lau Wai Yuk	1,836,719	2.0%
10	Rodney Wicks	1,785,019	2.0%
11	Griffon Ian Emose	1,636,440	1.8%
12	Desmond and Philippa Kearse	1,565,238	1.7%
13	Jayne Craig	1,503,000	1.7%
14	Bus Behind Limited	1,470,430	1.6%
15	Jugu Development Corporation Limited	1,185,579	1.3%
16	Lee Wen Xi	1,178,460	1.3%
17	Ludwigson Holdings Pty Limited	1,162,631	1.3%
18	Liu Shih Pei	1,129,773	1.2%
19	Chai Huei Chen	1,065,180	1.2%
20	Erik Larson & Amy Lynn Bergquist	1,004,840	1.1%
	Others	21,266,267	23.4%
	Total Shares on Issue	**90,859,817**	**100.00%**

Distribution schedule of each class of equity security setting out the number of holders and percentage as required under rule 51.2(vi) of the Listing Rules.

Holdings	No. of Shareholders	Percentage holding
0-500	17	0.01%
501-5000	56	0.15%
5001-10000	22	0.19%
10001-20000	19	0.30%
20001-30000	10	0.28%
30001-40000	7	0.26%
40001-50000	4	0.21%
50001-100000	24	2.08%
10001-1000000	51	19.91%
> 1,000,000	20	76.60%
Total	**230**	**100%**

Statement of interest (direct and indirect) of Directors and senior management in the share capital of the Company as at 30 June 2019 under rule 51.2(iv) of the Listing Rules.

Name	Position	No.of Shares Held Directly	No. of Shares Held Indirectly
Daryl Tarte	Director	352,582	0
Francis Chung	Director	881,445	0
Glen Craig	Director	0	6,012,160
Griffon Emose	Director	1,636,440	0
Litia Niumataiwalu	Director	0	0
Barry Whiteside	Director	100,000	0
Greg Cathcart	Senior Manager	0	14,724,684
David Oliver	Senior Manager	215,929	18,128,648
Phillip Lacey	Senior Manager	909,249	0

Disclosure on the trading results of each subsidiary under rule 51.2(x) of Listing Rules.

Period Ended 30 June 2019	
Name of Subsidiary	Platinum Insurance Limited
Principal Country of Operation	Vanuatu
Country of Incorporation	Vanuatu
Turnover	$1,574,512
Other Income	$641,871
Depreciation and Amortisation	Nil
Interest Expense	Nil
Income Tax	Nil
Other Expenses	$1,310,810
Net Profit after Tax	$905,573
Assets	$9,919,259
Liabilities	$8,713,137
Shareholders Funds	$1,206,122

Group Five Years Financial Performance under rule 51.2 (xiv) of Listing Rules.

Year ended 30 June	2015	2016	2017	2018	2019
Net profit after tax	(1,070,226)	567,887	3,119,565	5,365,448	9,375,985
Assets	7,431,128	53,386,394	93,608,757	162,798,468	194,624,546
Liabilities	6,120,988	46,958,346	83,091,345	143,931,022	170,000,008
Shareholders' equity	1,310,140	6,428,048	10,517,412	18,867,446	24,624,538

Share register, registered and principal administrative office and company secretary

Registered and principal administrative office
Kontiki Finance Limited
Level 5 Tappoocity Building
Thomson Street
Suva
Fiji
Telephone (679) 330 3400
Email: enquiries@kontikifinance.com
Website: www.kontikifinance.com

Registry Office
Central Share Registry Pte Limited
Shop 1 and 11 Sabrina Building
Victoria Parade, Suva.
GPO Box 11689
Suva
Fiji
Telephone (679) 330 4130

The company is incorporated in Fiji with limited liability and is listed on the South Pacific Stock Exchange.

Company Secretary
The Company Secretary is David Oliver, Group Chief Financial Officer, Kontiki Finance Limited.

Per share information

Disclosure on shares under rule 51.2(xv) of the Listing Rules

Year ended 30 June	2015	2016	2017	2018	2019
Earnings per share	(0.45)	0.09	0.04	0.06	0.10
Dividends per share (cents)	-	-	-	-	0.055
Net tangible assets per share	0.53	1.05	0.14	0.21	0.27
Highest market price per share ($)					1.25
Lowest market price per share ($)					0.94
Market price per share at end of financial year ($)					1.00

Company Details:	Name: Kontiki Finance Limited Date of Incorporation: 26 July 2006 Place of Incorporation: Suva Company No. 18908 TIN No: 50-51838-0-2 Head Office: Level 5, TappooCity Building, Thomson Street, Suva Phone: 330 3400 Fax: 330 3401 Email: enquiries@kontikifinance.com
External Auditor:	Ernst & Young Level 7, Pacific House 1 Butt Street Suva
Solicitors:	Munro Leys Lawyers Level 3, Pacific House 1 Butt Street Suva
Investment Advisor & Listing Manager:	Kontiki Capital Pte Limited Level 2, Plaza 1, FNPF Boulevard 33 Ellery Street Suva
Capital Markets and Financial Markets Regulator:	Reserve Bank of Fiji Tower 4, RBF Building Pratt Street Suva
Securities Exchange:	South Pacific Stock Exchange Shop 1 and 11 Sabrina Building Thomson Street Victoria Parade, Suva. Suva GPO Box 11689 Fiji Suva
Share Registry:	Central Share Registry Shop 1 and 11 Sabrina Building Thomson Street Victoria Parade, Suva. Suva GPO Box 11689 Fiji Suva


KONTIKI
FINANCE