ABC Company Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2017

	2017	2016
	$	**$**
Revenue	9,978,961	10,123,571
Cost of sales	(9,042,681)	(9,630,608)
Gross profit	936,280	492,963
Other income	103,346	196,822
Selling and distribution expenses	(104,075)	(21,526)
Administrative expenses	(169,043)	(158,718)
Other operating expenses	(200,259)	(324,686)
Result from operating activities	566,249	184,855
Finance costs	(74,013)	(85,396)
Profit before income tax	492,236	99,459
Income tax expense	(133,410)	(54,952)
Profit	358,826	44,507
Other comprehensive income	-	-
Total comprehensive income	358,826	44,507

ABC Company Limited
Statement of financial position
As at 30 June 2017

	2017 $	2016 $
Current assets		
Cash	193,272	389,676
Trade and other receivables	1,761,186	1,347,049
Inventories	4,466,280	4,028,967
Other assets	41,216	67,453
Total current assets	6,461,954	5,833,145
Non-current assets		
Property, plant and equipment	8,559,031	9,011,558
Total non-current assets	8,559,031	9,011,558
Total assets	15,020,985	14,844,703
Current liabilities		
Bank overdraft	117,946	-
Current tax liability	255,605	91,668
Trade and other payables	2,208,946	1,943,604
Borrowings	131,534	318,018
Employee entitlements	120,000	108,000
Total current liabilities	2,834,031	2,461,290
Non-current liabilities		
Deferred tax liability	1,119,421	1,183,072
Borrowings	56,366	187,904
Dividends payable	3,263,290	3,623,386
Total non-current liabilities	4,439,077	4,994,362
Total liabilities	7,273,108	7,455,652
Net assets	7,747,877	7,389,051
Shareholder's equity		
Share capital	100,000	100,000
Retained earnings	7,647,877	7,289,051
Total equity	7,747,877	7,389,051

ABC Company Limited
Statement of cash flow
For the year ended 30 June 2017

	2017	2016
	$	$
Operating activities		
Cash receipts from customers	9,661,439	10,956,318
Cash payments to suppliers and employees	(9,475,986)	(9,492,738)
Interest paid	(74,013)	(104,158)
Income tax paid	(33,124)	(3,913)
Cash flows from operating activities	78,316	1,355,509
Investing activities		
Proceeds from sale of assets	659	34,783
Payment for property, plant and equipment	(75,303)	(159,130)
Cash flows from investing activities	(74,644)	(124,347)
Financing activities		
Repayment of borrowings	(318,022)	(426,444)
Cash flows from financing activities	(318,022)	(426,444)
Net decrease in cash and cash equivalents	(314,350)	804,718
Cash and cash equivalents at beginning of the year	389,676	(415,042)
Cash and cash equivalents at end of the year	75,326	389,676

	2017	2016	2015
Investors			
Profitability	358,826	44,507	28,299
Return on Assets	3%	1%	0%
EBITDA	1,093,487	787,768	686,344
Gross Profit Margin	9%	5%	1%
Shareholders			
Profitability	358,826	44,507	28,299
Debt to equity ratio	94%	101%	151%
Return on equity	6%	1%	0%
Current ratio	2.28	2.37	2.03
Management			
Inventory days	180	153	161
Debtor days	61	46	75
Creditor days	8	10	11
Current ratio	2.28	2.37	2.03
Quick ratio	69%	71%	69%
Additional information			
Depreciation	527,238	602,913	592,460
Accounts receivable	1,662,483	1,285,845	1,955,877
Accounts payable	194,284	266,200	272,892

ABC Company Limited
Notes to and forming part of the financial statements
For the year ended 30 June 2017

1. Summary of significant accounting policies

ABC Company Limited ("the Company") is a private Company incorporated and domiciled in Fiji.

Set out below is a summary of the significant accounting policies adopted by the Company in the preparation of the financial statements.

(a) Basis of preparation and accounting policies

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board. They are presented in Fiji dollars, which is the Company's functional currency. All financial information presented in Fiji dollars has been rounded to the nearest dollar.

The financial statements have been prepared on the basis of historical costs and do not take into account changing money values or, except where stated, current valuations of non-current assets. The accounting policies have been consistently applied and, except where there is a change in accounting policies, are consistent with those of the previous years.

New Standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2018, and have not been applied in preparing these financial statements. None of the new standards is expected to have a significant effect on the financial statements of the Company:

Standard	Summary of the requirements	Effective Date
IFRS 15, 'Revenue Contracts'	IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 *Customer Loyalty Programmes*.	Annual periods beginning on or after 1 January 2018
IFRS 16 Leases	IFRS 16 introduces a single, on-balance lease sheet accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases. IFRS 16 replaces existing leases guidance including 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*. Early adoption is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of IFRS 16.	Annual periods beginning on or after 1 January 2019

1. Summary of significant accounting policies (continued)

(a) Basis of preparation and accounting policies (continued)

Standard	Summary of the requirements	Effective Date
IFRS 9, 'Financial instruments'	IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification. IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgement as to how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis. The new impairment model will apply to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments, and to contract assets. Under IFRS 9, loss allowances will be measured on either of the following bases: — 12-month ECLs. These are ECLs that result from possible default events within the 12 months after the reporting date; and — lifetime ECLs. These are ECLs that result from all possible default events over the expected life of a financial instrument. Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component; an entity may choose to apply this policy also for trade receivables and contract assets with a significant financing component.	Annual periods beginning on or after 1 January 2018

(b) Foreign currencies

Foreign currency transactions are translated to Fiji dollars at the rates of exchange ruling at the date of transactions. Amounts receivable and payable in foreign currencies are converted to Fiji currency at the rates of exchange ruling at balance date. Realised gains and losses during the year and unrealised exchange gains and losses at balance date are recognised in the profit and loss.

(c) Trade and other receivables

Trade and other receivables are stated at original invoice amount less allowance for doubtful debts and impairment losses. The collectability of debts is assessed annually and allowance is made for any specific doubtful debt accounts. It is intended that allowance for doubtful debts will continue to be reviewed annually and maintained at a level appropriate to the circumstances of the time.

ABC Company Limited
Notes to and forming part of the financial statements
For the year ended 30 June 2017

1. Summary of significant accounting policies (continued)

(d) Inventories

All inventories are measured at the lower of cost and net realisable value. Cost is based on average cost and includes expenditure incurred in acquiring the inventories and bringing them to their existing condition and location.

Finished goods and work-in-progress balances consist of value added (cut, make and trim costs) either to materials purchased by the Company or supplied and owned by third parties. Cost of materials is also included in finished goods and work-in-progress where the materials have been purchased by the Company.

(e) Leases

Assets held by the Company under leases, which transfer to the Company substantially all of the risks and rewards of ownership, are classified as finance leases. On initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments.

Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Minimum lease payments made under finance leases are apportioned between the finance expenses and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Other leases under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Operating lease payments are charged to expense in the periods in which they are incurred.

(f) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, cash at bank and bank overdraft.

ABC Company Limited
Notes to and forming part of the financial statements
For the year ended 30 June 2017

1. Summary of significant accounting policies (continued)

(g) Property, plant and equipment

(i) Owned assets

Certain items of property, plant and equipment are initially measured at cost less accumulated depreciation and any accumulated impairment losses. Land and buildings are initially recognised at cost less accumulated depreciation and subsequently at revaluation.

Costs include expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Any gain or loss on disposal of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the asset at the time of disposal) is recognised in profit or loss.

(ii) Depreciation

Fixed assets, excluding freehold land, are depreciated over their estimated useful lives. The straight line method of depreciation is used and depreciation rates have been applied as follows:

Buildings	5%	Motor vehicles	20%
Plant and machinery	10%	Office equipment	20%
Furniture and fittings	20%		
Motor vehicles	20%		
Office equipment	20%		

(iii) Subsequent expenditure

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

(h) Creditors and other payables

Trade and other payables are stated at amortised cost.

(i) Employee entitlements

(i) Wages, salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the balance date represent present obligations in respect of employees' services up to the balance date. They are calculated at undiscounted amounts based on remuneration rates that the Company expects to pay as at balance date including related on-costs, such as payroll tax. Increases or decreases in this obligation are recognised in the profit or loss.

1. Summary of significant accounting policies (continued)

(i) Employee entitlements (continued)

(ii) ***Defined superannuation plans***

Obligations for contributions to defined superannuation plans are recognised as an expense in the profit or loss as incurred.

(j) Revenue recognition

Sales revenue represents revenue earned from the sale of goods that have been contracted and is brought to account when goods have been delivered to the customer for local sales and when shipped to the customer for export sales.

(k) Expenses

Personnel expenses

Personnel expenses comprise of wages and salaries and employee entitlements paid to staff.

(l) Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year.

Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax

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

Deferred tax assets, including those related to the tax effects of income tax losses and credits available to be carried forward, are recognised only to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences or unused tax losses and credits can be utilised. Deferred tax liabilities are recognised for all taxable temporary differences. Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date. The measurement reflects the tax consequences that would follow from the manner in which the Company, at the reporting date, recovers or settles the carrying amount of its assets and liabilities.

1. Summary of significant accounting policies (continued)

(m) Finance costs

Finance costs comprise interest expense on loans and finance leases using effective interest method.

(n) Dividend distribution

Dividends are recorded in the Company's financial statements in the period in which they are declared. Dividends paid during the year are subject to the provisions of the Fiji Income Tax Act and Income Tax (Dividend) Regulations 2001.

(o) Asset Revaluation Reserve

This reserve records movements between written-down value and fair value of property, plant and equipment of the Company.

(p) Impairment – non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or cash generating unit (CGU) exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. An impairment loss is reversed only to the extent that the assets carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(q) Use of estimates and judgments

The preparation of the company's financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements in Note 1(g) – Property, plant and equipment impairment.

2. Financial risk management

The Company's principal financial instruments comprise of trade and other receivables and cash. The main purpose of these financial instruments is to raise finance for the Company's operations. As a result of the Company's operations and sources of finance, it is exposed to credit risk, market risk and liquidity risk.

The Board reviews and agrees policies for managing each of these risks and they are summarized below. Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability are disclosed in Note 1 to the financial statements.

(a) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

(i) Currency risk

The Company is exposed to currency risk through transactions in foreign currencies. The major currency includes Australian Dollars (AUD). The table below summarises significant foreign risk exposures on financial assets:

	Financial assets	
	2017	**2016**
	AUD	**AUD**
Cash at bank	100,222	46,804
Trade receivables	968,980	698,378
	1,069,202	745,182

Reporting date spot rate used was 0.6334 for cash & trade receivables (2016: 0.6576).

18. Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

The following table summarises the impact of reasonably possible changes in foreign exchange rates on net profit before tax. The sensitivity analysis assumes a 10% increase and decrease in the AUD currency. The analysis also assumes that all other variables, including interest rates remain constant.

	Financial assets	
	2017	**2016**
	$	**$**
Impact on financial statements		
10% increase in AUD fx rate against FJD	(153,458)	(103,017)
10% decrease in AUD fx rate against FJD	187,560	125,909

The exposure of movements in foreign currency on financial liabilities is not considered material.

(ii) Interest rate risk

At the reporting date the interest rate profile of the Company's interest-bearing financial instruments was:

	2017	**2016**
	$	**$**
Fixed rate finance liabilities		
Bank overdraft	117,946	-
Borrowings	187,900	505,922
	305,846	505,922

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

(b) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's cash at bank and trade and other receivables.

18. Financial risk management (continued)

(b) Credit risk (continued)

Trade and other receivables relate mainly to the Company’s wholesale customers. Customers that are graded as “high risk” are placed on a restricted customer list and monitored by management, and future sales are made on a prepayment basis.

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main component of this allowance is a specific loss component that relates to all defaulting customers.

The Company does not require collateral in respect of financial assets. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit risk on financial assets is minimised by dealing with recognised monetary institutions with accepted credit ratings.

The Company has credit risk arising from credit exposure to customers, including outstanding receivables. The level of credit granted is regularly monitored. The maximum exposure to credit risk equates to the carrying amounts of trade and other receivables and cash as stated in the statement of financial position.

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company’s approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. Prudent liquidity risk management implies maintaining sufficient cash to meet current obligations.

The contractual maturities of the financial liabilities are mainly within 12 months as classified in the statement of financial position, except for borrowings which is payable in the next 3 years.

(d) Capital risk management

The Company’s objectives when obtaining and managing capital are to safeguard the Company’s ability to continue as a going concern and provide shareholders with a consistent level of returns and to maintain an optimal capital structure to reduce the cost of capital.

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowing (including ‘current and non- current borrowing’ as shown in the statement of financial position) less cash and cash equivalent. Total capital is calculated as ‘equity’ as shown in the Company’s statement of financial position plus net debt.