FPS
Credit Union

Annual Report

Multi-Year Report 2019-2021

Renewing our roots: Building tomorrow together"

CONTENT.

THEME

Renewing our roots: Building tomorrow together

Our theme captures the essence of rebuilding and revitalizing our Credit Union while emphasizing collaboration and a forward momentum. This report focuses on returning to our core values and purpose, leveraging our strength to look ahead to new opportunities and growth.

Message from the Board of Directors

Aporosa **Lutunauga**
Chairman of the Board

As we gather to reflect on our journey together over the years 2019 to 2021, I want to express my heartfelt gratitude for your continued trust and support in our credit union. While we have faced challenges, I am optimistic about the future and eager to share our vision moving forward.

Acknowledging Our Current Situation

We have encountered many challenges in recent times, including some financial difficulties. The past few years have tested our resilience and adaptability. Yes, our membership base has reduced drastically, but, throughout recent challenges, our commitment to prioritize the needs of our members continued.

Like most other credit unions, the evolving financial industry as well as the COVID-19 pandemic, economic pressures, changes in consumer behaviour and the growing influence of other financial institutes have played a major role in our current financial landscape. This is reflected in the financial statements before you.

The sale of the Goodenough Street property was a difficult but necessary decision. Careful deliberations were held and it was clear that in order to effectively manage current liabilities, the sale was inevitable. The decision is also reflective of our commitment to long-term viability.

Our asset base remains formidable with total assets of $19m and an investment portfolio including Skaffwork Building Solutions Ltd, our rental property the Credit Union Towers and smaller properties in Wailoku, Suva and Navoli, Ba.

A Milestone Achievement: Embracing Digital Transformation

One of the most significant accomplishments we achieved is the successful transition from cash and cheque payments to fully online payment services. Thanks to good planning and forward thinking, we were able to turn the challenges of the pandemic into silver linings. With a small investment in upgrading technology, staff training, and working with relevant stakeholders we were able to ensure that despite restrictions, our credit union remained opened throughout the second major lockdown.

I am proud to report that this transition has not only improved operational efficiency but also enhanced our members' experience, allowing for greater convenience and accessibility. This shift in embracing technology positions us well for future growth.

The Path Forward – Vison for Growth

Looking ahead, our strategic roadmap primarily focuses on initiatives that are designed to bolster our financial health and member engagement.

Our priority areas are:

- **Good Governance** – Our objective is to ensure the practice of good governance in all operations of the credit union
- **Membership** – We will focus on improving the quality of life and financial well-being of our members
- **Finance** - strategic allocation and oversight of financial resources to ensure long-term stability and growth

Our objective for the future is to explore opportunities that will be mutually benefiting to the business and our members. Theses areas include, diversifying product offerings, community engagement, enhanced communication with our members, continue to invest in technology and most importantly, fostering financial literacy.

While we acknowledge the many challenges faced, it is important to also recognize that our credit union has a rich history of over 50 years, rooted in strong values, focus on our members, and community spirit. This foundation gives us a unique position to turn things around.

A Call to Action - "Renewing our roots: Building tomorrow together"

As we embark on this journey, I invite each of you to engage with us. Let us work together to strengthen our credit union and build a brighter future for all members. By collaborating, we can realize our vision and reestablish ourselves as the leading credit union in Fiji. Together, we can become the preferred choice for all our members' financial needs.

In closing, I want to reiterate my gratitude for your loyalty and patience. Together, we have the power to transform challenges into opportunities. Let's embrace this journey with optimism, knowing that our collective efforts can lead to renewed growth and prosperity, lets build tomorrow together!

Thank you for being an integral part of our credit union family.

Aporosa Lutunauga
Chairman of the Board

Strategic Road Map

We are guided by our aim to **revitalize our business through collaboration and focus on our core business** of serving our members.

Our Vision Is TO BE THE BEST Credit Union In Fiji

The FPSCU's mission is that we are "Dedicated to exceeding the expectations of our members and stakeholders through commitment, innovation and sound financial management for sustainability and excellence."

OUR VALUES

- **Accountability**
- **Empathy & Patience**
- **Honesty & Reliability, Timeliness**
- **Trustworthiness**
- **Equity**
- **Courtesy**

OUR STRATEGIC GOALS & PRIORITIES

- "Ensure a safe, sound and sustainable business model that provides mutual protection for members and the Credit Union"
- "Improve the quality of life and financial well-being of members through access to affordable financial products and services"
- "Ensure maximum performance by the Credit Union to allow a healthy return to members"

Governance	Membership	Finance
"Good governance is sustained in all the operations of the FPSCU"	"Improved quality of life and financial wellbeing of members"	"Prudent and sound financial management"

STRATEGIC OBJECTIVES

- Promote shares and retirement savings for our members
- Promote membership growth using common bonds
- Encourage and ensure good governance across the organisation
- Promote financial literacy with members
- Invest excess funds in safe, sustainable investments
- Provide loans to our members at very low interest rates

Minutes of the Forty-fourth Annual General Meeting of the Members of the Fiji Public Service Credit Union

The meeting was hosted at the FMF Gymnasium on Saturday 29 September 2018, at 11am.

Directors Present

- **Ms. Jowana Koroituinakelo** - Chairperson
- **Mr. Jale Kunawalu -** Deputy Chairperson
- **Mr. Eliki Masa** *(late)* **-** Director
- **Mr. Aporosa Lutunauga -** Director
- **Mr. Tikiko Vulaca -** Director

Executive Members Present

- **Ms. Amalaini Kadawa** - *Credit Committee*
- **Ms. Akeneta Raumakita** - *Credit Committee*
- **Mr. Epi Batireregа** - *Credit Committee*
- **Ms. Lewai Karavaki** - *Supervisory Committee*
- **Mr. Taito Moceituba** - *Supervisory Committee*
- **Mr. Maciu Camaibulu** - *Supervisory Committee*

Secretariate Staff Members

- **Mr. Jone Koroi** *(late)* **-** *General Manager*
- **Ms. Emele Vakatora -** *Assistant General Manager*
- **Ms. Luvu McComber -** *Executive Board Secretary*
- **Ms. Asinate Volau -** *Executive Board Secretary*

Others Present

- Talatala Jone Cagi for the benediction
- Various employees of the Fiji Public Service Credit Union and Skaffwork Building Solutions Ltd
- Over 900 members of the Fiji Public Service Credit Union

1. Welcome and Quorum

In accordance with Clause 20 of the Supplementary By-Laws, and after noting the presence of members, the Chairperson called the house to order and declared the forty-fourth Annual General Meeting of the Fiji Public Service Credit Union opened at 11:00am.

The meeting was convened with a short devotion by Reverend Jone Cagi.

The Chairperson welcomed everyone to the forty-fourth Annual General Meeting and a special welcome was accorded to the members from the Western, Northern and Maritime regions.

Members were requested to observe a minute's silence in memoriam of members who had regrettably passed away since the last AGM.

2. Notice Convening the Meeting

The Chairperson of the Board read out the notice convening the meeting as follows:

"**Fiji Public Service Credit Union** – *In pursuance to Section 21(1) of the Credit Union Act and Clause 17 of the Fiji Public Service Credit Union By-Laws, notice is hereby given that the 44th Annual General Meeting of the Fiji Public Service Credit Union will be held on Saturday, September 29th, 2018 at the National Gymnasium, Laucala commencing at 11:00am"*

The Chairperson confirmed that the notice was published in the Fiji Times and The Fiji Sun seven clear days from the date of this meeting in accordance of Clause 18 of the By-Laws. It was also confirmed that the same notice was posted at the offices of the Fiji Public Service Credit Union in clear view for all members.

3. Approval or Amendment of the Minutes of the Last Annual General Meeting

There were no amendments to the minutes of the meeting held on Saturday 23rd September, 2017. A motion was moved by member, Mr. Joela Cama and seconded by member Mr. Uraia Rainima the forwarded minutes were the true record of the 43rd Annual General Meeting. With no objections or proposed amendments, the motion was carried.

4. Elections

The General Manager read the notice given in pursuance of Clause 22 of Fiji Public Service Credit Union's Supplementary By-Laws, calling for nominations for the positions of:

- members for the Board of Directors
- Two members of the Credit Committee
- Two members of the Supervisory Committee

Mr. Jone Koroi, General Manager, confirmed that the notice was signed by him and published in the Fiji Times and Fiji Sun respectively on 30th August 2018.

5. Matters Arising out of the Minutes of the Last Annual General Meeting

There were no matters arising from the Minutes of the forty-third Annual General Meeting held on 23rd September, 2017.

6. Report of the Board of Directors

The report of the Board of Directors was presented by the Chairperson, Ms. Jowana Koroituinakelo.

The presentation included the following highlights:

- Despite a challenging year, a profit of $251,751 with the Board of Directors declaring a dividend of 6% on shares and 6% interest on savings to be paid to members
- As a result of historical financial results of the subsidiary, a qualified audit opinion was provided by auditors
- The total asset of the Fiji Public Service Credit Union stands at $21.7m
- The financial position of the FPSCU remains strong despite the operating loss recorded by the subsidiary
- The operating income of the business arm, Skaffworks showed growth with the Scaffolding arm increasing by $341,575 from 2017 to 2018 and the Construction arm increasing by $942,317 from 2017 to 2018. The total assets of the business also increased by $736,951 from 2017 to 2018
- The Sugarcane Farm in Navoli harvested over 400 tonnes of sugarcane during the financial year with net proceeds of $19,722
- The freehold vacant lands in Wailoku recorded an increase in value of $34,975
- Plans to construct on the vacant land in Waimanu Rd have been postponed to allow the Board to focus on other priorities. The Chairperson also assured members that the value of this property would continue to increase which the Credit Union could easily dispose of and make a good profit
- The freehold investment properties situated at Gladstone Road and Goodenough Street are valued at $6.7m and $1.9m respectfully

The Chairperson also briefed the members on the outlook for the upcoming financial year and the Board's planned way forward on retention, member services, return on investment, policies and collections.

The Chairperson concluded the presentation by acknowledging with appreciation to members for the support and trust shown to the Board of Directors as custodians of their funds, investment and in managing the organisation. Acknowledgement was also given for the contributions made by the Executives and staff during the year.

Discussion on the Board of the Directors' Report

The Chairperson opened the floor for discussion on the Board's report. With no further comments from members, a member from the FRCS moved the report be adopted. This was seconded by Mr. Batibasaga from the Fiji Police Force. With no objections from the floor, the report was adopted.

7. Report of the General Manager

The General Manager, late Mr. Jone Koroi, welcomed the members once again and conveyed thanks to the members on behalf of the Management and staff of the Credit Union.

The General Manager offered an executive summary, highlighting the challenging year that was with a net asset of $18m setting a backdrop as the first step in its long-term strategic plan to improve core business.

The General Manager shared the following highlights:

- Staffing structure of the Credit Union and its commitment to improving services to members through having the right people
- The Credit Union recorded a slight reduction in membership numbers as a result of the reform in the civil service
- The Credit Union has secured long-term lease agreements for office space at the Credit Union Towers building in Gladstone Road with the building now having 78% occupancy
- Members were given loans in the amount of $3.7m with repayments from members in the amount of $6.5m. Lending continues as the core business of the Credit Union
- The return on investments to shareholders was paid out again at the maximum of 6% dividend and 6% interest

The General Manager also shared the following highlights in respect of the wholly owned subsidiary business, Skaffwork Building Solutions Ltd:

- In its full first year since acquisition the business continued to grow in both the Scaffolding and Construction arms, despite challenges faced
- The construction business was awarded contracts during the year totalling $5.2m
- The scaffolding business more than doubled its income from the previous year with total revenue of $595,784
- Members have directly benefited through discounts on hire of sheds with over $60,000 in discounts given to members in the year
- There was growth in the number of employees over the last year with the business employing 189 staff across the Administration, Construction and Scaffolding sections

The General Manager concluded his presentation by again acknowledging the support and commitment from members over the last year. Re-assurance was also provided to members that FPSCU has not lost focus on the core business of providing the best services and maximum returns to its members.

Discussion on the General Manager's Report

The Chairperson opened up the floor for discussion on the General Manager's report.

- Mr. Jone Vasitia of the Ministry of Education posed a question to the General Manager to enquire on where the General Manager was operating from while managing the FPSCU office.
- *The General Manager responded that he operating out of the Skaffworks Office at the Credit Union Towers on Gladstone Rd*

With no further comments and no objections, the report was adopted by the members present.

8. Report of the Supervisory Committee

The Chairperson of the Supervisory Committee Ms. Lewai Karavaki presented to the members the report of the committee for year.

Ms. Karavaki confirmed to the members that during the year the Supervisory Committee undertook a systematic and detailed examination on accounting and administrative documents which covers the daily servicing of the Credit Union. The examinations included inspection of security, loans, properties, vouchers and other documents.

On behalf of the Supervisory Committee, Ms. Karavaki acknowledged with appreciation the Members, Executives and Staff of the FPSCU for their continued assistance and support in facilitating their work through the year.

Discussion on the Supervisory Committee's Report

The Chairperson opened up the floor for discussion on the Supervisory Committee's report.

With no further comments and no objections, the report was adopted by the members present.

9. Report of the Credit Committee

The Chairperson of the Credit Committee, Ms. Amalaini Kadawa presented to the members the report of the committee for the year.

Ms. Kadawa assured members that loan applications processed during the year were for welfare related purposes. She also highlighted the following:

- During the reporting period the committee received a total of over 15,000 applications with demands for loans amounting to over $6.5m. A total of 13,000 applications were approved in the amounts of $3.7m
- In order to assist more members, the committee was required to approve reduced amounts when necessary
- Approvals were made in accordance with the Supplementary by-laws of the FPSCU and members were constantly advised as to their right to appeal declined applications.
- The committee's approvals were also aligned with allocated budgets
- The Committee pleaded with members to recognize and practice the three Credit principles of saving sufficiently, borrowing wisely and repaying regularly

Ms. Kadawa concluded by acknowledging the support from the members during the year and thanked the Executives and Staff for their support as well.

Discussion on the Credit Committee's Report

The Chairperson opened up the floor for discussion on the Credit Committee's report.

With no further comments and no objections, the report was adopted by the members present.

10. General Discussion

The Chairperson opened the floor to general discussion. The following questions/remarks and their responses were discussed:

- Mr. Seremaia from the National Fire Authority posed a clarification on the payment of the 6% dividend to members to which the General Manager explained the same would be credited to the members' share accounts
- Mr. Jone Vasitia from the Ministry of Education commented on the qualified financial report and also posed a question on the contribution of Skaffworks to FPSCU, to which the General Manager explained the growth plans for Skaffworks including major construction projects lined up. The General Manager also reminded members of their eligibility for discounts when using services provided by Skaffworks
- Ms. Judith Kotobalavu from the Ministry of Health enquired on the availability of special approval for members applying for overseas travel to which the General Manager explained that approvals are based on the status, free shares and ability to repay the loan amongst other assessment criteria
- Ms. Vasemaca Ratuveitamani from the Department of Cooperatives raised the question on the increase in Executive loans from the previous year to the current year to which the General Manager responded to explain that all loans processed and paid are done so in accordance with the FPSCU's by-laws
- Ms. Judith Kotobalavu from the Ministry of Health enquired about what plans were in place to utilise the vacant freehold land at Waimanu Rd to which the General Manager responded that approved plans were included in the purchase and in time the construction would commence
- Ms. Temo Ravula from the Ministry of Health raised concerns on several of the construction contracts held by Skaffworks to which the General Manager responded that the concerns were noted and would be taken on board by the Skaffworks Management
- Mr. Kameli Drotini of Energy Fiji Ltd provided feedback on the services to members in particular the turnaround time and amounts approved for loans to which the General Manager responded that loan were serviced in accordance with available cashflow. The General Manager also reiterated the need for outstanding loan arrears to be collected as this affects the ability to pay out loans to members
- Mr. Isireli Batibasaga from the Fiji Police Force requested that the Annual Report booklet be printed in larger font and booklet size as the one distributed was not reader friendly to which the General Manager responded that the feedback was noted and would be taken into consideration in future

With no further comments and questions, the general discussion was closed by the Chairperson.

11. Election Results

The Chairperson invited the Presiding Officer, Mr. Selemo Savou (member from the Fiji Revenue & Customs Service) to present to the members the results of the Election.

The Presiding Officer commenced by confirming to the members that the election process was in accordance with the FPSCU Supplementary By-laws with balloting and counting carried out in a fair and transparent manner in the presence of members serving as scrutineers.

The following members were nominated to stand for the vacant positions on the Board of Directors:

- **Mr. Jale Kunawalu** - Member from the Ministry of Lands
- **Mr. Aporosa Lutunauga** - Member from the Fiji Police Force
- **Mr. Meli Sateki** - Member from the Fiji Police Force
- **Ms. Temo Ravula** - Member from the Ministry of Health
- **Mr. Romulusi Yauvoli** - Member from the Fiji Revenue and Customs Services

The results were read out by the Presiding confirming three vacant Board seats to be filled by Mr. Jale Kunawalu, Mr. Aporosa Lutunauga and Mr. Romulusi Yauvoli.

The following members were nominated to stand for the vacant positions of the Supervisory Committee:

- **Ms. Lewai Karavaki** - Member from the Fiji Revenue and Customs Services
- **Mr. Taito Moceituba** - Member from the Fiji Police Force
- **Mr. Kelepi Kubunameca** - Member from the Ministry of Rural Development

The results were read out by the Presiding confirming two vacant Supervisory Committee seats to be filled by Mr. Taito Moceituba and Mr. Kelepi Kubunameca.

As only two nominations were received for the Credit Committee, the Presiding Officer declared a no-contest and the vacant two vacant seats on the Credit Committee to be filled by Ms. Amalaini Kadawa and Mr. Epi Batirerega.

12. Adjournment

The Chairperson extended a vote of thanks to all the members present and declared the 44th Annual General Meeting of the Fiji Public Service Credit Union closed and 2:00pm.

Message from the General Manager

"Renewing our roots: Building tomorrow together"

Emele **Vakatora**
General Manager

Ni Sa Bula Vinaka

to you all, our much-valued members of the Fiji Public Service Credit Union.

We greet you today with heartfelt and sincere gratitude that after a lengthy lapse, we are able to gather once more in solidarity as one credit union family.

I wish to acknowledge the commitment and contributions of my predecessor, the late Mr. Jone Y Koroi, General Manager from 2015 until his untimely passing in 2020. I wish to also acknowledge Ms. Jowana Koroituinakelo, former Chairperson of the Board, who stepped in to act as the General Manager and transition the role following Mr. Koroi's sudden demise.

Our report at this year's Annual General Meeting includes a multi-year audited financial reports for the financial years 2019, 2020 and 2021.

The COVID-19 Pandemic - Accelerating Digital Transformation and Changing Member Priorities

The onset of the COVID-19 pandemic brought unprecedented challenges to financial institutions worldwide, including credit unions like ours. With lockdowns, social distancing, and a rapid shift to remote work, there was an urgent need for us to explore digital solutions. Like many other credit unions, we traditionally thrived on face-to-face interactions and community-based services, but we knew that if we did not make that necessary shift, we would struggle to adapt to the modern business world.

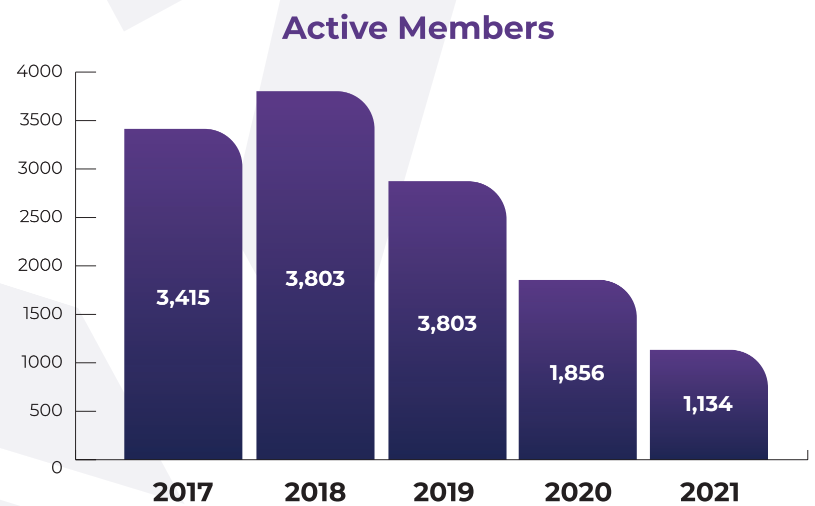
In every challenge, it's crucial to identify the opportunities it presents. During the COVID-19 pandemic and the subsequent lockdowns, the silver lining for us was that our business became much more efficient and effective. We transitioned to cashless transactions, eliminated long queues at our counter, facilitated direct payouts to members' bank accounts, and streamlined our application process online.

Through good planning and forward thinking, this move was made before the second major lockdown. This meant that unlike other credit unions and smaller financial institutions, the FPSCU remained fully operational with a number of key staff working remotely to ensure services to you, our valued members faced no disruptions.

Membership - A Collaborative Approach to Member Engagement and Community Growth

The landscape of personal financial services has experienced tremendous changes in recent years, driven by a mixture of factors including the COVID-19 pandemic, the rise of new financier companies as well as, shifting cultural attitudes. Twenty years ago, joining a credit union was almost a right of passage for any newly recruited civil servant. Today, with many other options now available there have been challenges in recruiting and retaining members.

Like many other Credit Unions, recent trends indicate a notable decline in membership. Our credit union has not been spared in this trend of declining membership. Over the last five years, the membership has declined over 60%.



We can infer from this decline that our members increasingly prioritize prompt efficient and modern services. If we lag in our service quality, we risk alienating our membership base. To counter this declining trend and ensure long-term sustainability, we have invested in enhancing our service quality, explored innovative technologies and implemented more member engagement strategies.

In looking forward, we aim to foster a strong partnership with our members so we can create an environment that promotes growth and also strengthens our community. By working together, our credit union and its members can create a vibrant community that not only supports existing members but also attracts new ones.

With collaborative efforts focused on advocacy, education, engagement, and feedback, we can foster sustainable growth and strengthen our collective future. Let's embrace this opportunity to grow together and return our credit union to the industry giant and integral part of our community it once was.

Our people – Adapting to Membership Decline and the need for staffing adjustments

Through our shift in focus, bringing our attention to the needs of our members, our credit union, proudly remained operating throughout the 2021 lockdowns. Our dedicated staff were mobilised to assist members from their homes, from simple tasks to answering the official telephone line to assessing and processing loans daily. We recognise this commitment from our people but also offer our appreciation to you, our loyal members who remained with us throughout the most challenging times we may see in our lifetimes.

As we faced a decline in membership a strategic review of staffing levels was imperative. With a reduction in revenue base, maintaining the existing staffing levels would inevitably lead to inefficiencies and financial strain. It was crucial for the business to align the workforce with the changing demand and still preserve our service quality and operational effectiveness.

Staff Redundancy

In 2021, a staff redundancy was carried out with a significant number of staff were paid a redundancy package and farewelled from the business. The redundancy was carried out with careful planning which minimised disruption and provided the necessary support to both exiting and retained staff through the transition.

By strategically adjusting staffing levels, our credit union was able to better manage our resources, streamline operations and remain resilient in the constantly evolving economy.

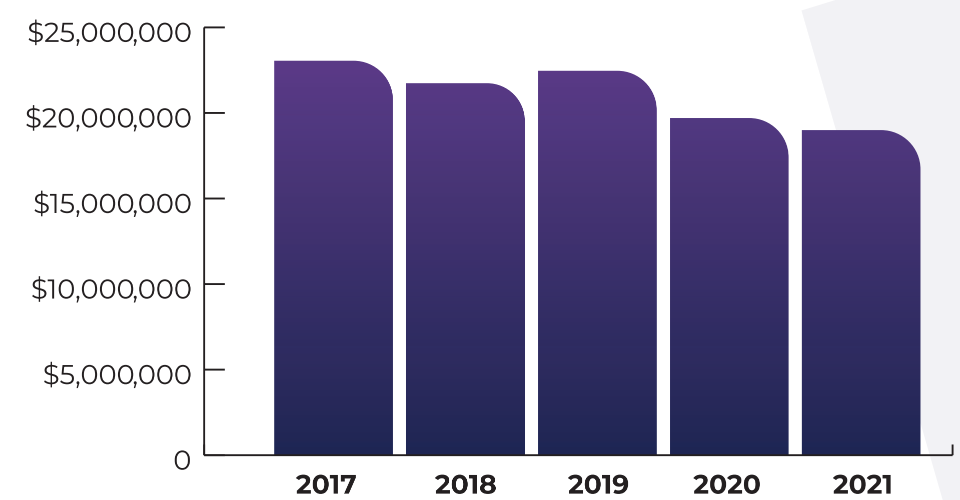
At the time this multi-year report is presented the Credit Union team has significantly reduced with only sixteen staff managing the core business as well as seconded to key functions of the subsidiary business – Skaffwork Building Solutions Ltd.

Financial Highlights - Navigating through challenges

Assets

Over the period of this multi-year report, our credit union, plagued by challenges, faced a pivotal decision driven by both operational needs and member commitments. With an increasing number of members transitioning out, the business found itself needing to honour share payouts to ensure a smooth exit process.

The following graph indicates this decline in assets from $23m in 2017 to $19m in 2021.



Our credit union has always prioritized member welfare, striving to provide competitive benefits while maintaining a sustainable financial footing. However, the unexpected rise in exit payouts required immediate liquidity. This necessitated a strategic review of our assets to ensure we could meet our obligations without compromising the services we provide to our remaining members.

Selling freehold property of the Credit Union was not taken lightly. After careful analysis, it became clear that liquidating this asset would allow us to manage our current liabilities effectively. The decision was underpinned by our commitment to ensuring the long-term viability of our credit union and to continuing to serve our members.

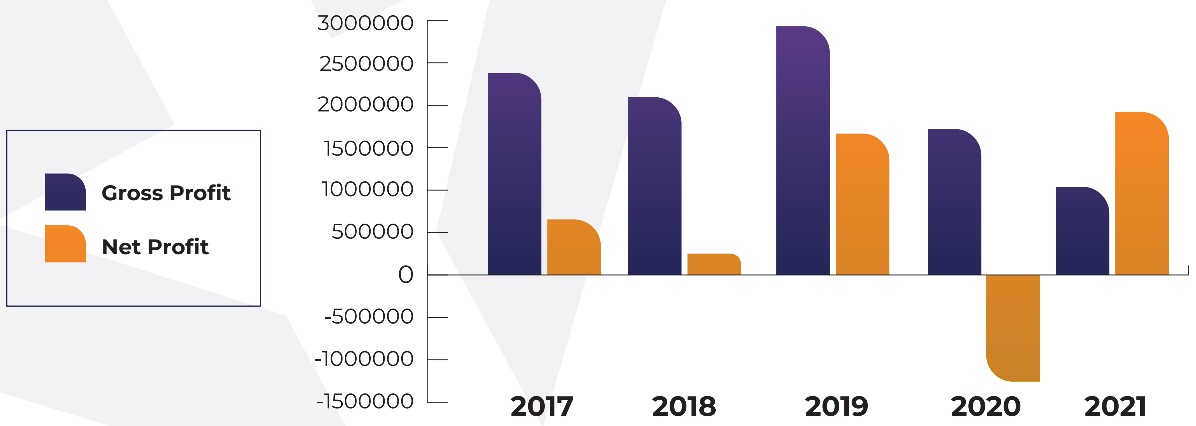
Investments Properties

Our primary investment property, the **Credit Union Towers**, has been a reliable source of cashflow and has helped us maintain liquidity and fund operational initiatives. Like any well-chosen property, this building will continue to appreciate in value and contribute to the overall asset growth of the business.

Summary of Financial Performance

Our financial trends indicate a decline in revenue from 2019. Like many other businesses, the major external factor was the COVID-19 pandemic. In 2020, despite a healthy gross profit of $1.7m, the Credit Union increased its provisions to account for potential losses from non-performing or bad loans. This action, while necessary to maintain financial stability resulted in a substantial loss for the year, as you can see the net loss of negative 1.2m.

In 2021, the gross profit drops to $1.04m but we have recorded a net profit of $1.9m as a result of the gains made from the sale of major assets.



Group Financial Performance

The group's performance indicates some volatility in terms of the drastic changes shown in the year-on-year comparison. This is not unexpected as both external and internal factors like COVID-19, exiting members and change in market environments had significant impacts on the business. The financial performance can transform from volatile to indicate steady growth through focus on our core business and a strong long-term strategic plan.

	2017	2018	2019	2020	2021
Revenue	4,403,561	5,011,708	5,706,858	2,684,982	1,602,742
Gross Profit	2,751,475	2,579,557	3,094,384	2,057,252	1,216,192
Net Profit	250,478	(508,044)	719,794	(1,504,128)	1,689,633

Wholly Owned Subsidiary – Skaffwork Building Solutions Ltd (SBSL)

In 2016, the Credit Union acquired the company with the vision to expand its investment portfolio and enhance its presence in the construction and scaffolding industry. Over the next few years, it successfully completed several construction projects, particularly between 2019 and 2020, when many significant initiatives were completed. However, the onset of the COVID-19 pandemic and other challenges dramatically impacted the global business landscape, leading to a decline in profitability across contracted projects.

In response to these challenging conditions, the decision was made to put a stop on engaging any new construction contracts starting in 2021. Instead, the focus shifted to wrapping up existing projects efficiently and concentrate on the scaffolding hire business, which remained a vital area of opportunity. This decision allowed the company to adapt to the new economic reality while maintaining its core offerings in scaffolding services as well continuing to offer qualitative benefits like discounts to our members.

Income Recorded by SBSL over the five-year period

	2018	2019	2020	2021
Revenue – Scaffolding Hire	580,223	628,071	370,618	295,769
Revenue – Construction	2,593,816	2,001,124	439,132	160,054
Revenue	3,174,039	2,629,195	809,750	455,823
Gross Profit	926,968	168,207	341,355	189,164
Net Profit/Loss	(686,869)	(946,477)	(246,208)	(229,998)
Gross Profit Margin	0.29	0.06	0.42	0.41
Net Profit Margin	-0.22	-0.36	-0.30	-0.50

As indicated in the tabular analysis, despite the wrapping up of construction business there is still significantly low net profit margins which are a direct result of the challenges during those years having social gathering restrictions and lengthy lockdown periods.

Dividends to Members

Dividends are paid to you, our members, as a tangible reward for your loyalty and commitment to FPSCU. Your participation as a member helps us thrive while providing the best possible services to you.

Past Year Dividend Payouts

Year	2013	2014	2015	2016	2017	2018
Dividend on Shares	5%	5%	2%	6%	6%	6%
Interest on Compulsory Savings	4%	3%	2%	6%	6%	6%
Interest on Xmas Savings	2%	1%	2%	6%	6%	6%
Interest on Education Savings	2%	1%	2%	6%	6%	6%
Interest on Kids Club					6%	6%

Proposed Dividend for Multi-Year Performances for the financial years 2019 to 2021

Year	2019	2020	2021
Dividend on Shares	4%	2%	4%
Interest on Compulsory Savings	2%	2%	2%
Interest on Xmas Savings	2%	2%	2%
Interest on Education Savings	2%	2%	2%
Interest on Kids Club	2%	2%	2%

Conclusion

As your General Manager, I wish to extend my sincere gratitude for your continued support and loyalty to our Credit Union. This special, multi-year report offers a comprehensive overview of our achievements, challenges, and strategic direction and as we reflect on the journey of the Fiji Public Service Credit Union, we embrace our theme of **"Renewing Our Roots: Building Tomorrow Together."**

The challenges posed by the COVID-19 pandemic have tested our resilience, but they have also ignited a commitment to transformative change. Our shift to digital solutions has not only ensured uninterrupted service but has also strengthened our foundation for a brighter, more connected future.

Together, we shall draw inspiration from the legacies of our past – once the largest and most thriving credit union in Fiji! While the decline in membership presents a challenge, it is also a call to action—an opportunity to engage more deeply with our members and adapt our services to meet the evolving shifts in cultural, socio-economic and political landscapes that impact your needs.

Looking ahead, we will focus on fostering strong partnerships and innovative approaches to cultivate a vibrant community. Together, we can renew our commitment to one another, ensuring that FPSCU thrives as the primary provider of support for our members and your immediate loved ones. The road ahead will be a challenging one as our past achievements pose large shoes to fit, but together we can achieve our vision.

Thank you for your unwavering support as we embark on this journey of renewal and growth, united in building a promising tomorrow.

Emele **Vakatora**
General Manager

Report Of The Credit Committee For The Financial Year Ended 30th June 2019 To 30th June 2021.

The Credit Committee is pleased to present its report to the members of FPSCU for the year ended 30th June, 2019 to 30Th June, 2021. During these three [3] years the Credit Committee worked diligently with the staff of the secretariat in regards to loan requests submitted to the secretariat that was assessed on a daily basis. **The period under review began with the following members:**

- Amalaini **Kadawa** – Chairperson
- Akeneta **Raumakita** – Member
- Epi **Batirerega** – Member

Year	Number Of Requests	Amount
2018 – 2019	10,848	$ 3,521,664.77
2019 - 2020	5,601	$ 1,838,128.57
2020 – 2021	2,868	$ 867,187.15

In the face of economic hardship some members experienced difficulty in meeting their financial obligations. In that regard the Committee in collaboration with management requested for pay details to be attached to loan applications, since the risk of having delinquencies was very high and thus worked with the members to ensure that the members request and needs are met.

In view of the above, the committee has agreed to have criteria in place to assist the committee in their daily processes as we were given only an hour per day to assess loan applications. **The criteria were as follows:**

- Credit Balance
- Debit Balances - Loan Repayment is in accordance to the applicable loan amount
- One loan per month
- Properly justified request with attachments
- Consider Pay Details of member
- Able to meet loan repayment
- Net salary is above the 50% take home pay

The last three [3] financial years, the committee were given a daily budget where we had to work within the budget given thus in most cases some loans from members were rejected if it was a 2nd loan for that month. Some repayments that were underpaid by $10 or above we had to request the secretariat to request member to have their deduction authority signed by their accounts departments before loan was issued.

With all the difficulties faced by the Credit Committee it didn't deter the committee in trying their best to meet the member's needs or meeting the Credit Union's objective as stated in the by-laws that is:

"To make loans to members exclusively for provident or productive purposes"

A **Kadawa**
Chairperson

Report of the Supervisory Committee

Multi-Year Report of the Supervisory Committee for the period(s) 2019, 2020and 2021

In line with Section 34(b) of the Credit Union Act CAP 251 and Section 59(d) of the Fiji Public Service Credit Union Supplementary By-Laws, the Supervisory Committee presents its report for the reviewed period.

The members of your Supervisory Committee are as follows:

- Mr. Taito Moceituba – Chairperson/Secretary
- Mr. Maciu Camaibulu – Member
- Mr. Kelepi Komaisavou – Member (Former)

The reviewed period posed significant challenges as the world dealt with the COVID-19 pandemic and its accompanying social and economic issues. During this time, the Supervisory Committee conducted a thorough examination of accounting and administrative documents related to the daily operations of our Credit Union.

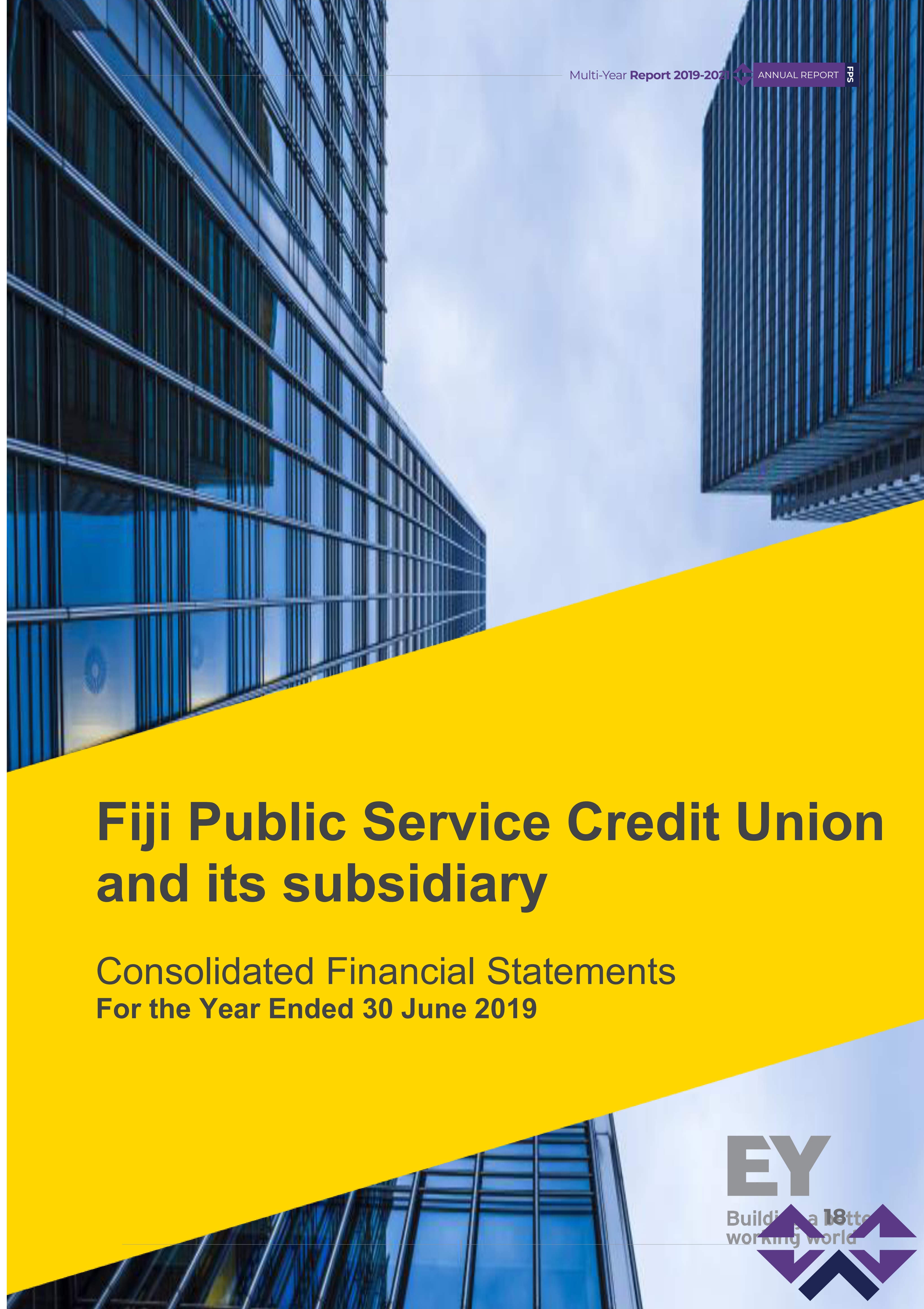
This review included an assessment of security, loans, properties, vouchers, receipt books, and various documentary evidence.

In accordance with Section 59(c), the Committee submits its findings and recommendations to the Board in the form of four quarterly reports, highlighting any official activities that deviated from the legal provisions outlined in the Act and the Credit Union By-Laws, as well as generally accepted accounting standards.

The financial statements are now presented for your deliberations.

In closing, the Supervisory Committee extends its gratitude to the Members, Executives, and Staff of the Fiji Public Service Credit Union for their support and assistance in facilitating the audit of the Credit Union books and records.

Supervisory Committee



Fiji Public Service Credit Union and its subsidiary

Consolidated Financial Statements
For the Year Ended 30 June 2019

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FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

Contents

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2019

In accordance with a resolution of the Board of Directors, the Directors herewith submit the statement of financial position of Fiji Public Service Credit Union (the Credit Union) and its subsidiary (collectively the Group) as at 30 June 2019, the statement of profit or loss and other comprehensive income, the statement of changes in members' funds and reserves and the statement of cash flows for the year then ended and report as follows:

Directors

The names of Directors of the Credit Union in office at any time during the year are:

Mrs. Jowana Koroituinakelo (Chairperson)
Mr. Jale Kunawalu (Deputy Chairperson)
Mr. Romulusi Yauvoli
Mr. Eliki Masa
Mr. Aporosa Lutunauga
Mr. Tikiko Vulaca

Principal Activities

The principal activities of the Credit Union during the year were that of promoting thrift among its members, receiving the savings of its members, to grant loans to its members and to invest members savings. The principal activities of the subsidiary were to perform the undertaking of renovations and construction works as well as renting out scaffolding equipment and temporary sheds.

Results

The consolidated net profit of the Group for the year was $719,794 after an income tax benefit of $23,902 (2018: net loss of $508,044, after an income tax expense of $18,176). The net profit of the Credit Union was $1,666,301 (2018: $251,751).

Dividends

The Directors declared dividends of $Nil (2018: $330,159) for the year, which were credited to members shares.

Bad and Doubtful Debts

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

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

Current and Non-current Assets

Prior to the completion of the financial statements of the Credit Union, the Directors took reasonable steps to ascertain whether any current and non-current assets were unlikely to be realised in the ordinary course of business compared to their values as shown in the accounting records of the Credit Union. 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.

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
DIRECTORS' REPORT *continued*
FOR THE YEAR ENDED 30 JUNE 2019

Current and Non-current Assets *continued*

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

Unusual Transactions

In the opinion of the Directors, the results of the operations of the Credit Union 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 Credit Union in the current financial year, other than those reflected in the financial statements.

Events Subsequent to Balance Date

Subsequent to end of the financial year, the COVID-19 outbreak was declared a pandemic by the World Health Organisation in March 2020.

We have seen a significant impact on our business to date. The outbreak and the response of Governments in dealing with the pandemic is interfering with general activity levels within the community, the economy and the operations of our business. The scale and duration of these developments remain uncertain as at the date of this report however they will have an impact on our earnings, cash flow and financial condition.

It is not possible to estimate the impact of the outbreak's near-term and longer effects or Governments' varying efforts to combat the outbreak and support businesses. This being the case, we do not consider it practicable to provide a quantitative or qualitative estimate of the potential impact of this outbreak on the Credit Union at this time.

The financial statements have been prepared based upon conditions existing at 30 June 2019 and considering those events occurring subsequent to that date, that provide evidence of conditions that existed at the end of the reporting period. As the outbreak of COVID-19 occurred after 30 June 2019, its impact is considered an event that is indicative of conditions that arose after the reporting period and accordingly, no adjustments have been made to financial statements as at 30 June 2019 for the impacts of COVID-19.

Other Circumstances

As at the date of this report:

(i) no charge on the assets of the Credit Union or the Group 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 Credit Union or the Group could become liable; and

(iii) no contingent liabilities or other liabilities of the Credit Union or the Group 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 Credit Union or the Group to meet its obligations as and when they fall due.

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
DIRECTORS' REPORT *continued*
FOR THE YEAR ENDED 30 JUNE 2019

Other Circumstances *continued*

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 Credit Union's financial statements, which would make adherence to the existing method of valuation of assets or liabilities of the Credit Union or the Group misleading or inappropriate.

Auditor Independence

The Directors have obtained an independence declaration from the Credit Union'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 Fiji Public Service Credit Union* and its subsidiary on page 6.

Directors' Benefits

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

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

Dated this 15th day of February, 2021.

....
Director

....
Director

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
DIRECTORS' DECLARATION
FOR THE YEAR ENDED 30 JUNE 2019

The Directors' of the Fiji Public Service Credit Union (the Credit Union) have made a resolution that declared:

(a) in the Directors' opinion, the consolidated financial statements and notes of the Credit Union and its subsidiary for the financial year ended 30 June 2019;

   (i) give a true and fair view of the financial position of the Credit Union and its subsidiary as at 30 June 2019 and of the performance of the Credit Union and its subsidiary for the year ended 30 June 2019; and

   (ii) have been made out in accordance with the relevant legal framework;

(b) they have received declarations as required by law; and

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

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

Jowana Koroitunakelo
Chairperson

15 February 2021

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AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF FIJI PUBLIC SERVICE CREDIT UNION AND ITS SUBSIDIARY

As lead auditor for the audit of Fiji Public Service Credit Union and its subsidiary 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 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 Fiji Public Service Credit Union and the entity it controlled during the financial year.

Ernst & Young
Chartered Accountants

Steven Pickering
Partner
Suva, Fiji

15 February 2021

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IN INDEPENDENT AUDITOR'S REPORT

To the Members of Fiji Public Service Credit Union

Report on the Audit of the Consolidated Financial Statements

Disclaimer of Opinion

We were engaged to audit the financial statements of Fiji Public Service Credit Union ("the Credit Union") and its subsidiary (collectively "the Group"), which comprise the statement of financial position as at 30 June 2019 of the Credit Union and Group, the related statement of profit or loss and other 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.

We do not express an opinion on the accompanying financial statements of the Credit Union or the Group. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Emphasis of Matter

We draw attention to Note 32 of the consolidated financial statements which notes the World Health Organisation's declaration of the outbreak of COVID-19 as a global pandemic subsequent to 30 June 2019 and how this has been considered by the Directors in the preparation of the financial statements. As set out in Note 32, no adjustments have been made to the consolidated financial statements as at 30 June 2019 for the impacts of COVID-19. Our opinion is not modified in respect of this matter.

Basis for Disclaimer of Opinion

In respect of the Credit Union, we have not been able to obtain sufficient appropriate audit evidence in relation to a variety of transactions, recorded amounts and balances, including:

i. Interest on loan income of $2,604,330 and loans to members of $6,781,611;

ii. Wages and salaries expenses of $687,751 and operating expenses of $203,197;

iii. Investment property of $6,723,934 and its fair value;

iv. Vault cash of $32,750, Receivables of $599,541 and other assets of $127,660;

v. Trade and other payables of $384,837;

vi. The investment in subsidiary of $5,526,401 and assessment of whether any Impairment of this asset is required;

vii. Intercompany transactions of $117,175 between Credit Union and its subsidiary; and

viii. Movements in members shares and reserves listed in the statement of changes in members' funds and reserves.

In addition to the above, in respect of the Group, we have not been able to obtain sufficient appropriate audit evidence in relation to a variety of transactions, recorded amounts and balances, including:

i. Journal entries amounting to $117,112 processed in the trial balance;

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INDEPENDENT AUDITOR'S REPORT *continued*

Basis for Disclaimer of Opinion ***continued***

ii. $80,454 spent on project and administrative expenses during the year;

iii. Wages and salaries expenses of $259,397, Fiji National Provident Fund expenses of $26,648 and accruals of $45,246; and

iv. Property, plant and equipment of $1,375,789, Work in Progress amounting to $392,736, Value Added Tax of $33,267 and loose materials inventory of $55,893.

As a result of the above matters, we were unable to determine whether adjustments might have been found necessary in respect of a significant number of recorded amounts and balances in the Credit Union and Group's statement of financial position, statement of profit or loss and other comprehensive income, statement of cash flows and statement of changes in members' funds and members. Given the pervasive nature of these matters we were unable to form an opinion on the Credit Union or Group's financial statements.

We also draw attention to Note 2.1 of the financial statements which discloses the following conditions:

(i) Loss making performance of the subsidiary and heavy reliance on the Credit Union for future financial support;

(ii) Tight cash flows of the Group and significant loan repayments;

(iii) A significant reduction in future lending activities and projects for the Group; and

(iv) The potential impact of the COVID-19 pandemic on the Group.

These events or conditions indicate that material uncertainties exist that may cast significant doubt on the ability of the Credit Union and the Group to continue as going concerns. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the Credit Union or Group not continue as going concerns.

Other Information

The Directors and management are responsible for the other information. The other information comprises the *Directors' Report* 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 we have 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.

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INDEPENDENT AUDITOR'S REPORT *continued*

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 the Credit Unions Act, and for such internal control as the Directors and management determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or errors.

In preparing the financial statements, the Directors and management are responsible for assessing the Credit Union's and its subsidiary' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors and management either intend to liquidate the Credit Union or its subsidiary or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Credit Union's and its subsidiary's financial reporting process.

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

Our responsibility is to conduct an audit of the financial statements in accordance with International Standards on Auditing and to issue an auditor's report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Credit Union and its subsidiary in accordance with the *International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code)* together with the ethical requirements that are relevant to our audit of the financial statements in Fiji, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Report on Other Legal and Regulatory Requirements

In view of the significance of the matters referred to in the "Basis for disclaimer of opinion" section of our report, in our opinion the Credit Union and Group have not kept. sufficient financial records and information as required by the Credit Union Act and the Companies Act 2015

Ernst & Young
Chartered Accountants

Steven Pickering
Partner
Suva, Fiji

15 February 2021

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2019

	Notes	Group 2019 $	Group 2018 $	Credit Union 2019 $	Credit Union 2018 $
Revenue					
Operating revenue - lending		2,604,330	1,437,005	2,604,330	1,817,634
Operating revenue - construction and scaffolding		2,656,290	3,189,600	-	-
Rental income		446,238	385,103	467,038	447,503
	3 (a)	5,706,858	5,011,708	3,071,368	2,265,137
Cost of sales					
Direct materials		(1,557,850)	(1,073,439)	-	-
Direct labour		(903,138)	(1,173,632)	-	-
Interest expense	3 (b)	(151,486)	(185,080)	(139,387)	(169,438)
		(2,612,474)	(2,432,151)	(139,387)	(169,438)
Gross profit		3,094,384	2,579,557	2,931,981	2,095,699
Other income	4	138,244	8,258	136,437	6,864
Net income		3,232,628	2,587,815	3,068,418	2,102,563
Expenses					
Employee benefit expenses		(973,796)	(1,155,114)	(687,751)	(821,184)
Impairment loss on loans to members		-	(160,764)	-	(160,764)
Other operating expenses		(1,562,940)	(1,796,780)	(714,366)	(903,839)
Total expenses		(2,536,736)	(3,112,658)	(1,402,117)	(1,885,787)
Profit/(loss) from operations		695,892	(524,843)	1,666,301	216,776
Change in fair value of investment property	11	-	34,975	-	34,975
Profit/(loss) before tax		695,892	(489,868)	1,666,301	251,751
Income tax benefit/(expense)	19	23,902	(18,176)	-	-
Profit/(loss) for the year, net of tax		719,794	(508,044)	1,666,301	251,751
Other comprehensive income		-	-	-	-
Total comprehensive income/(loss) for the year		719,794	(508,044)	1,666,301	251,751

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

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
STATEMENT OF CHANGES IN MEMBERS' FUNDS AND RESERVES
FOR THE YEAR ENDED 30 JUNE 2019

	Members shares	Reserve fund	Special reserve fund	Special death benefit scheme fund	Asset revaluation reserve	Accumulated profits	General reserve	Total
	$	$	$	$	$	$	$	$
Balance as at 1 July 2017	9,325,832	3,257,030	4,713,854	665,171	756,474	(332,755)	12,019	18,397,625
Contributions	3,265,951	-	-	-	-	-	-	3,265,951
Refunds	(1,437,772)	-	-	-	-	-	-	(1,437,772)
Shares offset against loan to members	(1,698,722)	-	-	-	-	-	-	(1,698,722)
Administrative fee	(469,932)	-	-	-	-	-	-	(469,932)
Entrance fees	(208,300)	-	-	-	-	-	-	(208,300)
Special death benefit fees	-	-	-	(10,347)	-	-	-	(10,347)
Death benefits	-	-	-	156,628	-	-	-	156,628
Loss for the year	-	-	-	-	-	(508,044)	-	(508,044)
Dividends declared	330,159	-	-	-	-	(330,159)	-	-
Balance as at 30 June 2018	9,107,216	3,257,030	4,713,854	811,452	756,474	(1,170,958)	12,019	17,487,087
Contributions	2,888,835	-	-	-	-	-	-	2,888,835
Refunds	(1,475,575)	-	-	-	-	-	-	(1,475,575)
Shares offset against loan to members	(1,786,201)	-	-	-	-	-	-	(1,786,201)
Administrative and service fees	(270,117)	-	-	-	-	-	-	(270,117)
Entrance fees	(835)	-	-	-	-	-	-	(835)
Special death benefit fees	-	-	-	(15,631)	-	-	-	(15,631)
Death benefits	33,950	-	-	48,935	-	-	-	82,885
Profit for the year	-	-	-	-	-	719,794	-	719,794
Balance as at 30 June 2019	8,497,273	3,257,030	4,713,854	844,756	756,474	(451,164)	12,019	17,630,242

The accompanying notes form an integral part of this Statement of Changes in Members' Fund and Reserves.

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

	Notes	Group 2019	Group 2018	Credit Union 2019	Credit Union 2018
Assets		$	$	$	$
Current assets					
Cash and cash equivalents	25	317,122	222,852	292,055	202,618
Receivables	5	1,610,704	1,977,287	599,541	478,346
Current tax receivable		54,478	641	-	-
Other assets	6	127,660	97,408	127,660	97,408
Inventories	7	448,629	374,429	-	-
Amounts due from related parties	28 (c)	-	-	136,755	3,478,935
Loans to members, net	14	4,072,650	4,869,548	4,072,650	4,869,548
Total current assets		6,631,243	7,542,165	5,228,661	9,126,855
Non-current assets					
Loans and receivables	9	-	19,951	-	19,951
Financial assets - debt instruments	10	78,500	78,500	78,500	78,500
Property, plant and equipment	8	3,500,470	3,820,995	2,124,681	2,179,911
Investment properties	11	6,723,934	6,723,934	6,723,934	6,723,934
Investment in subsidiary	13 (a)	-	-	5,526,401	1,660,783
Goodwill on consolidation	13 (b)	1,187,368	1,187,368	-	-
Intangible assets	12	84,044	164,807	74,102	133,495
Loans to members, net	14	2,708,961	1,816,927	2,708,961	1,816,927
Total non-current assets		14,283,277	13,812,482	17,236,579	12,613,501
Total assets		20,914,520	21,354,647	22,465,240	21,740,356
Liabilities					
Current liabilities					
Bank overdraft	17 (a)	233,456	43,402	233,456	43,402
Interest-bearing borrowings	17 (b)	600,105	640,572	600,105	640,572
Trade and other payables	15	676,556	931,914	384,837	427,667
Employee benefit liability	16	24,743	34,522	24,743	34,522
Finance lease obligations	18 (a)	65,580	59,162	-	-
Total current liabilities		1,600,440	1,709,572	1,243,141	1,146,163
Non-current liabilities					
Interest-bearing borrowings	17 (b)	1,557,774	1,946,702	1,557,774	1,946,702
Finance lease obligations	18 (b)	50,909	122,398	-	-
Deferred tax liability	19	64,221	88,126	-	-
Unearned revenue		10,934	762	-	-
Total non-current liabilities		1,683,838	2,157,988	1,557,774	1,946,702
Total liabilities		3,284,278	3,867,560	2,800,915	3,092,865
Net assets		17,630,242	17,487,087	19,664,325	18,647,491
Members funds and reserves					
Members shares		8,497,273	9,107,216	8,094,284	8,777,057
Reserve fund		3,257,030	3,257,030	3,257,030	3,257,030
Special reserve fund		4,713,854	4,713,854	4,713,854	4,713,854
Special death benefit scheme fund		844,756	811,452	844,756	811,452
Retained earnings		(451,164)	(1,170,958)	1,985,908	319,605
General reserve		12,019	12,019	12,019	12,019
Asset revaluation reserve		756,474	756,474	756,474	756,474
Total members funds and reserves		17,630,242	17,487,087	19,664,325	18,647,491

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

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2019

	Note	Group 2019 $	Group 2018 $	Credit Union 2019 $	Credit Union 2018 $
Operating activities					
Cash receipts for interest, rentals and other income		4,896,300	4,810,095	2,073,687	1,527,313
Payment to suppliers and employees		(4,382,757)	(4,220,317)	(1,687,624)	(1,580,109)
Interest paid		(151,486)	(185,080)	(139,387)	(169,438)
Members loan granted		(3,463,599)	(3,735,401)	(3,463,599)	(3,735,401)
Members loan repaid		4,214,313	4,448,783	4,214,313	4,448,782
Death benefit fees received		48,935	156,628	48,935	156,628
Death benefits paid		(15,631)	(10,347)	(15,631)	(10,347)
Net cash from operating activities		1,146,075	1,264,361	1,030,694	637,428
Investing activities					
Proceeds from redemption of financial assets		-	244,525	-	244,525
Acquisition of plant and equipment		(64,620)	(192,007)	(19,143)	(119,269)
Net cash (used in)/from investing activities		(64,620)	52,518	(19,143)	125,256
Financing activities					
Net payment of term loans		(429,395)	(307,282)	(429,395)	(307,282)
Repayment of finance lease - principal portion		(65,071)	-	-	-
Redemption of members share capital		(682,773)	(548,775)	(682,773)	-
Net cash used in financing activities		(1,177,239)	(856,057)	(1,112,168)	(307,282)
Net (decrease)/increase in cash and cash equivalents		(95,784)	460,822	(100,617)	455,402
Cash and cash equivalents at 1 July		179,450	(281,372)	159,216	(296,186)
Cash and cash equivalents at 30 June	25	83,666	179,450	58,599	159,216

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

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

1.1 Corporate information

The consolidated financial statements of Fiji Public Service Credit Union (the Credit Union) 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 15 February 2021. The Credit Union is incorporated and domiciled in Fiji and operating under its own By-Laws.

1.2 Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis. The consolidated financial statements are presented in Fijian dollars and all values are rounded to the nearest dollar except when otherwise indicated.

Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The consolidated financial statements provide comparative information in respect of the previous period only for the Credit Union.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiary as at 30 June 2019. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the group's voting rights and potential voting rights.

The Group re-assesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the Statement of Profit or Loss and Other Comprehensive Income from the date the Group gains control until the date the Group ceases to control the subsidiary.

A change in ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- derecognises the assets (including goodwill) and liabilities of the subsidiary;
- derecognises the cumulative translation differences recorded in equity;

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS *continued*
FOR THE YEAR ENDED 30 JUNE 2019

1.2 Basis of preparation *continued*

Basis of consolidation *continued*

- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss; and
- reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

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.

1.3 Changes in accounting policies and disclosures

1.3.1 New and amended standards and interpretations

In these financial statements, the Credit Union has applied, for the first time, IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial Instruments* , effective for annual periods beginning on or after 1 January 2018. The nature and effect of the changes as a result of the adoption of these new accounting standards are described below.

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the Credit Union's consolidated financial statements. The Credit Union has not adopted early any other standard, interpretations or amendments that has been issued but is not yet effective.

1.3.2 IFRS 9 *Financial Instruments*

IFRS 9 replaces IAS 39 for annual periods on or after 1 January 2018.

The Credit Union has not restated comparative information for 2018 for financial instruments in the scope of IFRS 9. The comparative information for 2018 is reported under IAS 39 and is not comparable with the information presented for 2019.

a) *Changes to classification and measurement*

To determine their classification and measurement category, IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

The IAS 39 measurement categories of financial asset (fair value through profit or loss (FVPL), available for sale (AFS), held-to-maturity and amortised cost) have been replaced by:

- Debt instruments at amortised cost.
- Debt instruments at fair value through other comprehensive income (FVOCI), with gains or losses recycled to profit or loss on derecognition.
- Equity instruments at FVOCI, with no recycling of gains or losses in profit or loss on derecognition.
- Financial assets at FVPL.

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS *continued*
FOR THE YEAR ENDED 30 JUNE 2019

1.3 Changes in accounting policies and disclosures *continued*

1.3.2 IFRS 9 *Financial Instruments continued*

a) *Changes to classification and measurement continued*

The accounting for financial liabilities remains largely the same as it was under IAS 39, except for the treatment of gains or losses arising from an entity's own credit risk relating to liabilities designated at FVPL. Such movements are presented in OCI with no subsequent reclassification to the income statement.

Under IFRS 9, embedded derivatives are no longer separated from a host financial asset. Instead, financial assets are classified based on the business model and their contractual terms.

The Credit Union's classification of its financial assets and liabilities is explained in Note 1.5 (e) Financial instruments. However, the Credit Union has not done an assessment to determine the quantitative impact of applying IFRS 9 as at 1 July 2018.

b) *Changes to classification and measurement*

The adoption of IFRS 9 has fundamentally changed the Credit Union's accounting for loan loss impairments by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Credit Union to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts. The allowance is based on the ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination. If the financial asset meets the definition of purchased or originated credit impaired (POCI), the allowance is based on the change in the ECLs over the life of the asset.

Details of the Credit Union's impairment method are disclosed in Note 1.5(e)(iv) Impairment of financial assets. However, the Credit Union has not done an assessment to determine the quantitative impact of applying IFRS 9 as at 1 July 2018.

1.3.3 *IFRS 15 Revenue from Contracts with Customers*

In May 2014, the IASB issued IFRS 15 *Revenue from Contracts with Customers* which replaces all existing revenue requirements and related interpretations and is effective for annual periods beginning on 1 January 2018. IFRS 15 redefined the principles for recognising revenue and is applicable to all contracts with customers other than contracts in the scope of other standards (e.g., interest and fee income integral to financial instruments which would be in the scope of IFRS 9 and lease income). Certain requirements in IFRS 15 are also relevant for the recognition and measurement of gains or losses on disposal of non-financial assets that are not in the ordinary course of business.

IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled to in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS *continued*
FOR THE YEAR ENDED 30 JUNE 2019

1.3 Changes in accounting policies and disclosures *continued*

1.3.4 *IFRS 15 Revenue from Contracts with Customers continued*

The Credit Union adopted IFRS 15 using the modified retrospective method of adoption with the date of initial application of 1 July 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group elected to apply the standard to all contracts as at 1 July 2018.

The cumulative effect of initially applying IFRS 15 is recognised at the date of initial application as an adjustment to the opening balance of retained earnings. Therefore, the comparative information was not restated and continues to be reported under IAS 11, IAS 18 and related Interpretations. However, the Credit Union has not done as assessment to determine the quantitative impact of applying IFRS 15.

1.4 Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

1.4.1 IFRS 16 *Leases*

IFRS 16 was issued in January 2016 and it replaces 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 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). The Group will make use of both exemptions.

At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset, which will lead to a higher charge being recorded in the income statement compared to IAS 17. Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

The Group is yet to perform a detailed impact assessment of IFRS 16 and will apply the modified retrospective approach as permitted by the standard. The Group will recognise a right-of-use asset at the date of initial application for leases previously classified as an operating lease applying IAS 17. As permitted by the standard, this amount will be equal to the lease liability, adjusted for any prepayments or accrued lease payments relating to that lease. The lease liability will be measured at an amount equal to the outstanding lease payments at the date of initial application, considering extension and termination options, discounted at the Group's incremental borrowing rate in the economic environment of the lease. The capitalised right-of-use asset will mainly consist of office property.

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS *continued*
FOR THE YEAR ENDED 30 JUNE 2019

1.4 Standards issued but not yet effective *continued*

1.4.2 Amendments to IAS 12 Income Taxes

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events. These amendments are applicable for annual reporting periods beginning after 1 January 2019 with the amendments being applied to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period. The clarification is in line with how the Credit Union currently recognises the income tax consequences of dividends and, therefore, expects no impact on its financial statements when this amendment becomes effective.

1.4.3 IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately.
- The assumptions an entity makes about the examination of tax treatments by taxation authorities.
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates.
- How an entity considers changes in facts and circumstances.

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available. The Group will apply the interpretation from its effective date. Since the Group does not operate in a complex multinational tax environment, applying the Interpretation may not have a significant affect on its consolidated financial statements. In addition, the Group may need to establish processes and procedures to obtain information that is necessary to apply the Interpretation on a timely basis.

1.5 Summary of significant accounting policies

A summary of the significant accounting policies adopted by the Credit Union and the Group is set out in this note. The policies adopted are in accordance with the International Financial Reporting Standards (IFRS).

a) Allowance for doubtful debts

In accordance with the Credit Unions Act, 1985 a reserve fund is held as a general reserve for bad loans or losses (Refer Note 14 Loans to members).

b) Borrowing cost

Borrowing costs are recognised as an expense in the period in which they are incurred.

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS *continued*
FOR THE YEAR ENDED 30 JUNE 2019

1.5 Summary of significant accounting policies *continued*

c) Cash and cash equivalents

For the purpose of the Statements of Cash flows, cash and cash equivalents comprise cash on hand and cash in banks, net of outstanding bank overdrafts. Bank overdrafts are disclosed as interest-bearing borrowings in current liabilities in the Statement of Financial Position.

d) Comparatives

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

e) Financial Instruments

Policy applicable from 1 July 2018

i) Measurement categories of financial assets and liabilities

From 1 July 2018, the Credit Union classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortised cost.
- FVOCI.
- FVTPL.

The Credit Union classifies and measures its trading portfolio at FVPL. The Credit Union may designate financial instruments at FVPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies.

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortised cost or at FVPL when they are held for trading.

Determination of fair value

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 Credit Union has access to at the measurement date. The Credit Union 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 Credit Union will classify the instruments as Level 3.

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS *continued*
FOR THE YEAR ENDED 30 JUNE 2019

1.5 Summary of significant accounting policies *continued*

e) Financial Instruments *continued*

Policy applicable from 1 July 2018 *continued*

i) Measurement categories of financial assets and liabilities continued

- Level 3 financial instruments − Those that include one or more unobservable input that is significant to the measurement as whole.

The Credit Union periodically reviews its valuation techniques including the adopted methodologies and model calibrations. However, the base models may not fully capture all factors relevant to the valuation of the Credit Union's financial instruments such as credit risk (CVA), own credit (DVA) and/or funding costs (FVA). Therefore, the Credit Union applies various techniques to estimate the credit risk associated with its financial instruments measured at fair value, which include a portfolio-based approach that estimates the expected net exposure per counterparty over the full lifetime of the individual assets, in order to reflect the credit risk of the individual counterparties for non-collateralised financial instruments. The Credit Union estimates the value of its own credit from market observable data, such as secondary prices for its traded debt and the credit spread on credit default swaps and traded debts on itself.

The Credit Union evaluates the levelling at each reporting period on an instrument-by-instrument basis and reclassifies instruments when necessary, based on the facts at the end of the reporting period.

Business model assessment

The Credit Union determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective:

- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed.

- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

The expected frequency, value and timing of sales are also important aspects of the Credit Union's assessment. The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Credit Union's original expectations, the Credit Union does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The SPPI test

As a second step of its classification process the Credit Union assesses the contractual terms of the financial asset to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS *continued*
FOR THE YEAR ENDED 30 JUNE 2019

1.5 Summary of significant accounting policies *continued*

e) Financial Instruments *continued*

Policy applicable from 1 July 2018 *continued*

i) Measurement categories of financial assets and liabilities continued

The SPPI test continued

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Credit Union applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

Debt instruments at FVOCI

The Credit Union applies the new category under IFRS 9 of debt instruments measured at FVOCI when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets.
- The contractual terms of the financial asset meet the SPPI test.

These instruments largely comprise assets that had previously been classified as financial investments available for-sale under IAS 39.

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income and foreign exchange gains and losses are recognised in profit or loss in the same manner as for financial assets measured at amortised cost. The ECL calculation for Debt instruments at FVOCI. Where the Credit Union holds more than one investment in the same security, they are deemed to be disposed of on a first–in first–out basis. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

Equity instruments at FVOCI

Upon initial recognition, the Credit Union occasionally elects to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of definition of Equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. Such classification is determined on an instrument-by instrument basis.

Gains and losses on these equity instruments are never recycled to profit. Dividends are recognised in profit or loss as other operating income when the right of the payment has been established, except when the Credit Union benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment.

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS *continued*
FOR THE YEAR ENDED 30 JUNE 2019

1.5 Summary of significant accounting policies *continued*

e) Financial Instruments *continued*

Policy applicable from 1 July 2018 *continued*

i) Measurement categories of financial assets and liabilities continued

Debt issued and other borrowed funds

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 EIR. A compound financial instrument which contains both a liability and an equity component is separated at the issue date.

Financial assets and financial liabilities at fair value through profit or loss

Financial assets and financial liabilities in this category are those that are not held for trading and have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9. Management only designates an instrument at FVPL upon initial recognition when one of the following criteria are met. Such designation is determined on an instrument-by-instrument basis:

- The designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis; or
- The liabilities (and assets until 1 July 2018 under IAS 39) are part of a group of financial liabilities (or financial assets, or both under IAS 39), which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- The liabilities (and assets until 1 July 2018 under IAS 39) contain one or more embedded derivatives, unless they do not significantly modify the cash flows that would otherwise be required by the contract, or it is clear with little or no analysis when a similar instrument is first considered that separation of the embedded derivative(s) is prohibited.

Financial assets and financial liabilities at FVPL are recorded in the Statement of Financial Position at fair value. Changes in fair value are recorded in profit and loss with the exception of movements in fair value of liabilities designated at FVPL due to changes in the Credit Union's own credit risk. Such changes in fair value are recorded in the reserve through OCI and do not get recycled to the profit or loss. Interest earned or incurred on instruments designated at FVPL is accrued in interest income or interest expense, respectively, using the EIR, taking into account any discount/premium and qualifying transaction costs being an integral part of instrument. Interest earned on assets mandatorily required to be measured at FVPL is recorded using the contractual interest rate. Dividend income from equity instruments measured at FVPL is recorded in profit or loss as other operating income when the right to the payment has been established.

ii) Reclassification of financial assets and liabilities

From 1 July 2018, the Credit Union does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Credit Union acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified. The Credit Union did not reclassify any of its financial assets or liabilities in 2019.

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS *continued*
FOR THE YEAR ENDED 30 JUNE 2019

1.5 Summary of significant accounting policies *continued*

e) Financial Instruments *continued*

Policy applicable from 1 July 2018 *continued*

iii) Derecognition of financial assets and liabilities

Derecognition due to substantial modification of terms and conditions

The Credit Union 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, unless the new loan is deemed to be POCI.

When assessing whether or not to derecognise a loan to a customer, amongst others, the Credit Union considers the following factors:

- Change in currency of the loan.
- Introduction of an equity feature.
- Change in counterparty.
- If the modification is such that the instrument would no longer meet the SPPI criterion.

If the modification does not result in cash flows that are substantially different, as set out below, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Credit Union records a modification gain or loss, to the extent that an impairment loss has not already been recorded. For financial liabilities, the Credit Union considers a modification substantial based on qualitative factors and if it results in a difference between the adjusted discounted present value and the original carrying amount of the financial liability of, or greater than, ten percent. For financial assets, this assessment is based on qualitative factors.

Derecognition other than for substantial modification

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the financial asset have expired. The Credit Union also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

The Credit Union has transferred the financial asset if, and only if, either:

- The Credit Union has transferred its contractual rights to receive cash flows from the financial asset; or
- It retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass–through' arrangement.

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS *continued*
FOR THE YEAR ENDED 30 JUNE 2019

1.5 Summary of significant accounting policies *continued*

e) Financial Instruments *continued*

Policy applicable from 1 July 2018 *continued*

iii) Derecognition of financial assets and liabilities continued

Derecognition other than for substantial modification continued

Pass-through arrangements are transactions whereby the Credit Union retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:

- The Credit Union has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates.
- The Credit Union cannot sell or pledge the original asset other than as security to the eventual recipients.
- The Credit Union has to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the Credit Union is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents, including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients.

A transfer only qualifies for derecognition if either:

- The Credit Union has transferred substantially all the risks and rewards of the asset; or
- The Credit Union has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

The Credit Union considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Credit Union has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Credit Union's continuing involvement, in which case, the Credit Union also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Credit Union has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Credit Union could be required to pay.

If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the continuing involvement is measured at the value the Credit Union would be required to pay upon repurchase. In the case of a written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS *continued*
FOR THE YEAR ENDED 30 JUNE 2019

1.5 Summary of significant accounting policies *continued*

e) Financial Instruments *continued*

Policy applicable from 1 July 2018 *continued*

iii) Derecognition of financial assets and liabilities continued

Derecognition other than for substantial modification continued

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an 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. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

iv) Impairment of financial assets

Aside from this note, other disclosures relating to impairment of financial assets (trade receivables) are included in Note 5 Receivables and Note 14 Loans to members.

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Credit Union considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

v) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS *continued*
FOR THE YEAR ENDED 30 JUNE 2019

1.5 Summary of significant accounting policies *continued*

e) Financial Instruments *continued*

Policy applicable before 1 July 2018

The Credit Union classifies its financial assets as loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivable financial asset

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are carried at amortised cost using the effective interest method less any allowance for impairment. Gains and losses are recognised in the Statement of Profit or Loss and Other Comprehensive Income when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Available for sale financial asset

Available-for-sale financial assets are included in non-current assets unless management intends to dispose of the investment within 12 months of the statement of financial position date.

Financial assets are de-recognised when the rights to receive cash flows from the investments have expired or have been transferred and the Credit Union has transferred substantially all risks and rewards of ownership.

Changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income and included in the investment revaluation reserve.

When financial assets classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in the investment revaluation reserve are included in the statement of profit or loss and other comprehensive income.

Dividends on available-for-sale financial assets are recognised in the statement of profit or loss and other comprehensive income as part of revenue when the Credit Union's right to receive payments is established.

The Credit Union assesses at each balance date whether there is objective evidence that a financial asset is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on the financial assets previously recognised in statement of other comprehensive income) is removed from fair value reserve within equity and recognised in the statement of profit or loss. Impairment losses recognised on equity instruments are not reversed through the statement of comprehensive income.

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS *continued*
FOR THE YEAR ENDED 30 JUNE 2019

1.5 Summary of significant accounting policies *continued*

f) Foreign currency translation

Foreign currency transactions are translated to Fijian dollars at rates of exchange ruling at the dates of the transactions. Amounts receivable and payable in foreign currencies are converted to Fiji currency at the rates of exchange ruling at balance date. All exchange gains or losses whether realised or unrealised are reflected in the Statement of Profit or Loss and Other Comprehensive Income.

g) Impairment of non-financial assets

At each reporting date, the Credit Union reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised in the Statement of Profit or Loss and Other Comprehensive Income immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the Statement of Profit or Loss and Other Comprehensive Income, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

h) Income tax

The Credit Union is not liable for income tax under the Income Tax Act.

i) Intangible assets

Intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses.

j) Loans to members

Loans to members are stated at principal loan advanced plus accrued interest. A reserve fund is held as a general reserve against bad loans or losses. Impairment of loans to members is described in Note 1.5(a).

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS *continued*
FOR THE YEAR ENDED 30 JUNE 2019

1.5 Summary of significant accounting policies *continued*

k) Operating lease - Credit union as lessor

Rental income from operating leases are recognised as income in the period in which they are earned.

Operating lease - Credit union as lessee

Rental lease payments are recognised as expenses in the period in which they are incurred. Operating lease commitments over the term of the lease is disclosed in Note 26.

l) Trade and other payables

Payables are recognised when the Credit Union becomes obliged to make future payments resulting from the receipt of goods and services.

m) Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition and installation of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Credit Union and the cost of the item can be measured reliably. The carrying amount of a replaced part is de-recognised. All other repairs and maintenance are charged to the Statement of Profit or Loss and Other Comprehensive Income during the financial period in which they are incurred.

Property, plant and equipment (except freehold land) are depreciated on a straight-line basis over their estimated useful lives using the following rates:

	Rate	Method
Building and landscaping	1.25% - 10%	Straight line
Computer equipment	10% - 25%	Straight line
Furniture and fittings	10% - 25%	Straight line
Motor vehicles	20%	Straight line
Plant and equipment	10% - 25%	Straight line
Software - intangibles	25%	Straight line

Profit and losses on disposal of property, plant and equipment are taken into account in determining the results for the year.

Capital work in progress is not depreciated.

If there is an indication that there has been a significant change in the depreciation rate, useful life or residual value of an asset, the depreciation of that asset is revised prospectively to reflect the new expectations.

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS *continued*
FOR THE YEAR ENDED 30 JUNE 2019

1.5 Summary of significant accounting policies *continued*

n) Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the Statement of Profit or Loss and Other Comprehensive Income in the period in which they arise. Fair values are evaluated every three to five years by an accredited external, independent valuer, applying a valuation model recommended by the International Valuation Standards Committee.

Investment properties are derecognised when either they have been disposed or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the Statement of Profit or Loss and Other Comprehensive Income in the period of derecognition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change.

o) Employee benefits

Annual leave

The liability for annual leave is recognised in the provision for employee benefits. Liabilities for annual leave are expected to be settled within 12 months of the reporting date and are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. All long service leave was paid at reporting date.

p) Performance obligations and revenue recognition policies

Policy applicable from 1 July 2018

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a good or service to a customer.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies. For the accounting policy for onerous contracts, see Note (k) Leases.

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS *continued*
FOR THE YEAR ENDED 30 JUNE 2019

1.5 Summary of significant accounting policies *continued*

p) Performance obligations and revenue recognition policies *continued*

Policy applicable from 1 July 2018 *continued*

Service type	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
Loans to members	The Credit Union provides personal loans to its members which are secured against members shares. The performance obligations, as well as the timing of their satisfaction, are identified, and determined, at the inception of the contract. The Credit Union's revenue contracts do not typically include multiple performance obligations.	When the Credit Union provides a service to its customers, consideration is invoiced and generally due immediately upon satisfaction of a service provided at a point in time or at the end of the contract period for a service provided over time unless otherwise specified. The Credit Union has generally concluded that it is the principal in its revenue arrangements because it typically controls the services before transferring them to the customer. For details on income earning refer to additional disclosures below on (i) Interest income and (ii) Fees and charges.
Construction and renovation works	The subsidiary provides renovation and construction works for customers based on their designs and on their land. Each project commences on receipt of a full prepayment from a customer and its length depends on the complexity of the design. The performance obligations and payment terms are specific to each contract.	Revenue is recognised over time based on the cost-to-cost method. The related costs are recognised in profit or loss when they are incurred. Advances received are included in contract liabilities.
Hiring of scaffolds	The subsidiary also provides scaffolding equipment for hire to customers. Prior to delivery of the scaffolding equipment, customers are required to pay a deposit. The contract to hire scaffold equipment usually does not extend beyond 6 months.	Revenue is recognised over time based on the number of days the equipment is hired. Advances received are included In contract liabilities.

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS *continued*
FOR THE YEAR ENDED 30 JUNE 2019

1.5 Summary of significant accounting policies *continued*

p) Performance obligations and revenue recognition policies *continued*

Policy applicable from 1 July 2018 *continued*

i) Interest income

The effective interest rate method

Under both IFRS 9 and IAS 39, interest income is recorded using the EIR method for all financial assets measured at amortised cost. Similar to interest-bearing financial assets classified as available-for-sale or held to maturity under IAS 39, interest income on interest bearing financial assets measured at FVOCI under IFRS 9 is also recorded using the EIR method. Interest expense is also calculated using the EIR method for all financial liabilities held at amortised cost. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or liability or, when appropriate, a shorter period, to the gross carrying amount of the financial asset.

The EIR (and therefore, the amortised cost of the financial asset) is calculated by taking into account transaction costs and any discount or premium on the acquisition of the financial asset, as well as fees and costs that are an integral part of the EIR. The Credit Union recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, the EIR calculation also takes into account the effect of potentially different interest rates that may be charged at various stages of the financial asset's expected life, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

If expectations of fixed rate financial assets' or liabilities' cash flows are revised for reasons other than credit risk, then changes to future contractual cash flows are discounted at the original EIR with a consequential adjustment to the carrying amount. The difference from the previous carrying amount is booked as a positive or negative adjustment to the carrying amount of the financial asset or liability on the balance sheet with a corresponding increase or decrease in Interest revenue/expense calculated using the effective interest method.

Interest and similar income/expense

Net interest income comprises interest income and interest expense calculated using both the effective interest method and other methods. These are disclosed separately on the face of the income statement for both interest income and interest expense to provide symmetrical and comparable information.

In its Interest income/expense calculated using the effective interest method, the Credit Union only includes interest on those financial instruments that are set out in Note 1.5(e) Financial instruments above.

Other interest income/expense includes interest on 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.

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS *continued*
FOR THE YEAR ENDED 30 JUNE 2019

1.5 Summary of significant accounting policies *continued*

p) Performance obligations and revenue recognition policies *continued*

Policy applicable from 1 July 2018 *continued*

Interest and similar income/expense continued

The Credit Union 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.

Interest income is accrued on the monthly outstanding loan balance at the prevailing interest rate of 1% per month.

ii) Fees and charges

The Credit Union earns fee and charges income from financial services it provides to its members. Fee and charges income is recognised at an amount that reflects the consideration to which the Credit Union expects to be entitled in exchange for providing the services. Fees and charges include appeal fees, education withdrawal fees, Christmas penalty, loan establishment fees, member administration fees, member exit fees, monthly account fees and withdrawal fees.

The performance obligations, as well as the timing of their satisfaction, are identified, and determined, at the inception of the contract. The Credit Union's revenue contracts do not typically include multiple performance obligations.

When the Credit Union provides a service to its customers, consideration is invoiced and generally due immediately upon satisfaction of a service provided at a point in time or at the end of the contract period for a service provided over time.

The Credit Union has generally concluded that it is the principal in its revenue arrangements because it typically controls the services before transferring them to the member.

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in Note 2 Significant accounting judgments, estimates and assumptions.

Performance obligations satisfied over time include asset management, custody and other services, where the customer simultaneously receives and consumes the benefits provided by the Credit Union's performance as the Credit Union performs.

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS *continued*
FOR THE YEAR ENDED 30 JUNE 2019

1.5 Summary of significant accounting policies *continued*

p) Performance obligations and revenue recognition policies *continued*

Policy applicable from 1 July 2018 *continued*

ii) Fees and charges continued

Fee and charges income from services where performance obligations are satisfied over time

The Credit Union's fees and charges income from services where performance obligations are satisfied over time include the following:

- Appeal fees
- Member administration fees
- Monthly account fees

Services provided where the Credit Union's performance obligations are satisfied at a point in time are recognised once control of the services is transferred to the customer. This is typically on completion of the underlying transaction or service or, for fees or components of fees that are linked to a certain performance, after fulfilling the corresponding performance criteria.

The Credit Union typically has a single performance obligation with respect to these services, which is to successfully complete the transaction specified in the contract.

- Education withdrawal fees
- Christmas penalty
- Loan establishment fees
- Member exit fees
- Withdrawal fees

Policy applicable before 1 July 2018

i) Interest income

Interest income is accrued on the monthly outstanding loan balance at the prevailing interest rate of 1% per month.

ii) Fees and charges

Fees and charges include appeal fees, education withdrawal fees, Christmas penalty, loan establishment fees, member administration fees, member exit fees, monthly account fees and withdrawal fees. These are recognised in the Statement of Profit or Loss and Other Comprehensive Income as they are incurred during the period.

iii) Construction income

Construction income is recognised as project stages are completed. Income is recognised when significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be measured reliably.

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS *continued*
FOR THE YEAR ENDED 30 JUNE 2019

1.5 Summary of significant accounting policies *continued*

p) Performance obligations and revenue recognition policies *continued*

Policy applicable before 1 July 2018 *continued*

iv) Scaffolding income

Scaffolding income is recognised as the deposit payment for hiring the equipment is received.

q) Rental Income

Rental income is recognised on an accrual basis.

r) Dividend income

Dividend income from investment is recognised when the right to receive payment has been established.

s) Special death benefit scheme fund

Death benefits by way of additional share refunds and loan write-offs are charged directly to special death benefit scheme fund on death of a member.

t) Value Added Tax (VAT)

Revenue, expenses, assets and liabilities are recognised net of VAT, except:

(i) Where the amount of VAT incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of the asset or as part of an item of expense; and

(ii) For trade receivables and trade payables which are recognised inclusive of VAT.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

2. Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the assets or liabilities affected in future periods. Other disclosures relating to the Group's exposure to risks and uncertainties include:

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS *continued*
FOR THE YEAR ENDED 30 JUNE 2019

2. Significant accounting judgements, estimates and assumptions *continued*

Judgements *continued*

Leases

The Group applied the following judgements that significantly affect the determination of the amount and timing of income from lease contracts where the Group acts as a lessor:

- *Determination of the lease term*

As a lessor, the Group enters into lease agreements that contain options to terminate or to extend the lease. These options are generally exercisable after an initial period of 4 to 6 years. At commencement date, the Group determines whether the lessee is reasonably certain to extend the lease term or not to terminate the lease. To make this analysis, the Group takes into account any difference between the contract terms and the market terms, any significant investments made by the lessee in the property, costs relating to the termination of the lease and the importance of the underlying asset to the lessee's operations. In many cases the Group does not identify sufficient evidence to meet the required level of certainty.

- *Property lease classification – the Group as lessor*

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the commercial property, that it retains all the significant risks and rewards of ownership of this property and accounts for the contracts as operating leases.

Revenue from contracts with customers

The Group applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

- *Determination of performance obligations*

Loans to members
Refer to Note (p) Performance obligations and revenue recognition policies.

Construction and renovation works

With respect to providing construction and renovation works, the Group concluded the goods and services transferred in each contract constitute a single performance obligation. In particular, the promised goods and services in contracts for construction services provided mainly include design work, procurement of materials and development of the property. Generally, the Group is responsible for all these goods and services and the overall management of the project. Although these goods and services are capable of being distinct, the Group accounts for them as a single performance obligation because they are not distinct in the context of the contract. The Group uses those goods and services as inputs and provides a significant service of integrating them into a combined output i.e., the completed property for which the customer has contracted.

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS *continued*
FOR THE YEAR ENDED 30 JUNE 2019

2. Significant accounting judgements, estimates and assumptions *continued*

Judgements *continued*

Revenue from contracts with customers continued

Services to tenants

In relation to the services provided to tenants of investment property (such as cleaning, security, landscaping, reception services, catering) as part of the lease agreements into which the Group enters as a lessor, the Group has determined that the promise is the overall property management service and that the service performed each day is distinct and substantially the same. Although the individual activities that comprise the performance obligation vary significantly throughout the day and from day to day, the nature of the overall promise to provide management service is the same from day to day. Therefore, the Group has concluded that the services to tenants represent a series of daily services that are individually satisfied over time, using a time-elapsed measure of progress, because tenants simultaneously receive and consumes the benefits provided by the Group.

Hiring of scaffolding equipment

The Group provides scaffolding equipment for hire which results in a promise to transfer goods and services over time and are part of the negotiated exchange between the Group and the customer.

- *Allocating the variable consideration to distinct services within a series*

The Credit Union's loan and membership contracts all contain a single performance obligation comprising of a series of distinct services that are substantially the same and have the same pattern of transfer to the customer. Although the Credit Union may perform various activities each day (e.g., loan processing and certain administrative tasks), the Credit Union has concluded that each day of service is substantially the same because the nature of its promise to the customer is to provide an overall service.

As mentioned above, the Credit Union has applied the variable consideration allocation exception in each of these contracts. This is because the fees received each day, each month and each quarter, relate specifically to the Credit Union's efforts to transfer the services for that day, month or quarter, which is distinct from the services provided in other days, months or quarters. In addition, the amount allocated corresponds to the value provided to the customer for that period.

- *Principal versus agent considerations – services to tenants*

The Group arranges for certain services provided to tenants of investment property included in the contract the Group enters into as a lessor, to be provided by third parties. The Group has determined that it controls the services before they are transferred to tenants, because it has the ability to direct the use of these services and obtain the benefits from them. In making this determination, the Group has considered that it is primarily responsible for fulfilling the promise to provide these specified services because it directly deals with tenants' complaints and it is primarily responsible for the quality or suitability of the services. In addition, the Group has discretion in establishing the price that it charges to the tenants for the specified services.

Therefore, the Group has concluded that it is the principal in these contracts. In addition, the Group has concluded that it transfers control of these services over time, as services are rendered by the third-party service providers, because this is when tenants receive and at the same time, consume the benefits from these services.

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS *continued*
FOR THE YEAR ENDED 30 JUNE 2019

2. Significant accounting judgements, estimates and assumptions *continued*

Judgements *continued*

Revenue from contracts with customers continued

- *Determining the timing of revenue recognition on construction and renovation works*

The Group has evaluated the timing of revenue recognition on the provision of construction and renovation works based on a careful analysis of the rights and obligations under the terms of the contract and legal advice from the Group's external counsels in various jurisdictions.

The Group has generally concluded that contracts relating to the sale of construction and renovation works are recognised over time when control transfers at each stage of completion. For unconditional exchanges of contracts, control is generally expected to transfer to the customer together with the legal title. For conditional exchanges, this is expected to take place when all the significant conditions are satisfied.

The Group has determined that the input method is the best method for measuring progress for these contracts because there is a direct relationship between the costs incurred by the Group and the transfer of goods and services to the customer.

- *Consideration of significant financing component in a contract*

For some contracts involving construction and renovation works, the Group is entitled to receive an initial deposit. The Group concluded that this is not considered a significant financing component because it is for reasons other than the provision of financing to the Group. The initial deposits are used to protect the Group from the other party failing to adequately complete some or all of its obligations under the contract where customers do not have an established credit history or have a history of late payments.

Estimates and assumptions

The key assumptions concerning future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Valuation of investment property

The fair value of investment property is determined by real estate valuation experts using recognised valuation techniques and the principles of IFRS 13 *Fair Value Measurement* .

Investment property is measured based on estimates prepared by independent real estate valuation experts, except where such values cannot be reliably determined. The significant methods and assumptions used by valuers in estimating the fair value of investment property are set out in Note 1.5(n) Investment properties.

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS *continued*
FOR THE YEAR ENDED 30 JUNE 2019

2. Significant accounting judgements, estimates and assumptions *continued*

Estimates and assumptions *continued*

Measurement of progress when revenue is recognised over time

For those contracts involving construction and renovation works that meet the over time criteria of revenue recognition, the Group's performance is measured using an input method, by reference to the inputs towards satisfying the performance obligation relative to the total expected inputs to satisfy the performance obligation, i.e., the completion of the property. The Group generally uses the costs incurred method as a measure of progress for its contracts because it best depicts the Group's performance. Under this method of measuring progress, the extent of progress towards completion is measured based on the ratio of costs incurred to date to the total estimated costs at completion of the performance obligation. When costs are incurred, but do not contribute to the progress in satisfying the performance obligation (such as unexpected amounts of wasted materials, labour or other resources), the Group excludes the effect of those costs. Also, the Group adjusts the input method for any cost incurred that are not proportionate to the Group's progress in satisfying the performance obligation.

Provision for expected credit losses of trade receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, property type, customer type and rating, and coverage by credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in a customer segment, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in Note 5 Receivables and Note 14 Loans to members.

In accordance with the Credit Unions Act, a reserve fund is held as a reserve for bad loans or losses (Refer Note 21). Whilst the reserve fund has reached 38% of the sum of the deposits and the issued capital, it is now in excess of the 20% requirement under the By-Laws or 10% under the Credit Union Act. Management decision in assessing impairment of loans requires significant judgment about inherent uncertain future outcomes of events or conditions. Accordingly, subsequent events may result in outcomes that may be different from the assessment.

Policy applicable after 1 January 2018

Impairment losses on financial assets

The measurement of impairment losses both under IFRS 9 and IAS 39 across all categories of financial assets in scope requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS *continued*
FOR THE YEAR ENDED 30 JUNE 2019

2. Significant accounting judgements, estimates and assumptions *continued*

Estimates and assumptions *continued*

Policy applicable before 1 January 2018

Impairment losses on financial assets continued

The Credit Union's 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 models that are considered accounting judgements and estimates include:

- Development of ECL models, including the various formulas and the choice of inputs.
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on probability of defaults (PDs).
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

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

Impairment of loan balances is assessed at an individual level as well as on a collective level. If there is objective evidence that impairment loss on loans and receivable financial assets has occurred, the carrying value of the asset is reduced by the use of an allowance account. The amount of the loss is recognised in the Statement of Profit or Loss and Other Comprehensive Income. In accordance with the Credit Union Act, a reserve fund is held as a reserve for bad loans or losses (Refer Note 21).

Impairment of property, plant and equipment

The Credit Union assesses whether there are any indicators of impairment of all property, plant and equipment at each reporting date. Property, plant and equipment are tested for impairment and when there are indicators that the carrying amount may not be recoverable, a reasonable allowance for impairment is created. The Directors' and management's assessment of recoverable amount involves making a judgment, at a particular point in time, about inherent uncertain future outcomes of events or conditions. Accordingly, subsequent events may result in outcomes that are significantly different from assessment.

2.1 Going concern

The financial statements of the Group have been prepared on a going concern basis, which assumes that the Group will be able to meet its obligation as and when they fall due.

The Group has very tight cash flows and the subsidiary is heavily reliant on the Credit Union for cash injections as well as making the majority of its material payments. The Group also has interest bearing borrowings of $2,157,879 and a bank overdraft of $233,456. The working capital deficiency of the Credit Union is $87,130

There has been significant reduction in future projects and lending together with the impact of COVID-19 and the related uncertainties regarding the continuation of future projects and recovery of the loans given to members.

Management remains confident that sufficient contracts will be secured, and future rental and lending activities will generate sufficient positive cash flows. Accordingly, the directors have prepared the report on a going concern basis.

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS *continued*
FOR THE YEAR ENDED 30 JUNE 2019

2.1 Going concern *continued*

These cash flows however may not be sufficient to meet all the repayment obligations. These may cast doubts on the Group's ability to continue as a going concern; and therefore it may be unable to realize its assets and discharge its liabilities in the normal course of the business.

	Group 2019	Group 2018	Credit Union 2019	Credit Union 2018
3. Operating income and interest expense	$	$	$	$
a) Operating Income				
Interest on loans to members	2,083,378	842,775	2,083,378	1,223,404
Fees and charges	520,952	594,230	520,952	594,230
Construction revenue	2,001,124	2,593,816	-	-
Temporary shed/scaffolding income	655,166	595,784	-	-
Rental income	446,238	385,103	467,038	447,503
Total operating income	5,706,858	5,011,708	3,071,368	2,265,137
b) Interest expense				
Interest on borrowings	151,486	185,080	139,387	169,438
4. Other revenue	$	$	$	$
Miscellaneous income	120,789	1,519	118,982	-
Other income	17,455	12,214	17,455	12,339
Loss on redemption of financial assets	-	(5,475)	-	(5,475)
Total other revenue	138,244	8,258	136,437	6,864
5. Receivables	$	$	$	$
Trade and other receivables	1,845,228	1,927,081	546,435	428,140
Less: allowance for expected credit loss	(287,630)	-	-	-
	1,557,598	1,927,081	546,435	428,140
Deposit	27,746	27,246	27,746	27,246
Prepayments	25,360	22,960	25,360	22,960
	1,610,704	1,977,287	599,541	478,346

Movements in the provision for impairment of trade and other receivables were, as follows:

	$	$	$	$
At 1 July	-	-	-	-
Add: charge for the year	287,630	-	-	-
At 30 June	287,630	-	-	-

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS *continued*
FOR THE YEAR ENDED 30 JUNE 2019

		Group 2019	Group 2018	Credit Union 2019	Credit Union 2018
6.	Other assets	$	$	$	$
	Staff advances	130,403	137,963	130,403	137,963
	Advance to Board members	69,963	32,151	69,963	32,151
	Less: allowance for expected credit loss	(72,706)	(72,706)	(72,706)	(72,706)
		127,660	97,408	127,660	97,408

Movements in the provision for impairment of trade and other receivables were, as follows:

At 1 July	72,706	72,706	72,706	72,706
At 30 June 2019	72,706	72,706	72,706	72,706

7.	Inventories	$	$	$	$
	Tools and materials	55,893	70,229	-	-
	Work in progress	392,736	304,200	-	-
		448,629	374,429	-	-

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS *continued*
FOR THE YEAR ENDED 30 JUNE 2019

8. Property, plant and equipment

Group:

	Freehold land and buildings	Furniture and fittings	Plant and computer equipment	Motor vehicles	Total
	$	$	$	$	$
Cost					
At 1 July 2017	2,036,580	105,536	2,114,627	800,577	5,057,320
Additions	52,134	8,606	79,640	18,938	159,318
Disposals/reduction in purchase price	(13,678)	-	-	(76,656)	(90,334)
At 30 June 2018	2,075,036	114,142	2,194,267	742,859	5,126,304
Additions	9,583	915	52,789	-	63,287
Disposals	-	-	(1,559)	-	(1,559)
At 30 June 2019	2,084,619	115,057	2,245,497	742,859	5,188,032
Depreciation					
At 1 July 2017	65,466	59,987	651,146	160,724	937,323
Amortisation and depreciation charge for the year	21,169	18,191	206,709	132,120	378,189
Disposals	-	-	-	(10,203)	(10,203)
At 30 June 2018	86,635	78,178	857,855	282,641	1,305,309
Amortisation and depreciation charge for the year	25,388	17,571	211,124	128,899	382,982
Disposals	-	-	(729)	-	(729)
At 30 June 2019	112,023	95,749	1,068,250	411,540	1,687,562
Net book value					
At 30 June 2019	1,972,596	19,308	1,177,247	331,319	3,500,470
At 30 June 2018	1,988,401	35,964	1,336,412	460,218	3,820,995

The property at Goodenough Street, Suva is stated at fair value based on an independent valuation at open market value prepared on 2 December 2014 by registered valuer, Rolle Associates. The freehold land, building and specific leased motor vehicles have been pledged as security to Australia and New Zealand Banking Group for the Credit Union's borrowings.

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS *continued*
FOR THE YEAR ENDED 30 JUNE 2019

8. Property, plant and equipment *continued*

Credit Union:

	Freehold land and buildings	Furniture and fittings	Plant and computer equipment	Motor vehicles	Total
	$	$	$	$	$
Cost					
At 1 July 2017	2,036,580	105,536	625,435	98,861	2,866,412
Additions	52,134	8,606	26,461	-	87,201
Disposals/reduction in purchase price	(13,678)	-	-	-	(13,678)
At 30 June 2018	2,075,036	114,142	651,896	98,861	2,939,935
Additions	9,583	915	7,812	-	18,310
At 30 June 2019	2,084,619	115,057	659,708	98,861	2,958,245
Depreciation					
At 1 July 2017	65,466	59,987	490,368	59,044	674,865
Amortisation and depreciation charge for the year	21,169	18,191	37,267	8,532	85,159
At 30 June 2018	86,635	78,178	527,635	67,576	760,024
Amortisation and depreciation charge for the year	25,388	17,571	22,049	8,532	73,540
At 30 June 2019	112,023	95,749	549,684	76,108	833,564
Net book value					
At 30 June 2019	1,972,596	19,308	110,024	22,753	2,124,681
At 30 June 2018	1,988,401	35,964	124,261	31,285	2,179,911

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS *continued*
FOR THE YEAR ENDED 30 JUNE 2019

		Group 2019	Group 2018	Credit Union 2019	Credit Union 2018
9.	Loans and receivables	$	$	$	$
	Balance at 1 July	19,951	52,950	19,951	52,950
	Received during the year	(19,951)	(32,999)	(19,951)	(32,999)
		-	19,951	-	19,951

In 2013, the Board of Directors of the Credit union approved an advance of $100,000 to the Fiji Savings and Credit Union League (FCUL). The advance has been offset against affiliation fees payables to the Fiji Savings and Credit Union League from 2014 to 2017. From 2018 onwards, all remaining balances were agreed to be paid in cash. During the year, a total of $19,951 was received from FCUL.

10.	Financial assets	$	$	$	$
	Debt instruments at amortised cost				
	Term deposit - Kontiki Finance Limited	28,500	28,500	28,500	28,500
	Term deposit - HFC	50,000	50,000	50,000	50,000
		78,500	78,500	78,500	78,500

The term deposit held with Kontiki Finance Limited is for a period of 213 months which earns interest at 7% per annum. The term deposit with HFC is for a period of 365 days which earns interest at 2.75% per annum.

11.	Investment properties	$	$	$	$
	Balance at 1 July	6,723,934	6,668,775	6,723,934	6,668,775
	Add: capital expenditure	-	20,184	-	20,184
	Change in fair value	-	34,975	-	34,975
	Net written down value	6,723,934	6,723,934	6,723,934	6,723,934

The investment property at Gladstone Road, Suva is stated at fair value based on an independent valuation at open market value prepared in May 2017 by registered valuer, Rolle Associates.

Investment properties have been pledged as security to Australia and New Zealand Banking Group for borrowings.

12.	Intangible assets	$	$	$	$
	Computer software				
	At cost				
	At 1 July	357,106	308,394	310,549	284,768
	Additions	1,333	48,712	833	25,781
	At 30 June	358,439	357,106	311,382	310,549
	Depreciation and impairment				
	At 1 July	192,299	122,209	177,054	121,929
	Amortisation expense for the year	82,096	70,090	60,226	55,125
	At 30 June	274,395	192,299	237,280	177,054
	Net book value	84,044	164,807	74,102	133,495

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS *continued*
FOR THE YEAR ENDED 30 JUNE 2019

	Group 2019 $	Group 2018 $	Credit Union 2019 $	Credit Union 2018 $
13. Investment in subsidiary				
a) Skaffwork Building Solutions Pte Limited	-	-	5,526,401	1,660,783

The Credit Union acquired Skaffwork Building Solutions Pte Limited (SBSL) on the 20th of September, 2017. The Credit Union purchased 100% shares and is the sole owner of SBSL. The company was acquired for a total consideration of $1,660,783 and is a private limited liability company.

b) The allocation of the purchase price is as follows:	$
Current assets	107,197
Non-current assets	330,803
Other assets	35,415
Goodwill	1,187,368
Total consideration	1,660,783

c) On 11 June 2019, the Board of Directors had agreed to convert $3,865,718 worth of advances from the Credit Union to subordinated loan and classify it as equity in Skaffwork Building Solutions Pte Limited. A portion of these will be translated to share capital however as at year end no confirmation on the number of shares has been received.

14. Loans to members	$	$	$	$
Balance as at 1 July	9,253,686	11,472,728	9,253,686	11,472,728
Add: Loans given during the year	3,463,599	3,735,401	3,463,599	3,735,401
Fees and interest	2,708,659	-	2,708,659	-
Loans interest accrued	-	294,794	-	294,794
	15,425,944	15,502,923	15,425,944	15,502,923
Deduct: Loans repaid	(4,214,313)	(4,448,782)	(4,214,313)	(4,448,782)
Loans offset against members shares	(1,820,834)	(1,698,722)	(1,820,834)	(1,698,722)
Stale cheques written back to loans	-	(101,733)	-	(101,733)
Bad debts written off	(41,975)	-	(41,975)	-
Balance as at 30 June	9,348,822	9,253,686	9,348,822	9,253,686
Deduct:				
Allowance for expected credit loss at 1 July	(2,567,211)	(2,313,341)	(2,567,211)	(2,313,341)
Bad debts written off	-	(93,106)	-	(93,106)
Impairment loss charged for the year	-	(160,764)	-	(160,764)
Loans to Members, net	6,781,611	6,686,475	6,781,611	6,686,475
Loans to Members presented as:				
Current	4,072,650	4,869,548	4,072,650	4,869,548
Non-current	2,708,961	1,816,927	2,708,961	1,816,927
	6,781,611	6,686,475	6,781,611	6,686,475

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS *continued*
FOR THE YEAR ENDED 30 JUNE 2019

14. Loans to members *continued*

Impairment allowance for loans to members
A reconciliation of the allowance for impairment losses and advances, by class, is as follows :

Categories by loan value	Number of loans	Member loan balances	Member savings balances	(Secured)/ Unsecured	Provision made
0 - 29 Current	1,889	4,072,650	5,765,597	(1,692,947)	-
30 - 89 Special mention	209	395,250	397,475	(2,225)	-
90 - 179 Substandard	187	217,240	179,629	37,611	7,522
180 - 359 Doubtful	260	188,937	97,526	91,411	45,706
360 or more loss	2,510	4,757,349	225,655	4,531,694	4,531,694
Members without loans	7,566	-	1,825,377	(1,825,377)	-
Total	12,621	9,631,426	8,491,259	1,140,167	4,584,922

(i) Unsecured loans amounted to $4,660,718 (2018: $2,611,636), were granted to members as at 30 June 2019.
(ii) As at 30 June 2019, the balance of loans payable by the board and committee members of Fiji Public Service Credit Union amounted to $586,101 (2018: $535,540) out of which $520,307 (2018: $477,519) were unsecured.
(iii) A reserve fund is held as a reserve against bad loans or losses as well as impaired loss for uncollectable loans.
(iv) A sum of $2,567,211(2018: $2,567,211) was recorded as allowance for impairment losses.

	Group 2019 $	Group 2018 $	Credit Union 2019 $	Credit Union 2018 $
15. Trade and other payables				
Creditors and accruals	400,435	564,764	108,716	213,599
Rental deposits	168,039	253,254	168,039	168,039
Other payables	86,326	113,896	86,326	46,029
Suspense account	21,756	-	21,756	-
	676,556	931,914	384,837	427,667
16. Provisions	$	$	$	$
Employee entitlements				
At 1 July	34,522	22,889	34,522	22,889
Arising during the year	45,111	32,522	45,111	32,522
Utilised during the year	(54,890)	(20,889)	(54,890)	(20,889)
At 30 June	24,743	34,522	24,743	34,522

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS *continued*
FOR THE YEAR ENDED 30 JUNE 2019

		Group 2019 $	Group 2018 $	Credit Union 2019 $	Credit Union 2018 $
17.	Interest-bearing borrowings				
a)	Bank overdraft (Note 24)	233,456	43,402	233,456	43,402

Current interest bearing borrowing represents a bank overdraft facility facilitated by the Australia and New Zealand Banking group. The overdraft limit attracts an interest rate of 5.49% and a temporary overdraft limit of $250,000. The repayment terms of the facility are on demand.

		$	$	$	$
b)	Term Loan- current	600,105	640,572	600,105	640,572
	Term Loan- non current	1,557,774	1,946,702	1,557,774	1,946,702
		2,157,879	2,587,274	2,157,879	2,587,274

Interest-bearing borrowings represents 4 fully drawn advance facilities taken from the Australia and New Zealand Banking Group. Initially granted to assist with the renovation, repairs and maintenance of FPSCU Head Office and for the purchase of business information system. Additionally, further advances were granted for the purchasing of Skaffwork, Waimanu road property and Wailoku property and to assist with working capital requirements. The loan facility attracts an interest rate of 5.49% per annum and is due to be settled within 36 months from the date of borrowing.

Term Loan -current represents the portion of interest bearing borrowings due within the next 12 months.

Particulars related to secured borrowings:

The bank overdraft from Australia and New Zealand Banking Group is secured by :
1) A general lien, dated 26/06/1997 over the assets of the Credit Union (Stamped to $3.2m) ;
2) First registered mortgage over commercial property situated at 11 Goodenough Street, Suva and comprised in Certificate of Title No. 5009 ;
3) First registered mortgage number 426150 over commercial property situated at Gladstone Road, Suva and comprised in Certificate of Title No. 28194 ;
4) First registered Bill of Sale Deed over all chattels, fixtures and fittings and goods of the Credit Union including book debts ;
5) Deed of assignment of debt;
6) Assignment over contract or proceeds.
7) Master Operating Lease Agreement between Fiji Public Service Credit Union and ANZ Bank.
8) First Registered Mortgage over Certificate of Title Number 6052 being Lot 1 on DP 7846 over vacant land.

		$	$	$	$
18.	Finance lease obligations				
a)	Current				
	Finance lease obligations	65,580	59,162	-	-

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS *continued*
FOR THE YEAR ENDED 30 JUNE 2019

		Group 2019 $	Group 2018 $	Credit Union 2019 $	Credit Union 2018 $
18.	Finance lease obligations *continued*				
b)	Non-current				
	Finance lease obligations	50,909	122,398	-	-

The finance lease commitment relates to purchase of three motor vehicles for SBSL. Monthly interest rate of 7.50% is applied on all the motor vehicles. The principal repayment amount ranges from $1,382 to $2,931. The finance lease agreement is secured by first registered mortgage debenture over all the assets of the company and uncalled capital.

		$	$	$	$
19.	Income tax				

The prima facie income tax benefit differs from that shown in the financial statements and is reconciled as follows:

	Group 2019 $	Group 2018 $	Credit Union 2019 $	Credit Union 2018 $
Operating loss before income tax of the subsidiary	(970,379)	(668,693)	-	-
Prima facie tax expense on operating loss at 20%	(194,076)	(133,739)	-	-
Tax losses not recognised/recouped	169,249	154,234	-	-
Tax effect of non-deductible items	925	(2,319)	-	-
Income tax (benefit)/expense on current year profit	(23,902)	18,176	-	-

Deferred tax

Deferred income tax at 30 June relates to the following:

	Group 2019 $	Group 2018 $
Deferred tax liability		
Accelerated depreciation for tax purposes	64,221	88,126

Reflected in the statement of financial position as follows:

	Group 2019 $	Group 2018 $
Deferred tax liability	64,221	88,126

20. Member shares

Clause 13 of the Fiji Public Service Credit Union Supplementary By-Laws further states that money paid in on account of shares may be withdrawn in whole or in part subject to any indebtedness to the Credit Union.

Shares may be transferred only from one member to another by written instrument in such form as the Board may prescribe.

Each year the Board may declare a dividend from the earnings remaining after provision for reserves as specified in clause 70 of the Fiji Public Service Credit Union Supplementary By-Laws and dividends shall be paid on fully paid shares outstanding at the end of the financial year.

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS *continued*
FOR THE YEAR ENDED 30 JUNE 2019

21. Reserve fund

The reserve fund is held as a general reserve against bad loans or losses (Section 37(4)) of the Credit Union Act).

In accordance with Section 67 and 68 of the Fiji Public Service Credit Union Supplementary By-laws:

(i) All entrance fees and fines are directly brought into this reserve.

(ii) Until such time as the total amount in the reserve fund reaches 20% of the sum of the deposits and the issued capital, it is compulsory for directors to transfer not less than 20% of net earnings to the reserve fund, prior to declaring any dividends. Once the amount in the reserve fund is equal to 20% of the sum of the deposits and the issued capital, the directors "shall not be required to set aside" funds to the reserve fund.

22. Special reserve fund

In accordance with clause 70 of the Fiji Public Service Credit Union Supplementary By-Laws, the Directors had established the special reserve fund, into which the net surplus for the year, after adjusting for proposed dividends and transfer to reserve fund, was transferred.

23. Special death benefit scheme fund

In accordance with clauses 76.2 and 86 of Fiji Public Service Credit Union Supplementary By- Laws, the Directors have established the Special Death Benefit Scheme Fund to provide for special benefits upon death of a member. The special death benefit scheme fund envisages, in the event of a member's death, waiver of loan balance outstanding from a member up to a maximum of $10,000 and repayment of twice the share balance (up to a maximum of $5,000) to the credit of the member's beneficiary. On death of a member, death benefits by way of additional share refunds and loan write-offs are charged directly to the special death benefit scheme fund, rather than charging such loan write-offs and additional share refunds through the statement of comprehensive income. During the year, $48,935 (2018: $156,628) was paid out under this scheme fund.

24. Self insurance of death benefit scheme

The death benefit scheme envisages, in the event of a member's death, waiver of loan balance outstanding from a member up to a maximum of $10,000 and repayment of twice the share balance (up to a maximum of $5,000) to the credit of the member's beneficiary.

The Credit Union had, during the year ended 30 June 1999, discontinued the external insurance cover for loan protection insurance scheme covering liabilities arising out of death benefit scheme. Accordingly, the Credit Union has adopted a policy of self-insurance with respect to the death benefit scheme.

The Credit Union has not obtained independent actuarial valuation of liabilities arising from the death benefit scheme as at 30 June 2019. The actuarial valuation is to determine the adequacy of the provisions and reserves for this benefit scheme. Any additional provision and reserves that may be required from the actuarial valuation has not been recognised in the financial statements, as the effect cannot be quantified.

Furthermore, the balance under special death benefit scheme fund as at 30 June 2019 was $844,756 (2018: $811,452).

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS *continued*
FOR THE YEAR ENDED 30 JUNE 2019

	Group 2019 $	Group 2018 $	Credit Union 2019 $	Credit Union 2018 $
25. Notes to the Statement of Cash Flows				

a) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances with banks. Cash and cash equivalents included in the Statement of Cash Flow comprise the following Statement of Financial Position amounts:

	Group 2019 $	Group 2018 $	Credit Union 2019 $	Credit Union 2018 $
Cash on hand and at bank	317,122	222,852	292,055	202,618
Bank overdraft (Note 15)	(233,456)	(43,402)	(233,456)	(43,402)
Total cash and cash equivalents	83,666	179,450	58,599	159,216

b) Non-cash financing activities

During the year, member's shares of $1,786,201 (2018 : $1,698,722) were applied against payment of member's loan accounts.

Furthermore, dividends of $nil (2018: $330,159) were declared and credited to member's shares during the year.

26. Commitments

Commitments as at 30 June 2019 amounted to $Nil (2018 : $Nil).

Operating Lease

On the 23th of September, 2015, the Credit Union entered into an Operating Lease agreement with Australia and New Zealand Banking Group Limited for the lease of two vehicles, a Toyota Camry (IC-090) and a Toyota Yaris (IC-092) for a term of three years. The future minimum lease payments are as follows:

	Group 2019 $	Group 2018 $	Credit Union 2019 $	Credit Union 2018 $
Within one year	-	2,147	-	2,147
Later than one year but not later than five years	-	-	-	-
Later than five years	-	-	-	-
	-	2,147	-	2,147

27. Contingent liabilities

Contingent liabilities as at 30 June 2019 amounted to $Nil (2018: $Nil).

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS *continued*
FOR THE YEAR ENDED 30 JUNE 2019

28. Related party disclosures

a) The names of persons who were directors of the Credit Union at any time during the financial year are as follows:

Mrs. Jowana Koroituinakelo (Chairperson)
Mr. Jale Kunawalu (Deputy Chairperson)
Mr. Romulusi Yauvoli
Mr. Eliki Masa
Mr. Aporosa Lutunauga
Mr. Tikiko Vulaca

b) Transactions with the Board and Committee members of the Credit Union for the year ended 30 June 2019 with approximate transaction values are summarised as follows:

	Group 2019 $	Group 2018 $	Credit Union 2019 $	Credit Union 2018 $
i) Loans:				
Loans - balance as at 30 June	586,101	535,540	586,101	535,540
Shares:				
Shares - balance as at 30 June	62,334	58,021	62,334	58,021
ii) Expenditure				
Board and committee meeting allowances	107,749	85,199	102,878	85,199

All transactions with the Board and committee members are generally conducted on commercial terms and conditions.

c) Amounts due from Skaffwork Building Solutions Pte Limited (SBSL) amounted to $19,580 (2018: $3,478,935). Major transactions were for the purchase of construction materials to fulfil SBSL contractual obligations and to assist with the subsidiary's current year operations.

	$	$
Purchase of plant and equipment	-	262,958
Purchase of construction materials	-	669,860
Operational expenses	110,755	2,103,088
Office space rental	26,000	62,400
Interest on advance	-	380,629
	136,755	3,478,935

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS *continued*
FOR THE YEAR ENDED 30 JUNE 2019

28. Related party disclosures *continued*

d) Key management personnel remuneration

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

No remuneration were paid to the Directors. Total remuneration to Credit Union key management personnel for the current period was: $102,880 (2018: $173,841). Total remuneration to SBSL key management was $44,900 (2018: $72,800).

29. Principal activities

The principal activities of the Credit Union during the year were that of promoting thrift among its members, receiving the savings of its members and to make loans to its members.

There were no significant changes in the nature of these activities during the financial year.

30. Group details

i) Credit Union Incorporation
The Credit Union is incorporated in Fiji under the Credit Unions Act, 1972.

Registered office/ Principal place of business
The registered office/principal place of business is located at :

11 Goodenough Street
GPO Box 1231
Suva.

ii) Skaffwork Building Solutions Limited
The legal form of the Company is a private company, domiciled and incorporated in Fiji.

Registered office/ Principal place of business
The registered office/principal place of business is located at :

29, Gladstone Road
Suva.

31. Comparatives

Where necessary, amounts relating to prior period have been reclassified to conform with presentation in the current period.

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS *continued*
FOR THE YEAR ENDED 30 JUNE 2019

32. Events subsequent to balance date

Subsequent to end of the financial year, the COVID-19 outbreak was declared a pandemic by the World Health Organisation in March 2020.

We have seen a significant impact on our business to date. The outbreak and the response of Governments in dealing with the pandemic is interfering with general activity levels within the community, the economy and the operations of our business. The scale and duration of these developments remain uncertain as at the date of this report however they will have an impact on our earnings, cash flow and financial condition.

It is not possible to estimate the impact of the outbreak's near-term and longer effects or Governments' varying efforts to combat the outbreak and support businesses. This being the case, we do not consider it practicable to provide a quantitative or qualitative estimate of the potential impact of this outbreak on the Credit Union at this time.

The financial statements have been prepared based upon conditions existing at 30 June 2019 and considering those events occurring subsequent to that date, that provide evidence of conditions that existed at the end of the reporting period. As the outbreak of COVID-19 occurred after 30 June 2019, its impact is considered an event that is indicative of conditions that arose after the reporting period and accordingly, no adjustments have been made to financial statements as at 30 June 2019 for the impacts of COVID-19.

No matters or circumstances that have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Credit Union, the results of those operations, or the state of affairs of the Credit Union in future financial years.

33. Approval of the financial statements

The financial statements were approved by the board of directors and authorized for issue on ________________________, 2021.

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
DISCLAIMER ON ADDITIONAL FINANCIAL INFORMATION
FOR THE YEAR ENDED 30 JUNE 2019

DISCLAIMER ON ADDITIONAL FINANCIAL INFORMATION

The additional financial information, being the attached Detailed Income Statement has been compiled by the management of Fiji Public Service Credit Union.

To the extent permitted by law, Ernst & Young does not accept liability for any loss or damage which any person, other than Fiji Public Service Credit Union may suffer arising from any negligence on our part. No person should rely on the additional financial information without having an audit or review conducted.

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
DETAILED INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2019

		Group 2019 $	Group 2018 $	Credit Union 2019 $	Credit Union 2018 $
Income					
Interest - member loans		2,083,378	842,775	2,083,378	1,223,404
Construction revenue		2,001,124	2,593,816	-	-
Total		4,084,502	3,436,591	2,083,378	1,223,404
Cost of sales					
Direct materials		1,557,850	1,073,439	-	-
Direct labour		903,138	1,173,632	-	-
Interest - expense		151,486	185,080	139,387	169,438
		2,612,474	2,432,151	139,387	169,438
Gross profit		1,472,028	1,004,440	1,943,991	1,053,966
Other income					
Rent		446,238	385,103	467,038	447,503
Proceeds from sundry asset sale		639	-	639	-
Fees and charges		520,952	594,230	520,952	594,230
Temporary shed hire		628,071	580,223	-	-
Scaffolding equipment hire		27,095	15,561	-	-
Interest on investment		16,816	12,214	16,816	12,339
Miscellaneous income		120,789	1,519	118,982	-
Loss on redemption of financial assets		-	(5,475)	-	(5,475)
Total other income		1,760,600	1,583,375	1,124,427	1,048,597
Total income		3,232,628	2,587,815	3,068,418	2,102,563
Expenses					
Administration sundries		6,841	9,433	6,841	9,433
Advertising and promotion		5,491	57,809	4,721	1,524
Annual general meeting		86,134	103,731	86,134	103,731
Annual leave		9,407	44,928	9,407	44,928
Auditors' remuneration:	- audit services	29,750	29,750	19,750	19,750
	- other services	2,500	2,500	-	-
Bank charges		16,419	17,355	12,854	15,232
Board meeting allowances		86,086	85,173	63,408	48,924
Commission - treasury		8,767	11,753	8,767	11,753
Credit committee meeting allowances		21,663	22,325	21,663	22,325
Doubtful debts		287,630	-	-	-
Depreciation and amortisation		464,349	448,062	133,766	140,065
Fringe benefit tax		2,874	80	2,874	80
Fuel		59,780	69,254	-	-
General expenses		1,440	44,458	13	-
Insurance		69,729	49,031	32,406	33,413

The Detailed Income Statement is to be read in conjunction with the disclaimer set out on page 54.

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
DETAILED INCOME STATEMENT *continued*
FOR THE YEAR ENDED 30 JUNE 2019

Expenses continued	Group 2019 $	Group 2018 $	Credit Union 2019 $	Credit Union 2018 $
Legal fees	-	2,686	-	2,686
Loss on sale	-	4,109	-	-
Management retainer fees	-	72,800	-	-
Marketing promotions	-	20,748	-	20,748
Membership drive expenses	21,230	49,770	21,230	49,770
Motor vehicle expenses	45,042	13,586	45,042	13,586
Navoli farm	1,165	6,526	-	-
Office rent- Head office	13,788	54,523	-	-
Other administrative expenses	8,840	21,533	-	-
Postage, printing and stationery	15,083	21,614	5,951	8,091
Professional fees	19,105	15,597	14,265	10,000
Rates and taxes	10,285	11,881	10,285	11,881
Rental - Lautoka and Labasa	41,670	54,242	41,670	54,242
Repair and maintenance	23,538	53,485	7,386	8,638
Repair and maintenance- Credit Union Towers	100	857	100	857
Salaries, wages and Fiji National Provident Fund	973,796	1,155,114	687,751	821,184
Security expenses	50,411	40,729	50,411	40,729
Social functions	10,021	16,661	10,021	16,661
Software upgrade and support	22,207	22,338	22,207	22,338
Staff training	9,817	90,147	9,817	90,147
Sundry expenses	2,244	17,428	2,244	17,428
Supervisory committee meeting allowances	7,992	13,950	7,992	13,950
Specific provisioning expense	-	160,764	-	160,764
Staff costs	2,765	25,789	-	-
Telephone and internet	49,857	61,706	34,306	38,223
Tender expenses	13,240	44,876	-	-
Travelling - local	4,324	21,930	1,798	4,259
Travelling - overseas	-	4	-	4
Water and electricity	31,356	41,623	27,037	28,443
Total expenses	2,536,736	3,112,658	1,402,117	1,885,787
Profit/(loss) from operations	695,892	(524,843)	1,666,301	216,776
Change in fair value of investment properties	-	34,975	-	34,975
Income tax benefit/(expense)	23,902	(18,176)	-	-
Profit/(loss) for the year	719,794	(508,044)	1,666,301	251,751
Other comprehensive income	-	-	-	-
Total comprehensive income/(loss) for the year	719,794	(508,044)	1,666,301	251,751

The Detailed Income Statement is to be read in conjunction with the disclaimer set out on page 54.

FIJI PUBLIC SERVICE CREDIT UNION

FINANCIAL STATEMENT
FOR THE YEAR ENDED
30 JUNE 2020

I. NAIVELI & CO

CHARTERED ACCOUNTANTS, TAX AGENT, BUSINESS ADVISORS

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

Contents

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2020

In accordance with a resolution of the Board of Directors, the Directors herewith submit the statement of financial position of Fiji Public Service Credit Union (the Credit Union) and its subsidiary (collectively the Group) as at 30 June 2020, the statement of profit or loss and other comprehensive income, the statement of changes in members' funds and reserves and the statement of cash flows for the year then ended and report as follows:

Directors

The names of Directors of the Credit Union in office at any time during the year are:

Mr. Jale Kunawalu (Chairperson)
Mr. Aporosa Lutunauga (Deputy Chairperson)
Mr. Romulusi Yauvoli
Mr. Eliki Masa
Mrs. Jowana Koroituinakelo
Mr. Tikiko Vulaca

Principal Activities

The principal activities of the Credit Union during the year were that of promoting thrift among its members, receiving the savings of its members, to grant loans to its members and to invest members savings. The principal activities of the subsidiary were to perform the undertaking of renovations and construction works as well as renting out scaffolding equipment and temporary sheds.

Results

The consolidated net loss of the Group for the year was $1,504,128 after an income tax benefit of $Nil (2019: net profit of $719,794, after an income tax benefit of $23,902). The net loss for the Credit Union was $1,257,920 (2019: net profit of $1,666,301).

Dividends

The Directors declared dividends of $Nil (2019: $Nil) for the year, which were credited to members shares.

Bad and Doubtful Debts

Prior to the completion of the Credit Union's financial statements, the Directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and provision for doubtful debts. During the year, the Credit Union wrote off $2,599,757 as bad debts which were previously fully provided for. The directors proposed that an equal amount be transferred from Reserves to Retained Earnings. In the opinion of the Directors, adequate allowance has been made for doubtful debts

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

Current and Non-current Assets

Prior to the completion of the financial statements of the Credit Union, the Directors took reasonable steps to ascertain whether any current and non-current assets were unlikely to be realised in the ordinary course of business compared to their values as shown in the accounting records of the Credit Union. 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.

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
DIRECTORS' REPORT *continued*
FOR THE YEAR ENDED 30 JUNE 2020

Current and Non-current Assets *continued*

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

Unusual Transactions

In the opinion of the Directors, the results of the operations of the Credit Union 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 Credit Union in the current financial year, other than those reflected in the financial statements.

Significant Event During the Year

The COVID-19 outbreak was declared a pandemic by the World Health Organisation in March 2020.

The Group has remained operational since this declaration and continues to engage in promoting thrift among its members, receiving the savings of its members, to grant loans to its members and to invest members savings and to perform the undertaking of renovations and construction works as well as renting out scaffolding equipment and temporary sheds. However, there has been a significant impact on our business to date. The outbreak and the response of Governments in dealing with the pandemic is interfering with general activity levels within the community, the economy and the operations of our business.

Events Subsequent to Balance Date

Subsequent to the end of the financial year, there was an increase in membership withdrawals as a result of the COVID-19 pandemic and in response to policies implemented by the Credit Union to protect its liquidity. However, the scale and duration of these developments remain uncertain as at the date of this report and continue to have a detrimental impact on our earnings, cash flow and financial position. The Directors confirm that they have considered all currently known impacts of COVID-19 when preparing the financial statements and applying the going concern concept.

Subsequent to year-end, the Group disposed three properties in December 2020 and January 2021 and recorded a net gain of $1.8 million.

Apart from the matters noted above, no other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Other Circumstances

As at the date of this report:

(i) no charge on the assets of the Credit Union or the Group 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 Credit Union or the Group could become liable; and

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
DIRECTORS' REPORT *continued*
FOR THE YEAR ENDED 30 JUNE 2020

Other Circumstances *continued*

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

Auditor Independence

The Directors have obtained an independence declaration from the Credit Union's auditor, I. Naiveli & Co. A copy of the auditor's independence declaration is set out in the *Auditor's Independence Declaration to the Directors of Fiji Public Service Credit Union* and its subsidiary on page 6.

Directors' Benefits

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

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

Dated this day of , 2023.

Director

Director

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
DIRECTORS' DECLARATION
FOR THE YEAR ENDED 30 JUNE 2020

The Directors' of the Fiji Public Service Credit Union (the Credit Union) have made a resolution that declared:

(a) in the Directors' opinion, the consolidated financial statements and notes of the Credit Union and its subsidiary for the financial year ended 30 June 2020;

(i) give a true and fair view of the financial position of the Credit Union and its subsidiary as at 30 June 2020 and of the performance of the Credit Union and its subsidiary for the year ended 30 June 2020; and

(ii) have been made out in accordance with the relevant legal framework;

(b) they have received declarations as required by law; and

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

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

Name
Chairperson
Date
Suva, Fiji.

I. NAIVELI & CO.

Chartered Accountants and Business Advisors
Registered Tax Agent, Certified Public Practitioner (CPP), Fellow Member – Association of International Accountants (UK), Member CPA Australia

Auditors Independence Declaration Under Section 395 of the Companies Act 2015

To: The Executive Committee of the Fiji Public Service Credit Union

As lead auditor for the audit of Fiji Public Service Credit Union for the year ended 30 June 2020, I declare that to the best of my knowledge and belief, there have been:

- No contraventions of the auditor independence requirements of the Companies Act, Fiji 2015 in relation to the audit and
- No contraventions of any applicable code of professional conduct in relation to the audit.

The declaration is of the Fiji Public Service Credit Union during the period.

I.Naiveli & Co

Akisi Rabulimasei Naiveli
Managing Partner
I.Naiveli & Co

Suva,Fiji
18 September 2023

GPO BOX 14014 SUVA FIJI PHONE No: (679) 3305 395/3305 386/9927390 E-mail: office@inaiveli.com.fj
Lot 4 Ratu Dovi Road, Laucala Beach Estate

INDEPENDENT AUDIT REPORT

TO THE MEMBERS OF THE FIJI PUBLIC SERVICE CREDIT UNION

Disclaimer of Audit Opinion

We have audited the financial statements of Fiji Public Service Credit Union, which comprise the statement of financial position as at 30 June 2020, statement of comprehensive income, statement of cash flow, detailed income statement and notes to the financial statement including a summary of significant policies as set out on pages 14 to 40.

We do not express an opinion on the financial statements of the Fiji Public Service Credit Union as at 30 June 2020 and the results of its operations and its cash flows for the year ended because of the significance of the matters described in the basis for disclaimer of opinion; we have not been able to obtain sufficient appropriate audit evidence to provide for a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Audit Opinion

In respect of the Credit Union, we have not been able to obtain sufficient appropriate audit evidence in relation
to a variety of transactions, recorded amounts and balances, including:

i. Interest on loan income of $1,331,216 and loans to members of $2,379,028;
ii. Wages and salaries expenses of $556,689
iii. Investment property of $5,834,892 and its fair value;
iv. Vault cash of $32,750, Receivables of $738,935 and other assets of $309,769;
v. Trade and other payables of $547,263;
vi. The investment in subsidiary of $5,526,401 and assessment of whether any Impairment of this asset is required;
vii. Intercompany transactions of $117,175 between Credit Union and its subsidiary; and
viii. Movements in members shares and reserves listed in the statement of changes in members' funds and
reserves.

We also draw attention to Note 2.1 of the financial statements which discloses the following conditions:

(i) Loss making performance of the subsidiary and heavy reliance on the Credit Union for future financial
support;
(ii) Tight cash flows of the Group and significant loan repayments;
(iii) A significant reduction in future lending activities and projects for the Group; and
(iv) The potential impact of the COVID-19 pandemic on the Group.
These events or conditions indicate that material uncertainties exist that may cast significant doubt on the ability
of the Credit Union and the Group to continue as going concerns. The financial statements do not include any
adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and
classification of liabilities that might be necessary should the Credit Union or Group not continue as going
concerns.

Basis for Disclaimer of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA) and Credit Union Act of Fiji. 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 credit union in accordance with the ethical requirements that are relevant to our audit of the financial statements in Fiji and we have fulfilled our other responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the executive and/or Directors for the Financial Statements

The executive committees are responsible for the preparation of the financial statements in accordance with International Financial Reporting Standards and the Credit Union Act of Fiji for such internal control as the executive committee 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, the executive committee are responsible for assessing the credit union'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 the executive committee either intend to liquidate the credit union or to cease operations, or have no realistic alternative but to do so. The executive committees are responsible for overseeing the credit union'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.

Misstatements can arise from fraud and 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 the financial statements.

As part of an audit in accordance with ISA, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the credit union's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the executive committee.
- Conclude on the appropriateness of the executive's and 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 credit union's ability to continue as a going concern. If we conclude that 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 credit union to cease to continue as a going concern.
- We communicate with the executive committee 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.

Emphasis of Matter

We draw attention to Note 34 of the consolidated financial statements which notes the World Health Organisation's declaration of the outbreak of COVID-19 as a global pandemic subsequent to 30 June 2020 and how this has been considered by the Directors in the preparation of the financial statements. As set out in Note 34, no adjustments have been made to the consolidated financial statements as at 30 June 2019 for the impacts of COVID-19. Our opinion is not modified in respect of this matter.

I.Naiveli & Co

……………………..
I.Naiveli & Co
Chartered Accountants & Business Advisors

…………………………..
Akisi Rabulimasei Naiveli
Registered Auditor
(Under Companies Act 2015)
Lot 4 Ratu Dovi Road
Laucala Beach Nasinu

18 September 2023

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2020

	Notes	Group 2020 $	Group 2019 $	Credit Union 2020 $	Credit Union 2019 $
Revenue					
Operating revenue - lending		1,331,216	2,604,330	1,331,216	2,604,330
Operating revenue - construction and scaffolding		810,163	2,656,290	-	-
Rental income		543,603	446,238	543,603	467,038
	3 (a)	2,684,982	5,706,858	1,874,819	3,071,368
Cost of sales					
Direct materials		(95,102)	(1,557,850)	-	-
Direct labour		(373,293)	(903,138)	-	-
Interest expense on loans	3 (b)	(159,335)	(151,486)	(153,576)	(139,387)
		(627,730)	(2,612,474)	(153,576)	(139,387)
Gross profit		2,057,252	3,094,384	1,721,243	2,931,981
Other income	4	170,289	138,244	156,847	136,437
Net income		2,227,541	3,232,628	1,878,090	3,068,418
Expenses					
Employee benefit expenses		(712,881)	(973,796)	(556,689)	(687,751)
Expected credit loss on loans to members		(2,051,618)	-	(2,051,618)	-
Other operating expenses		(967,170)	(1,562,940)	(527,703)	(714,366)
Total expenses		(3,731,669)	(2,536,736)	(3,136,010)	(1,402,117)
(Loss)/profit before tax		(1,504,128)	695,892	(1,257,920)	1,666,301
Income tax benefit	18	-	23,902	-	-
(Loss)/profit for the year, net of tax		(1,504,128)	719,794	(1,257,920)	1,666,301
Other comprehensive income		-	-	-	-
Total comprehensive (loss)/income for the year		(1,504,128)	719,794	(1,257,920)	1,666,301

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

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
STATEMENT OF CHANGES IN MEMBERS' FUNDS AND RESERVES
FOR THE YEAR ENDED 30 JUNE 2020

	Note	Members shares $	Reserve fund $	Special reserve fund $	Special death benefit scheme fund $	Asset revaluation reserve $	Accumulated profits $	General reserve $	Total $
Balance at 1 July 2018		9,107,216	3,257,030	4,713,854	811,452	756,474	(1,170,958)	12,019	17,487,087
Contributions		2,888,835	-	-	-	-	-	-	2,888,835
Refunds		(1,475,575)	-	-	-	-	-	-	(1,475,575)
Shares offset against loan to members		(1,786,201)	-	-	-	-	-	-	(1,786,201)
Administrative and service fees		(270,117)	-	-	-	-	-	-	(270,117)
Entrance fees		(835)	-	-	-	-	-	-	(835)
Special death benefit fees		-	-	-	(15,631)	-	-	-	(15,631)
Death benefits		33,950	-	-	48,935	-	-	-	82,885
Restatement of property, plant, equipment and intangibles		-	-	-	-	-	(51,749)	-	(51,749)
Profit for the year		-	-	-	-	-	719,794	-	719,794
Balance as at 30 June 2019		8,497,273	3,257,030	4,713,854	844,756	756,474	(502,913)	12,019	17,578,493
Contributions		2,241,023	-	-	-	-	-	-	2,241,023
Refunds		(1,987,498)	-	-	-	-	-	-	(1,987,498)
Shares offset against loan to members		(1,233,996)	-	-	-	-	-	-	(1,233,996)
Administrative and service fees		(245,813)	-	-	-	-	-	-	(245,813)
Entrance fees		(240)	-	-	-	-	-	-	(240)
Bad debts transferred		-	(36,723)	-	-	-	-	-	(36,723)
Bad debts written off		-	(2,599,757)	-	-	-	2,599,757	-	-
Special death benefit fees		-	-	-	84,984	-	-	-	84,984
Death benefits		5,677	-	-	(5,677)	-	-	-	-
Effect of adoption of IFRS 16 Leases	1.3.2	-	-	-	-	-	(33,821)	-	(33,821)
Other adjustments		(7,710)	-	-	-	-	-	-	(7,710)
Loss for the year		-	-	-	-	-	(1,504,128)	-	(1,504,128)
Balance as at 30 June 2020		7,268,716	620,550	4,713,854	924,063	756,474	558,895	12,019	14,854,571

The accompanying notes form an integral part of this Statement of Changes in Members' Fund and Reserves.

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

Assets	Notes	Group 2020 $	Group 2019 $	Credit Union 2020 $	Credit Union 2019 $
Current assets					
Cash and cash equivalents	24	172,569	317,122	109,335	292,055
Receivables	5	1,540,975	1,610,704	738,935	599,541
Current tax asset		123,917	54,478	-	-
Other assets	6	309,769	127,660	309,769	127,660
Inventories	7	674,363	448,629	-	-
Amounts due from related parties	27 (c)	-	-	258,583	136,755
Loans to members, net	13	2,379,028	4,072,650	2,379,028	4,072,650
Assets held for sale	30	2,618,397	-	2,618,397	-
Total current assets		7,819,018	6,631,243	6,414,047	5,228,661
Non-current assets					
Financial assets - debt instruments	9	35,779	78,500	35,779	78,500
Property, plant and equipment	8	1,046,333	3,443,329	119,365	2,067,540
Investment properties	10	5,834,892	6,723,934	5,834,892	6,723,934
Right-of-use assets	28	234,312	-	130,599	-
Investment in subsidiary	12 (a)	-	-	5,526,401	5,526,401
Goodwill on consolidation	11 (b)	1,187,368	1,187,368	-	-
Intangible assets	11 (a)	61,166	89,436	60,325	79,494
Loans to members, net	13	1,583,561	2,708,961	1,583,561	2,708,961
Total non-current assets		9,983,411	14,231,528	13,290,922	17,184,830
Total assets		17,802,429	20,862,771	19,704,969	22,413,491
Liabilities					
Current liabilities					
Bank overdraft	16 (a)	318,252	233,456	318,252	233,456
Interest-bearing borrowings	16 (b)	290,146	600,105	290,146	600,105
Lease liabilities	28	63,711	-	2,682	-
Trade and other payables	14	788,623	676,556	547,263	384,837
Employee benefit liability	15	15,614	24,743	15,614	24,743
Finance lease obligations	17 (a)	-	65,580	-	-
Total current liabilities		1,476,346	1,600,440	1,173,957	1,243,141
Non-current liabilities					
Interest-bearing borrowings	16 (b)	1,384,180	1,557,774	1,384,180	1,557,774
Lease liabilities	28	11,971	-	11,971	-
Finance lease obligations	17 (b)	-	50,909	-	-
Deferred tax liability	18	64,221	64,221	-	-
Unearned revenue		11,140	10,934	-	-
Total non-current liabilities		1,471,512	1,683,838	1,396,151	1,557,774
Total liabilities		2,947,858	3,284,278	2,570,108	2,800,915
Net assets		14,854,571	17,578,493	17,134,861	19,612,576
Members funds and reserves					
Members shares		7,268,716	8,497,273	6,865,727	8,094,284
Reserve fund		620,550	3,257,030	620,549	3,257,030
Special reserve fund		4,713,854	4,713,854	4,713,854	4,713,854
Special death benefit scheme fund		924,063	844,756	924,063	844,756
Accumulated profits		558,895	(502,913)	3,242,174	1,934,159
General reserve		12,019	12,019	12,020	12,019
Asset revaluation reserve		756,474	756,474	756,474	756,474
Total members funds and reserves		14,854,571	17,578,493	17,134,861	19,612,576

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

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2020

	Note	Group 2020 $	Group 2019 $	Credit Union 2020 $	Credit Union 2019 $
Operating activities					
Cash receipts for interest, rentals and other income		2,793,322	4,896,300	1,841,512	2,073,687
Payment to suppliers and employees		(2,031,740)	(4,382,757)	(1,111,234)	(1,687,624)
Interest paid		(159,335)	(151,486)	(153,576)	(139,387)
Members loan granted		(1,850,396)	(3,463,599)	(1,850,396)	(3,463,599)
Members loan repaid		2,627,591	4,214,313	2,627,591	4,214,313
Death benefit fees received		84,984	48,935	84,984	48,935
Death benefits paid		(5,677)	(15,631)	(5,677)	(15,631)
Net cash from operating activities		1,458,749	1,146,075	1,433,204	1,030,694
Investing activities					
Proceeds from redemption of financial assets		42,721	-	42,721	-
Proceeds from the sale of fixed assets		70,000	-	-	-
Acquisition of plant and equipment		(29,161)	(64,620)	(27,243)	(19,143)
Net cash from/(used in) investing activities		83,560	(64,620)	15,478	(19,143)
Financing activities					
Net payment of term loans		(483,553)	(429,395)	(483,553)	(429,395)
Repayment of lease - principal portion		(59,547)	(65,071)	(4,087)	-
Redemption of members share capital		(1,228,557)	(682,773)	(1,228,557)	(682,773)
Net cash used in financing activities		(1,771,657)	(1,177,239)	(1,716,197)	(1,112,168)
Net decrease in cash and cash equivalents		(229,348)	(95,784)	(267,515)	(100,617)
Cash and cash equivalents at the beginning of the year		83,666	179,450	58,599	159,216
Cash and cash equivalents at 30 June	24	(145,682)	83,666	(208,916)	58,599

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

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

1.1 Corporate information

The consolidated financial statements of Fiji Public Service Credit Union (the Credit Union) and its subsidiary (collectively the Group) for the year ended 30 June 2020 were authorised for issue in accordance with a resolution of the Directors on ...., 2023. The Credit Union is incorporated and domiciled in Fiji and operating under its own By-Laws.

1.2 Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis. The consolidated financial statements are presented in Fijian dollars and all values are rounded to the nearest dollar except when otherwise indicated.

Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The consolidated financial statements provide comparative information in respect of the previous period only for the Credit Union.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiary as at 30 June 2020. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the group's voting rights and potential voting rights.

The Group re-assesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the Statement of Profit or Loss and Other Comprehensive Income from the date the Group gains control until the date the Group ceases to control the subsidiary.

A change in ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- derecognises the assets (including goodwill) and liabilities of the subsidiary;
- derecognises the cumulative translation differences recorded in equity;

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS *continued*
FOR THE YEAR ENDED 30 JUNE 2020

1.2 Basis of preparation *continued*

Basis of consolidation *continued*

- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss; and
- reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

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.

1.3 Changes in accounting policies and disclosures

1.3.1 New and amended standards and interpretations

The Credit Union and Group applied IFRS 16 Leases for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard is described below.

Several other amendments and interpretations apply for the first time in 2020, but do not have an impact on the consolidated financial statements of the Credit Union and Group. The Credit Union and Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

1.3.2 IFRS 16 Leases

IFRS 16 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*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 does not have an impact for leases where the Credit Union and Group is the lessor.

The Credit Union and Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 July 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Credit Union and Group elected to use the transition practical expedient to not reassess whether a contract is, or contains a lease at 1 July 2019. Instead, the Credit Union and Group applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS *continued*
FOR THE YEAR ENDED 30 JUNE 2020

1.3 Changes in accounting policies and disclosures *continued*

1.3.2 IFRS 16 Leases *continued*

The effect of adoption IFRS 16 as at 1 July 2019 (increase/(decrease)) is, as follows:

	$
Assets	
Right-of-use assets	307,782
Property, plant and equipment	(322,863)
Total assets	(15,081)
Liabilities	
Finance lease obligations	(116,489)
Leases	135,229
Total liabilities	18,740
Total adjustment on equity:	(33,821)
Accumulated profits	(33,821)

The Credit Union and Group has lease contracts for land and office premises. Before the adoption of IFRS 16, the Credit Union and Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. Refer to Note 1.5 (k) Leases for the accounting policy prior to 1 July 2019.

Upon adoption of IFRS 16, the Credit Union and Group applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. Refer to Note 1.5 (k) Leases for the accounting policy beginning 1 July 2019. The standard provides specific transition requirements and practical expedients, which have been applied by the Credit Union and Group.

- *Leases previously classified as finance leases*

The Credit Union and Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under IAS 17). The requirements of IFRS 16 were applied to these leases from 1 July 2019.

- *Leases previously accounted for as operating leases*

The Credit Union and Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS *continued*
FOR THE YEAR ENDED 30 JUNE 2020

1.3 Changes in accounting policies and disclosures *continued*

1.3.2 IFRS 16 Leases *continued*

The Credit Union and Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease

Based on the above, as at 1 July 2019:

- Right-of -use assets of $307,782 were recognised and presented separately in the statement of financial position. This includes the lease premium of $161,443 and the carrying amount of motor vehicles of $161,420 that was reclassified from Property, plant and equipment.
- Lease liabilities of $135,229 were recognised and presented separately in the statement of financial position. This included the reclassification of finance lease obligations of $116,489.
- The net effect of these adjustments had been adjusted to retained earnings ($33,821).

The lease liabilities as at 1 July 2019 can be reconciled to the operating lease commitments as of 30 June 2019, as follows:

	$
Assets	
Operating lease commitments as at 30 June 2019	26,211
Weighted average incremental borrowing rate as at 1 July 2019	5.49%
Discounted operating lease commitments as at 1 July 2019	135,229
Lease liabilities as at 1 July 2019	135,229

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS *continued*
FOR THE YEAR ENDED 30 JUNE 2020

1.4 Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Credit Union's and Group's financial statements are disclosed below. The Credit Union and Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

New standards and amendments	Effective date
IFRS 17 Insurance Contracts	1 January 2023
Amendments to IAS 1: Classification of Liabilities as Current or Non-current	1 January 2023
Reference to the Conceptual Framework – Amendments to IFRS 3	1 January 2022
Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16	1 January 2022
Onerous Contracts – Costs of Fulfilling a Contract – Amendments	1 January 2022
IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter	1 January 2022
IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities	1 January 2022
IAS 41 Agriculture – Taxation in fair value measurements	1 January 2022

1.5 Summary of significant accounting policies

A summary of the significant accounting policies adopted by the Credit Union and the Group is set out in this note. The policies adopted are in accordance with the International Financial Reporting Standards (IFRS).

a) Allowance for doubtful debts

In accordance with the Credit Unions Act, 1985 a reserve fund is held as a general reserve for bad loans or losses (Refer Note 13 Loans to members).

b) Borrowing cost

Borrowing costs are recognised as an expense in the period in which they are incurred.

c) Cash and cash equivalents

For the purpose of the Statements of Cash flows, cash and cash equivalents comprise cash on hand and cash in banks, net of outstanding bank overdrafts. Bank overdrafts are disclosed as interest-bearing borrowings in current liabilities in the Statement of Financial Position.

d) Comparatives

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

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS *continued*
FOR THE YEAR ENDED 30 JUNE 2020

1.5 Summary of significant accounting policies *continued*

e) Financial Instruments

i) Measurement categories of financial assets and liabilities

Financial assets are classified based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortised cost.
- FVOCI.
- FVTPL.

The Credit Union classifies and measures its trading portfolio at FVPL. The Credit Union may designate financial instruments at FVPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies.

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortised cost or at FVPL when they are held for trading.

Determination of fair value

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 Credit Union has access to at the measurement date. The Credit Union 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 Credit Union 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.

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS *continued*
FOR THE YEAR ENDED 30 JUNE 2020

1.5 Summary of significant accounting policies *continued*

e) Financial Instruments *continued*

i) Measurement categories of financial assets and liabilities continued

The Credit Union periodically reviews its valuation techniques including the adopted methodologies and model calibrations. However, the base models may not fully capture all factors relevant to the valuation of the Credit Union's financial instruments such as credit risk (CVA), own credit (DVA) and/or funding costs (FVA). Therefore, the Credit Union applies various techniques to estimate the credit risk associated with its financial instruments measured at fair value, which include a portfolio-based approach that estimates the expected net exposure per counterparty over the full lifetime of the individual assets, in order to reflect the credit risk of the individual counterparties for non-collateralised financial instruments. The Credit Union estimates the value of its own credit from market observable data, such as secondary prices for its traded debt and the credit spread on credit default swaps and traded debts on itself.

The Credit Union evaluates the levelling at each reporting period on an instrument-by-instrument basis and reclassifies instruments when necessary, based on the facts at the end of the reporting period.

Business model assessment

The Credit Union determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective:

- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed.

- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

The expected frequency, value and timing of sales are also important aspects of the Credit Union's assessment. The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Credit Union's original expectations, the Credit Union does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The SPPI test

As a second step of its classification process the Credit Union assesses the contractual terms of the financial asset to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Credit Union applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS *continued*
FOR THE YEAR ENDED 30 JUNE 2020

1.5 Summary of significant accounting policies *continued*

e) Financial Instruments *continued*

i) Measurement categories of financial assets and liabilities continued

The SPPI test continued

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

Debt instruments at FVOCI

The Credit Union applies the new category under IFRS 9 of debt instruments measured at FVOCI when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets.
- The contractual terms of the financial asset meet the SPPI test.

These instruments largely comprise assets that had previously been classified as financial investments available for-sale under IAS 39.

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income and foreign exchange gains and losses are recognised in profit or loss in the same manner as for financial assets measured at amortised cost. The ECL calculation for Debt instruments at FVOCI. Where the Credit Union holds more than one investment in the same security, they are deemed to be disposed of on a first-in first-out basis. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

Equity instruments at FVOCI

Upon initial recognition, the Credit Union occasionally elects to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of definition of Equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. Such classification is determined on an instrument-by instrument basis.

Gains and losses on these equity instruments are never recycled to profit. Dividends are recognised in profit or loss as other operating income when the right of the payment has been established, except when the Credit Union benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment.

Debt issued and other borrowed funds

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 EIR. A compound financial instrument which contains both a liability and an equity component is separated at the issue date.

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS *continued*
FOR THE YEAR ENDED 30 JUNE 2020

1.5 Summary of significant accounting policies *continued*

e) Financial Instruments *continued*

i) Measurement categories of financial assets and liabilities continued

Financial assets and financial liabilities at fair value through profit or loss

Financial assets and financial liabilities in this category are those that are not held for trading and have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9. Management only designates an instrument at FVPL upon initial recognition when one of the following criteria are met. Such designation is determined on an instrument-by-instrument basis:

- The designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis; or
- The liabilities (and assets until 1 July 2018 under IAS 39) are part of a group of financial liabilities (or financial assets, or both under IAS 39), which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- The liabilities (and assets until 1 July 2018 under IAS 39) contain one or more embedded derivatives, unless they do not significantly modify the cash flows that would otherwise be required by the contract, or it is clear with little or no analysis when a similar instrument is first considered that separation of the embedded derivative(s) is prohibited.

Financial assets and financial liabilities at FVPL are recorded in the Statement of Financial Position at fair value. Changes in fair value are recorded in profit and loss with the exception of movements in fair value of liabilities designated at FVPL due to changes in the Credit Union's own credit risk. Such changes in fair value are recorded in the reserve through OCI and do not get recycled to the profit or loss. Interest earned or incurred on instruments designated at FVPL is accrued in interest income or interest expense, respectively, using the EIR, taking into account any discount/premium and qualifying transaction costs being an integral part of instrument. Interest earned on assets mandatorily required to be measured at FVPL is recorded using the contractual interest rate. Dividend income from equity instruments measured at FVPL is recorded in profit or loss as other operating income when the right to the payment has been established.

ii) Reclassification of financial assets and liabilities

The Credit Union does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Credit Union acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified. The Credit Union did not reclassify any of its financial assets or liabilities in 2020.

iii) Derecognition of financial assets and liabilities

Derecognition due to substantial modification of terms and conditions

The Credit Union 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, unless the new loan is deemed to be POCI.

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS *continued*
FOR THE YEAR ENDED 30 JUNE 2020

1.5 Summary of significant accounting policies *continued*

e) Financial Instruments *continued*

iii) Derecognition of financial assets and liabilities continued

Derecognition due to substantial modification of terms and conditions continued

When assessing whether or not to derecognise a loan to a customer, amongst others, the Credit Union considers the following factors:

- Change in currency of the loan.
- Introduction of an equity feature.
- Change in counterparty.
- If the modification is such that the instrument would no longer meet the SPPI criterion.

If the modification does not result in cash flows that are substantially different, as set out below, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Credit Union records a modification gain or loss, to the extent that an impairment loss has not already been recorded. For financial liabilities, the Credit Union considers a modification substantial based on qualitative factors and if it results in a difference between the adjusted discounted present value and the original carrying amount of the financial liability of, or greater than, ten percent. For financial assets, this assessment is based on qualitative factors.

Derecognition other than for substantial modification

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the financial asset have expired. The Credit Union also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

The Credit Union has transferred the financial asset if, and only if, either:

- The Credit Union has transferred its contractual rights to receive cash flows from the financial asset; or
- It retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement.

Pass-through arrangements are transactions whereby the Credit Union retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:

- The Credit Union has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates.
- The Credit Union cannot sell or pledge the original asset other than as security to the eventual recipients.

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS *continued*
FOR THE YEAR ENDED 30 JUNE 2020

1.5 Summary of significant accounting policies *continued*

e) Financial Instruments *continued*

iii) Derecognition of financial assets and liabilities continued

Derecognition other than for substantial modification continued

- The Credit Union has to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the Credit Union is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents, including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients.

A transfer only qualifies for derecognition if either:

- The Credit Union has transferred substantially all the risks and rewards of the asset; or
- The Credit Union has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

The Credit Union considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Credit Union has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Credit Union's continuing involvement, in which case, the Credit Union also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Credit Union has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Credit Union could be required to pay.

If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the continuing involvement is measured at the value the Credit Union would be required to pay upon repurchase. In the case of a written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

iv) Write-offs

Financial assets are written off either partially or in their entirety only when the Credit Union has no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an 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. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS *continued*
FOR THE YEAR ENDED 30 JUNE 2020

1.5 Summary of significant accounting policies *continued*

e) Financial Instruments *continued*

v) Impairment of financial assets

Aside from this note, other disclosures relating to impairment of financial assets (trade receivables) are included in Note 5 Receivables and Note 13 Loans to members.

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

Based on the above process, the Credit Union groups its loans into Stage 1, Stage 2 and Stage 3 as described below:

- Stage 1: When loans are first recognised, the Credit Union recognises an allowance based on 12 months ECL. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.
- Stage 2: When a loan has shown a significant increase in credit risk since origination, the Credit Union records an allowance for the life time ECL. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.
- Stage 3: Loans considered credit-impaired. The Credit Union records an allowance for the life time ECL.

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Credit Union considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

vi) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS *continued*
FOR THE YEAR ENDED 30 JUNE 2020

1.5 Summary of significant accounting policies *continued*

f) Foreign currency translation

Foreign currency transactions are translated to Fijian dollars at rates of exchange ruling at the dates of the transactions. Amounts receivable and payable in foreign currencies are converted to Fiji currency at the rates of exchange ruling at balance date. All exchange gains or losses whether realised or unrealised are reflected in the Statement of Profit or Loss and Other Comprehensive Income.

g) Impairment of non-financial assets

At each reporting date, the Credit Union reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised in the Statement of Profit or Loss and Other Comprehensive Income immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the Statement of Profit or Loss and Other Comprehensive Income, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

h) Income tax

The Credit Union is not liable for income tax under the Income Tax Act, however, it's subsidiary Skaffwork Building Solutions Pte Limited is liable for income tax under the Income Tax Act.

i) Intangible assets

Intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses.

j) Loans to members

Loans to members are stated at principal loan advanced plus accrued interest. A reserve fund is held as a general reserve against bad loans or losses. Impairment of loans to members is described in Note 1.5(a).

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS *continued*
FOR THE YEAR ENDED 30 JUNE 2020

1.5 Summary of significant accounting policies *continued*

k) Leases

Policy applicable from 1 July 2019

The Credit Union and Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Credit Union and Group as a lessee

The Credit Union and Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Credit Union and Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets

The Credit Union and Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

• Office premises	3 years
• Land	14 years
• Motor vehicles	5 years

If ownership of the leased asset transfers to the Credit Union and Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in Note 1.5 (g) Impairment of non-financial assets.

ii) Lease liabilities

At the commencement date of the lease, the Credit Union and Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Credit Union and Group and payments of penalties for terminating the lease, if the lease term reflects the Credit Union and Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS *continued*
FOR THE YEAR ENDED 30 JUNE 2020

1.5 Summary of significant accounting policies *continued*

k) Leases *continued*

Policy applicable from 1 July 2019 continued

ii) Lease liabilities continued

In calculating the present value of lease payments, the Credit Union and Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Credit Union's and Group's lease liabilities are included Note 28.

iii) Short-term leases and leases of low-value assets

The Credit Union and Group applies the short-term lease recognition exemption to its short-term leases of office premises (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

Credit Union and Group as a lessor

Leases in which the Credit Union and Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Policy applicable before 1 July 2019

Operating lease - Credit union as lessor

Rental income from operating leases are recognised as income in the period in which they are earned.

Operating lease - Credit union as lessee

Rental lease payments are recognised as expenses in the period in which they are incurred. Operating lease commitments over the term of the lease is disclosed in Note 29.

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS *continued*
FOR THE YEAR ENDED 30 JUNE 2020

1.5 Summary of significant accounting policies *continued*

l) Trade and other payables

Payables are recognised when the Credit Union becomes obliged to make future payments resulting from the receipt of goods and services.

m) Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition and installation of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Credit Union and the cost of the item can be measured reliably. The carrying amount of a replaced part is de-recognised. All other repairs and maintenance are charged to the Statement of Profit or Loss and Other Comprehensive Income during the financial period in which they are incurred.

Property, plant and equipment (except freehold land) are depreciated on a straight-line basis over their estimated useful lives using the following rates:

	Rate	Method
Building and landscaping	1.25% - 10%	Straight line
Computer equipment	10% - 25%	Straight line
Furniture and fittings	10% - 25%	Straight line
Motor vehicles	20%	Straight line
Plant and equipment	10% - 25%	Straight line
Software - intangibles	25%	Straight line

Profit and losses on disposal of property, plant and equipment are taken into account in determining the results for the year.

Capital work in progress is not depreciated.

If there is an indication that there has been a significant change in the depreciation rate, useful life or residual value of an asset, the depreciation of that asset is revised prospectively to reflect the new expectations.

n) Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the Statement of Profit or Loss and Other Comprehensive Income in the period in which they arise. Fair values are evaluated every three to five years by an accredited external, independent valuer, applying a valuation model recommended by the International Valuation Standards Committee.

Investment properties are derecognised when either they have been disposed or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the Statement of Profit or Loss and Other Comprehensive Income in the period of derecognition.

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS *continued*
FOR THE YEAR ENDED 30 JUNE 2020

1.5 Summary of significant accounting policies *continued*

n) Investment properties *continued*

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change.

o) Employee benefits

Annual leave

The liability for annual leave is recognised in the provision for employee benefits. Liabilities for annual leave are expected to be settled within 12 months of the reporting date and are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. All long service leave was paid at reporting date.

p) Performance obligations and revenue recognition policies

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a good or service to a customer.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Service type	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
Loans to members	The Credit Union provides personal loans to its members which are secured against members shares. The performance obligations, as well as the timing of their satisfaction, are identified, and determined, at the inception of the contract. The Credit Union's revenue contracts do not typically include multiple performance obligations.	When the Credit Union provides a service to its customers, consideration is invoiced and generally due immediately upon satisfaction of a service provided at a point in time or at the end of the contract period for a service provided over time unless otherwise specified. The Credit Union has generally concluded that it is the principal in its revenue arrangements because it typically controls the services before transferring them to the customer. For details on income earning refer to additional disclosures below on (i) Interest income and (ii) Fees and charges.

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS *continued*
FOR THE YEAR ENDED 30 JUNE 2020

1.5 Summary of significant accounting policies *continued*

p) Performance obligations and revenue recognition policies *continued*

Service type	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
Construction and renovation works	The subsidiary provides renovation and construction works for customers based on their designs and on their land. Each project commences on receipt of a full prepayment from a customer and its length depends on the complexity of the design. The performance obligations and payment terms are specific to each contract.	Revenue is recognised over time based on the cost-to-cost method. The related costs are recognised in profit or loss when they are incurred. Advances received are included in contract liabilities.
Hiring of scaffolds	The subsidiary also provides scaffolding equipment for hire to customers. Prior to delivery of the scaffolding equipment, customers are required to pay a deposit. The contract to hire scaffold equipment usually does not extend beyond 6 months.	Revenue is recognised over time based on the number of days the equipment is hired. Advances received are included in contract liabilities.

i) Interest income

The effective interest rate method

Under both IFRS 9 and IAS 39, interest income is recorded using the EIR method for all financial assets measured at amortised cost. Similar to interest-bearing financial assets classified as available-for-sale or held to maturity under IAS 39, interest income on interest bearing financial assets measured at FVOCI under IFRS 9 is also recorded using the EIR method. Interest expense is also calculated using the EIR method for all financial liabilities held at amortised cost. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or liability or, when appropriate, a shorter period, to the gross carrying amount of the financial asset.

The EIR (and therefore, the amortised cost of the financial asset) is calculated by taking into account transaction costs and any discount or premium on the acquisition of the financial asset, as well as fees and costs that are an integral part of the EIR. The Credit Union recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, the EIR calculation also takes into account the effect of potentially different interest rates that may be charged at various stages of the financial asset's expected life, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

If expectations of fixed rate financial assets' or liabilities' cash flows are revised for reasons other than credit risk, then changes to future contractual cash flows are discounted at the original EIR with a consequential adjustment to the carrying amount. The difference from the previous carrying amount is booked as a positive or negative adjustment to the carrying amount of the financial asset or liability on the balance sheet with a corresponding increase or decrease in Interest revenue/expense calculated using the effective interest method.

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS *continued*
FOR THE YEAR ENDED 30 JUNE 2020

1.5 Summary of significant accounting policies *continued*

p) Performance obligations and revenue recognition policies *continued*

Interest and similar income/expense

Net interest income comprises interest income and interest expense calculated using both the effective interest method and other methods. These are disclosed separately on the face of the income statement for both interest income and interest expense to provide symmetrical and comparable information.

In its Interest income/expense calculated using the effective interest method, the Credit Union only includes interest on those financial instruments that are set out in Note 1.5(e) Financial instruments above.

Other interest income/expense includes interest on 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 Credit Union 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.

Interest income is accrued on the monthly outstanding loan balance at the prevailing interest rate of 1% per month.

ii) Fees and charges

The Credit Union earns fees and charges income from financial services it provides to its members. Fee and charges income is recognised at an amount that reflects the consideration to which the Credit Union expects to be entitled in exchange for providing the services. Fees and charges include appeal fees, education withdrawal fees, Christmas penalty, loan establishment fees, member administration fees, member exit fees, monthly account fees and withdrawal fees.

The performance obligations, as well as the timing of their satisfaction, are identified, and determined, at the inception of the contract. The Credit Union's revenue contracts do not typically include multiple performance obligations.

When the Credit Union provides a service to its customers, consideration is invoiced and generally due immediately upon satisfaction of a service provided at a point in time or at the end of the contract period for a service provided over time.

The Credit Union has generally concluded that it is the principal in its revenue arrangements because it typically controls the services before transferring them to the member.

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in Note 2 Significant accounting judgments, estimates and assumptions.

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS *continued*
FOR THE YEAR ENDED 30 JUNE 2020

1.5 Summary of significant accounting policies *continued*

p) Performance obligations and revenue recognition policies *continued*

ii) Fees and charges continued

Performance obligations satisfied over time include asset management, custody and other services, where the customer simultaneously receives and consumes the benefits provided by the Credit Union's performance as the Credit Union performs.

Fee and charges income from services where performance obligations are satisfied over time

The Credit Union's fees and charges income from services where performance obligations are satisfied over time include the following:

- Appeal fees
- Member administration fees
- Monthly account fees

Services provided where the Credit Union's performance obligations are satisfied at a point in time are recognised once control of the services is transferred to the customer. This is typically on completion of the underlying transaction or service or, for fees or components of fees that are linked to a certain performance, after fulfilling the corresponding performance criteria.

The Credit Union typically has a single performance obligation with respect to these services, which is to successfully complete the transaction specified in the contract.

- Education withdrawal fees
- Christmas penalty
- Loan establishment fees
- Member exit fees
- Withdrawal fees

i) Interest income

Interest income is accrued on the monthly outstanding loan balance at the prevailing interest rate of 1% per month.

ii) Fees and charges

Fees and charges include appeal fees, education withdrawal fees, Christmas penalty, loan establishment fees, member administration fees, member exit fees, monthly account fees and withdrawal fees. These are recognised in the Statement of Profit or Loss and Other Comprehensive Income as they are incurred during the period.

iii) Construction income

Construction income is recognised as project stages are completed. Income is recognised when significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be measured reliably.

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS *continued*
FOR THE YEAR ENDED 30 JUNE 2020

1.5 Summary of significant accounting policies *continued*

p) Performance obligations and revenue recognition policies *continued*

iv) Scaffolding income

Scaffolding income is recognised as the deposit payment for hiring the equipment is received.

v) Rental Income

Rental income is recognised on an accrual basis.

vi) Dividend income

Dividend income from investment is recognised when the right to receive payment has been established.

q) Special death benefit scheme fund

Funds recognised in this account is determined by the main account by transferring equal instalments for both loan and shares approved by the Board.

Death benefits by way of additional share refunds and loan write-offs are charged directly to special death benefit scheme fund on death of a member, refer to Note 22 for additional details.

r) Value Added Tax (VAT)

Revenue, expenses, assets and liabilities are recognised net of VAT, except:

(i) Where the amount of VAT incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of the asset or as part of an item of expense; and

(ii) For trade receivables and trade payables which are recognised inclusive of VAT.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

s) Assets held for sale

The Group classifies non-current assets (principally investment property) and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale (except for investment property measured at fair value) are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale is expected to be completed within one year from the date of the classification.

Investment property held for sale continues to be measured at fair value. Assets and liabilities classified as held for sale are presented separately in the statement of financial position.

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS *continued*
FOR THE YEAR ENDED 30 JUNE 2020

1.5 Summary of significant accounting policies *continued*

s) Assets held for sale *continued*

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- Is a subsidiary acquired exclusively with a view to resale.

2. Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the assets or liabilities affected in future periods. Other disclosures relating to the Group's exposure to risks and uncertainties include:

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Leases

The Group applied the following judgements that significantly affect the determination of the amount and timing of income from lease contracts where the Group acts as a lessor:

Determining the lease term of contracts with renewal and termination options – Credit Union and Group as lessee

The Credit Union and Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Credit Union and Group has several lease contracts that include extension and termination options. The Credit Union and Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Credit Union and Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

The renewal options for leases are not included as part of the lease term because the Credit Union and Group typically leases motor vehicles for not more than five years and, hence, is not exercising any renewal options. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS *continued*
FOR THE YEAR ENDED 30 JUNE 2020

2. Significant accounting judgements, estimates and assumptions *continued*

Judgements *continued*

Property lease classification - Credit Union and Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the commercial property, that it retains all the significant risks and rewards of ownership of this property and accounts for the contracts as operating leases.

Revenue from contracts with customers

The Credit Union and Group applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

- *Determination of performance obligations*

Loans to members
Refer to Note (p) Performance obligations and revenue recognition policies.

Construction and renovation works

With respect to providing construction and renovation works, the Group concluded the goods and services transferred in each contract constitute a single performance obligation. In particular, the promised goods and services in contracts for construction services provided mainly include design work, procurement of materials and development of the property. Generally, the Group is responsible for all these goods and services and the overall management of the project. Although these goods and services are capable of being distinct, the Group accounts for them as a single performance obligation because they are not distinct in the context of the contract. The Group uses those goods and services as inputs and provides a significant service of integrating them into a combined output i.e., the completed property for which the customer has contracted.

Services to tenants

In relation to the services provided to tenants of investment property (such as cleaning, security, landscaping, reception services, catering) as part of the lease agreements into which the Group enters as a lessor, the Group has determined that the promise is the overall property management service and that the service performed each day is distinct and substantially the same. Although the individual activities that comprise the performance obligation vary significantly throughout the day and from day to day, the nature of the overall promise to provide management service is the same from day to day. Therefore, the Group has concluded that the services to tenants represent a series of daily services that are individually satisfied over time, using a time-elapsed measure of progress, because tenants simultaneously receive and consumes the benefits provided by the Group.

Hiring of scaffolding equipment

The Group provides scaffolding equipment for hire which results in a promise to transfer goods and services over time and are part of the negotiated exchange between the Group and the customer.

- *Allocating the variable consideration to distinct services within a series*

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS *continued*
FOR THE YEAR ENDED 30 JUNE 2020

2. Significant accounting judgements, estimates and assumptions *continued*

Judgements *continued*

Revenue from contracts with customers continued

Hiring of scaffolding equipment continued

- *Allocating the variable consideration to distinct services within a series continued*

The Credit Union's loan and membership contracts all contain a single performance obligation comprising of a series of distinct services that are substantially the same and have the same pattern of transfer to the customer. Although the Credit Union may perform various activities each day (e.g., loan processing and certain administrative tasks), the Credit Union has concluded that each day of service is substantially the same because the nature of its promise to the customer is to provide an overall service.

As mentioned above, the Credit Union and Group has applied the variable consideration allocation exception in each of these contracts. This is because the fees received each day, each month and each quarter, relate specifically to the Credit Union's efforts to transfer the services for that day, month or quarter, which is distinct from the services provided in other days, months or quarters. In addition, the amount allocated corresponds to the value provided to the customer for that period.

- *Principal versus agent considerations - services to tenants*

The Credit Union and Group arranges for certain services provided to tenants of investment property included in the contract the Credit Union and Group enters into as a lessor, to be provided by third parties. The Credit Union and Group has determined that it controls the services before they are transferred to tenants, because it has the ability to direct the use of these services and obtain the benefits from them. In making this determination, the Group has considered that it is primarily responsible for fulfilling the promise to provide these specified services because it directly deals with tenants' complaints and it is primarily responsible for the quality or suitability of the services. In addition, the Group has discretion in establishing the price that it charges to the tenants for the specified services.

Therefore, the Credit Union and Group has concluded that it is the principal in these contracts. In addition, the Group has concluded that it transfers control of these services over time, as services are rendered by the third-party service providers, because this is when tenants receive and at the same time, consume the benefits from these services.

- *Determining the timing of revenue recognition on construction and renovation works*

The Group has evaluated the timing of revenue recognition on the provision of construction and renovation works based on a careful analysis of the rights and obligations under the terms of the contract and legal advice from the Group's external counsels in various jurisdictions.

The Group has generally concluded that contracts relating to the sale of construction and renovation works are recognised over time when control transfers at each stage of completion. For unconditional exchanges of contracts, control is generally expected to transfer to the customer together with the legal title. For conditional exchanges, this is expected to take place when all the significant conditions are satisfied.

The Group has determined that the input method is the best method for measuring progress for these contracts because there is a direct relationship between the costs incurred by the Group and the transfer of goods and services to the customer.

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS *continued*
FOR THE YEAR ENDED 30 JUNE 2020

2. Significant accounting judgements, estimates and assumptions *continued*

Judgements *continued*

Revenue from contracts with customers continued

- *Consideration of significant financing component in a contract*

For some contracts involving construction and renovation works, the Group is entitled to receive an initial deposit. The Group concluded that this is not considered a significant financing component because it is for reasons other than the provision of financing to the Group. The initial deposits are used to protect the Group from the other party failing to adequately complete some or all of its obligations under the contract where customers do not have an established credit history or have a history of late payments.

Estimates and assumptions

The key assumptions concerning future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Valuation of investment property

The fair value of investment property is determined by real estate valuation experts using recognised valuation techniques and the principles of IFRS 13 *Fair Value Measurement*.

Investment property is measured based on estimates prepared by independent real estate valuation experts, except where such values cannot be reliably determined. The significant methods and assumptions used by valuers in estimating the fair value of investment property are set out in Note 1.5(n) Investment properties.

Measurement of progress when revenue is recognised over time

For those contracts involving construction and renovation works that meet the over time criteria of revenue recognition, the Group's performance is measured using an input method, by reference to the inputs towards satisfying the performance obligation relative to the total expected inputs to satisfy the performance obligation, i.e., the completion of the property. The Group generally uses the costs incurred method as a measure of progress for its contracts because it best depicts the Group's performance. Under this method of measuring progress, the extent of progress towards completion is measured based on the ratio of costs incurred to date to the total estimated costs at completion of the performance obligation. When costs are incurred, but do not contribute to the progress in satisfying the performance obligation (such as unexpected amounts of wasted materials, labour or other resources), the Group excludes the effect of those costs. Also, the Group adjusts the input method for any cost incurred that are not proportionate to the Group's progress in satisfying the performance obligation.

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS *continued*
FOR THE YEAR ENDED 30 JUNE 2020

2. Significant accounting judgements, estimates and assumptions *continued*

Estimates and assumptions *continued*

Provision for expected credit losses of trade receivables and contract assets

The Credit Union and Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, property type, customer type and rating, and coverage by credit insurance).

The provision matrix is initially based on the Credit Union's and Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in a customer segment, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in Note 5 Receivables and Note 13 Loans to members.

In accordance with the Credit Unions Act, a reserve fund is held as a reserve for bad loans or losses (Refer Note 21). Whilst the reserve fund has reached 8% of the sum of the deposits and the issued capital, it is now within the 20% requirement under the By-Laws or 10% under the Credit Union Act. Management decision in assessing impairment of loans requires significant judgment about inherent uncertain future outcomes of events or conditions. Accordingly, subsequent events may result in outcomes that may be different from the assessment.

Impairment losses on financial assets

The measurement of impairment losses both under IFRS 9 and IAS 39 across all categories of financial assets in scope requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Credit Union's 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 models that are considered accounting judgements and estimates include:

- Development of ECL models, including the various formulas and the choice of inputs.
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on probability of defaults (PDs).
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

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

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS *continued*
FOR THE YEAR ENDED 30 JUNE 2020

2. Significant accounting judgements, estimates and assumptions *continued*

Estimates and assumptions *continued*

Impairment losses on financial assets continued

Impairment of loan balances is assessed at an individual level as well as on a collective level. If there is objective evidence that impairment loss on loans and receivable financial assets has occurred, the carrying value of the asset is reduced by the use of an allowance account. The amount of the loss is recognised in the Statement of Profit or Loss and Other Comprehensive Income. In accordance with the Credit Union Act, a reserve fund is held as a reserve for bad loans or losses (Refer Note 21).

Impairment of property, plant and equipment

The Credit Union assesses whether there are any indicators of impairment of all property, plant and equipment at each reporting date. Property, plant and equipment are tested for impairment and when there are indicators that the carrying amount may not be recoverable, a reasonable allowance for impairment is created. The Directors' and management's assessment of recoverable amount involves making a judgment, at a particular point in time, about inherent uncertain future outcomes of events or conditions. Accordingly, subsequent events may result in outcomes that are significantly different from assessment.

2.1 Going concern

The financial statements of the Group have been prepared on a going concern basis, which assumes that the Group will be able to meet its obligation as and when they fall due.

The Group has very tight cash flows and the subsidiary is heavily reliant on the Credit Union for cash injections as well as making the majority of its material payments. The Group also has interest-bearing borrowings of $1,674,326 and a bank overdraft of $318,252.

There has been significant reduction in future projects and lending together with the impact of COVID-19 and the related uncertainties regarding the continuation of future projects and recovery of the loans given to members.

Management remains confident that sufficient contracts will be secured, and future rental and lending activities will generate sufficient positive cash flows. Accordingly, the directors have prepared the report on a going concern basis.

These cash flows however may not be sufficient to meet all the repayment obligations. These may cast doubts on the Group's ability to continue as a going concern; and therefore it may be unable to realize its assets and discharge its liabilities in the normal course of the business.

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS *continued*
FOR THE YEAR ENDED 30 JUNE 2020

	Group 2020	Group 2019	Credit Union 2020	Credit Union 2019
3. Operating income and interest expense	$	$	$	$
a) Operating Income				
Interest on loans to members	987,491	2,083,378	987,491	2,083,378
Fees and charges	343,725	520,952	343,725	520,952
Construction revenue	439,132	2,001,124	-	-
Temporary shed/scaffolding income	371,031	655,166	-	-
Rental income	543,603	446,238	543,603	467,038
Total operating income	2,684,982	5,706,858	1,874,819	3,071,368
b) Interest expense				
Interest on borrowings	159,335	151,486	153,576	139,387
Interest on leases	3,115	-	3,115	-
	162,450	151,486	156,691	139,387

4. Other income	$	$	$	$
Miscellaneous income	132,584	120,789	130,827	118,982
Gain on disposal of fixed assets	11,685	-	-	-
Other income	26,020	17,455	26,020	17,455
Total other revenue	170,289	138,244	156,847	136,437

5. Receivables	$	$	$	$
Trade and other receivables	1,779,743	1,845,228	690,073	546,435
Less: allowance for expected credit loss	(287,630)	(287,630)	-	-
	1,492,113	1,557,598	690,073	546,435
Deposit	27,746	27,746	27,746	27,746
Prepayments	21,116	25,360	21,116	25,360
	1,540,975	1,610,704	738,935	599,541

Movements in the provision for impairment of trade and other receivables were, as follows:

	$	$	$	$
At the beginning of the year	287,630	-	-	-
Add: charge for the year	-	287,630	-	-
At 30 June	287,630	287,630	-	-

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS *continued*
FOR THE YEAR ENDED 30 JUNE 2020

6. Other assets	Group 2020 $	Group 2019 $	Credit Union 2020 $	Credit Union 2019 $
Staff advances	287,744	130,403	287,744	130,403
Advance to Board members	94,731	69,963	94,731	69,963
Less: allowance for expected credit loss	(72,706)	(72,706)	(72,706)	(72,706)
	309,769	127,660	309,769	127,660
Loans and receivables				
Balance at the beginning of the year	-	19,951	-	19,951
Received during the year	-	(19,951)	-	(19,951)
	-	-	-	-
	309,769	127,660	309,769	127,660

Loans and receivables

In 2013, the Board of Directors of the Credit union approved an advance of $100,000 to the Fiji Savings and Credit Union League (FCUL). The advance has been offset against affiliation fees payables to the Fiji Savings and Credit Union League from 2014 to 2017. From 2018 onwards, all remaining balances were agreed to be paid in cash.

Movements in the provision for impairment of other assets are as follows:

At 1 July	72,706	72,706	72,706	72,706
At 30 June	72,706	72,706	72,706	72,706

7. Inventories	$	$	$	$
Tools and materials	55,893	55,893	-	-
Work in progress	618,470	392,736	-	-
	674,363	448,629	-	-

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS *continued*
FOR THE YEAR ENDED 30 JUNE 2020

8. Property, plant and equipment

Group:

	Freehold land and buildings $	Furniture and fittings $	Plant and computer equipment $	Motor vehicles $	Total $
Cost					
At 30 June 2018	2,075,036	114,142	2,194,267	742,859	5,126,304
Additions	9,583	915	52,789	-	63,287
Disposals	-	-	(1,559)	-	(1,559)
Other adjustments	(37,349)	(590)	(15,387)	-	(53,326)
At 30 June 2019	2,047,270	114,467	2,230,110	742,859	5,134,706
Additions	-	-	29,161	-	29,161
Disposals	-	-	-	(167,220)	(167,220)
Less: transfer to assets held for sale [Note 30]	(1,885,827)	-	-	-	(1,885,827)
Transfer to right-of-use assets	(161,443)	-	-	(288,533)	(449,976)
At 30 June 2020	-	114,467	2,259,271	287,106	2,660,844
Depreciation					
At 30 June 2018	86,635	78,178	857,855	282,641	1,305,309
Amortisation and depreciation charge for the year	25,388	17,571	211,124	128,899	382,982
Disposals	-	-	(729)	-	(729)
Other adjustments	12,891	(848)	(8,228)	-	3,815
At 30 June 2019	124,914	94,901	1,060,022	411,540	1,691,377
Amortisation and depreciation charge for the year	31,558	12,147	211,024	60,895	315,624
Disposals	-	-	-	(108,905)	(108,905)
Transfer to right-of-use assets	-	-	-	(127,113)	(127,113)
Less: transfer to assets held for sale adjustment	(156,472)	-	-	-	(156,472)
At 30 June 2020	-	107,048	1,271,046	236,417	1,614,511
Net book value					
At 30 June 2020	-	7,419	988,225	50,689	1,046,333
At 30 June 2019	1,922,356	19,566	1,170,088	331,319	3,443,329

The property at Goodenough Street, Suva is stated at fair value based on an independent valuation at open market value prepared on 2 December 2014 by registered valuer, Rolle Associates. The freehold land, building and specific leased motor vehicles have been pledged as security to Australia and New Zealand Banking Group for the Credit Union's borrowings.

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS *continued*
FOR THE YEAR ENDED 30 JUNE 2020

8. Property, plant and equipment *continued*

Credit Union:

	Freehold land and buildings	Furniture and fittings	Plant and computer equipment	Motor vehicles	Total
	$	$	$	$	$
Cost					
At 30 June 2018	2,075,036	114,142	651,896	98,861	2,939,935
Additions	9,583	915	7,812	-	18,310
Other adjustments	(37,349)	(590)	(15,387)	-	(53,326)
At 30 June 2019	2,047,270	114,467	644,321	98,861	2,904,919
Additions	-	-	27,243	-	27,243
Less: transfer to right-of-use assets	(161,443)	-	-	-	(161,443)
Less: transfer to assets held for sale [Note 30]	(1,885,827)	-	-	-	(1,885,827)
At 30 June 2020	-	114,467	671,564	98,861	884,892
Depreciation					
At 30 June 2018	86,635	78,178	527,635	67,576	760,024
Amortisation and depreciation charge for the year	25,388	17,571	22,049	8,532	73,540
Other adjustments	12,891	(848)	(8,228)	-	3,815
At 30 June 2019	124,914	94,901	541,456	76,108	837,379
Amortisation and depreciation charge for the year	31,558	12,147	32,383	8,532	84,620
Less: transfer to assets held for sale adjustment	(156,472)	-	-	-	(156,472)
At 30 June 2020	-	107,048	573,839	84,640	765,527
Net book value					
At 30 June 2020	-	7,419	97,725	14,221	119,365
At 30 June 2019	1,922,356	19,566	102,865	22,753	2,067,540

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS *continued*
FOR THE YEAR ENDED 30 JUNE 2020

		Group 2020	Group 2019	Credit Union 2020	Credit Union 2019
9.	Financial assets	$	$	$	$
	Debt instruments at amortised cost				
	Term deposit - Kontiki Finance Limited	35,779	28,500	35,779	28,500
	Term deposit - Home Finance Company	-	50,000	-	50,000
		35,779	78,500	35,779	78,500

The term deposit held with Kontiki Finance Limited is for a period of 213 months which earns interest at 7% per annum.

10.	Investment properties	$	$	$	$
	Balance at the beginning of the year	6,723,934	6,723,934	6,723,934	6,723,934
	Less: investment property held for sale [Note 30]	(889,042)	-	(889,042)	-
	Net written down value as at 30 June	5,834,892	6,723,934	5,834,892	6,723,934

Investment properties are stated at fair value at each balance date as determined by the Directors with reference to valuations by registered independent valuers. The most recent independent valuation of the properties prior to balance date was performed in June 2018 by Rolle Associates. The properties have been pledged as security for borrowings with Australia and New Zealand Banking Group.

11.	Intangible assets	$	$	$	$
a)	Computer software				
	At cost				
	At the beginning of the year	315,560	357,106	268,503	310,549
	Additions	-	1,333	-	833
	Other adjustments	-	(42,879)	-	(42,879)
	At 30 June	315,560	315,560	268,503	268,503
	Depreciation and impairment				
	At the beginning of the year	226,124	192,299	189,009	177,054
	Amortisation expense for the year	28,270	82,096	19,169	60,226
	Other adjustments	-	(48,271)	-	(48,271)
	At 30 June	254,394	226,124	208,178	189,009
	Net book value	61,166	89,436	60,325	79,494

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS *continued*
FOR THE YEAR ENDED 30 JUNE 2020

	Group 2020 $	Group 2019 $	Credit Union 2020 $	Credit Union 2019 $
11. Intangible assets *continued*				
b) Goodwill				
Goodwill	1,187,368	1,187,368	-	-

Goodwill acquired through business combination with indefinite life has been allocated to the subsidiary acquired which is an individual Cash Generating Unit.

12. Investment in subsidiary	$	$	$	$
a) Skaffwork Building Solutions Pte Limited	-	-	5,526,401	5,526,401

The Credit Union own 100% shares and is the sole owner of SBSL.

b) On 11 June 2019, the Board of Directors had agreed to convert $3,865,718 worth of advances from the Credit Union to subordinated loan and classify it as equity in Skaffwork Building Solutions Pte Limited. A portion of these will be translated to share capital however as at year end no confirmation on the number of shares has been received.

13. Loans to members	$	$	$	$
Balance at the beginning of the year	9,348,822	9,253,686	9,348,822	9,253,686
Add: Loans given during the year	1,850,396	3,463,599	1,850,396	3,463,599
Fees and interest	1,174,664	2,708,659	1,174,664	2,708,659
Transfers	16,351	-	16,351	-
	12,390,233	15,425,944	12,390,233	15,425,944
Deduct: Loans repaid	(2,627,591)	(4,214,313)	(2,627,591)	(4,214,313)
Loans offset against members shares	(1,132,763)	(1,820,834)	(1,132,763)	(1,820,834)
Bad debts written off	(2,611,494)	(41,975)	(2,611,494)	(41,975)
Balance as at 30 June	6,018,385	9,348,822	6,018,385	9,348,822
Deduct:				
Allowance for expected credit loss at the beginning of the year	(2,567,211)	(2,567,211)	(2,567,211)	(2,567,211)
Bad debts transferred to reserve fund	(36,723)	-	(36,723)	-
Bad debts written off during the year	2,599,756	-	2,599,756	-
Allowance for expected credit loss	(2,051,618)	-	(2,051,618)	-
	(2,055,796)	(2,567,211)	(2,055,796)	(2,567,211)
Loans to Members, net	3,962,589	6,781,611	3,962,589	6,781,611
Loans to Members presented as:				
Current	2,379,028	4,072,650	2,379,028	4,072,650
Non-current	1,583,561	2,708,961	1,583,561	2,708,961
	3,962,589	6,781,611	3,962,589	6,781,611

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS *continued*
FOR THE YEAR ENDED 30 JUNE 2020

13. Loans to members *continued*

Impairment allowance for loans to members
A reconciliation of the allowance for impairment losses and advances, by class, is as follows :

ECL Stages	Number of loans	Member loan balances	Member savings balances	(Secured)/ Unsecured	Provision made
Stage 1	1,143	2,379,028	4,058,916	734,629	-
Stage 2	112	286,257	251,549	165,765	3,315
Stage 3	2,287	3,565,752	809,094	2,948,709	2,052,481
Members without loans	8,060	-	2,146,459	687,801	-
Total	11,602	6,231,037	7,266,018	4,536,904	2,055,796

(i) Unsecured loans amounted to $4,536,904 (2019: $4,660,718), were granted to members as at 30 June 2020.

(ii) As at 30 June 2020, the balance of loans payable by the board and committee members of Fiji Public Service Credit Union amounted to $630,004 (2019: $586,101) out of which $523,201 (2019: $520,307) were unsecured.

(iii) A reserve fund is held as a reserve against bad loans or losses as well as impaired loss for uncollectable loans.

(iv) A sum of $2,055,796 (2019: $2,567,211) was recorded as allowance for impairment losses.

14. Trade and other payables	Group 2020 $	Group 2019 $	Credit Union 2020 $	Credit Union 2019 $
Creditors and accruals	453,529	400,435	212,169	108,716
Rental deposits	207,187	168,039	207,187	168,039
Other payables	127,907	108,082	127,907	108,082
	788,623	676,556	547,263	384,837

15. Provisions	$	$	$	$
Employee entitlements				
At the beginning of the year	24,743	34,522	24,743	34,522
Arising during the year	901	45,111	901	45,111
Utilised during the year	(10,030)	(54,890)	(10,030)	(54,890)
At 30 June	15,614	24,743	15,614	24,743

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS *continued*
FOR THE YEAR ENDED 30 JUNE 2020

		Group 2020 $	Group 2019 $	Credit Union 2020 $	Credit Union 2019 $
16.	Interest-bearing borrowings				
a)	Bank overdraft (Note 24)	318,252	233,456	318,252	233,456

Current interest-bearing borrowing represents a bank overdraft facility facilitated by the Australia and New Zealand Banking group. The overdraft limit attracts an interest rate of 5.49% and a temporary overdraft limit of $250,000. The repayment terms of the facility are on demand.

		$	$	$	$
b)	Term Loan - current	290,146	600,105	290,146	600,105
	Term Loan - non current	1,384,180	1,557,774	1,384,180	1,557,774
		1,674,326	2,157,879	1,674,326	2,157,879

Interest-bearing borrowings represents 3 (2019: 4) fully drawn advance facilities taken from the Australia and New Zealand Banking Group. Initially granted to assist with the renovation, repairs and maintenance of FPSCU Head Office and for the purchase of business information system. Additionally, further advances were granted for the purchasing of Skaffwork, Waimanu road property and Wailoku property and to assist with working capital requirements. The loan facility attracts an interest rate of 5.49% per annum and is due to be settled within 36 months from the date of borrowing.

Term loan - current represents the portion of interest-bearing borrowings due within the next 12 months.

Particulars related to secured borrowings:

The bank overdraft from Australia and New Zealand Banking Group is secured by:
1) A general lien, dated 26/06/1997 over the assets of the Credit Union (Stamped to $3.2m);
2) First registered mortgage over commercial property situated at 11 Goodenough Street, Suva and comprised in Certificate of Title No. 5009;
3) First registered mortgage number 426150 over commercial property situated at Gladstone Road, Suva and comprised in Certificate of Title No. 28194;
4) First registered Bill of Sale Deed over all chattels, fixtures and fittings and goods of the Credit Union including book debts;
5) Deed of assignment of debt;
6) Assignment over contract or proceeds;
7) Master Operating Lease Agreement between Fiji Public Service Credit Union and ANZ Bank; and
8) First Registered Mortgage over Certificate of Title Number 6052 being Lot 1 on DP 7846 over vacant land.

		$	$	$	$
17.	Finance lease obligations				
a)	Current				
	Finance lease obligations	-	65,580	-	-

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS *continued*
FOR THE YEAR ENDED 30 JUNE 2020

		Group 2020 $	Group 2019 $	Credit Union 2020 $	Credit Union 2019 $
17.	Finance lease obligations *continued*				
b)	Non-current				
	Finance lease obligations	-	50,909	-	-

The finance lease commitment relates to purchase of three motor vehicles for SBSL. Monthly interest rate of 7.50% is applied on all the motor vehicles. The principal repayment amount ranges from $1,382 to $2,931. The finance lease agreement is secured by first registered mortgage debenture over all the assets of the company and uncalled capital.

		$	$
18.	Income tax		
	The prima facie income tax benefit differs from that shown in the financial statements and is reconciled as follows:		
	Operating loss before income tax of the subsidiary	(246,208)	(970,379)
	Prima facie tax expense on operating loss at 20%	(49,242)	(194,076)
	Tax losses not recognised/recouped	49,242	169,249
	Tax effect of non-deductible items	-	925
	Income tax (benefit)/expense on current year profit	-	(23,902)
	Deferred tax		
	Deferred income tax at 30 June relates to the following:		
	Deferred tax liability		
	Accelerated depreciation for tax purposes	64,221	64,221
	Reflected in the statement of financial position as follows:		
	Deferred tax liability	64,221	64,221

19. Member shares

Clause 13 of the Fiji Public Service Credit Union Supplementary By-Laws further states that money paid in on account of shares may be withdrawn in whole or in part subject to any indebtedness to the Credit Union.

Shares may be transferred only from one member to another by written instrument in such form as the Board may prescribe.

Each year the Board may declare a dividend from the earnings remaining after provision for reserves as specified in clause 70 of the Fiji Public Service Credit Union Supplementary By-Laws and dividends shall be paid on fully paid shares outstanding at the end of the financial year.

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS *continued*
FOR THE YEAR ENDED 30 JUNE 2020

20. Reserve fund

The reserve fund is held as a general reserve against bad loans or losses (Section 37(4)) of the Credit Union Act).

In accordance with Section 67 and 68 of the Fiji Public Service Credit Union Supplementary By-laws:

(i) All entrance fees and fines are directly brought into this reserve.

(ii) Until such time as the total amount in the reserve fund reaches 20% of the sum of the deposits and the issued capital, it is compulsory for directors to transfer not less than 20% of net earnings to the reserve fund, prior to declaring any dividends. Once the amount in the reserve fund is equal to 20% of the sum of the deposits and the issued capital, the directors "shall not be required to set aside" funds to the reserve fund.

21. Special reserve fund

In accordance with clause 70 of the Fiji Public Service Credit Union Supplementary By-Laws, the Directors had established the special reserve fund, into which the net surplus for the year, after adjusting for proposed dividends and transfer to reserve fund, was transferred.

22. Special death benefit scheme fund

In accordance with clauses 76.2 and 86 of Fiji Public Service Credit Union Supplementary By-Laws, the Directors have established the Special Death Benefit Scheme Fund to provide for special benefits upon death of a member. The special death benefit scheme fund envisages, in the event of a member's death, waiver of loan balance outstanding from a member up to a maximum of $10,000 and repayment of twice the share balance (up to a maximum of $5,000) to the credit of the member's beneficiary. On death of a member, death benefits by way of additional share refunds and loan write-offs are charged directly to the special death benefit scheme fund, rather than charging such loan write-offs and additional share refunds through the statement of comprehensive income. During the year, $5,677 (2019: $15,631) was paid out under this scheme fund.

23. Self insurance of death benefit scheme

The death benefit scheme envisages, in the event of a member's death, waiver of loan balance outstanding from a member up to a maximum of $10,000 and repayment of twice the share balance (up to a maximum of $5,000) to the credit of the member's beneficiary.

The Credit Union had, during the year ended 30 June 1999, discontinued the external insurance cover for loan protection insurance scheme covering liabilities arising out of death benefit scheme. Accordingly, the Credit Union has adopted a policy of self-insurance with respect to the death benefit scheme.

The Credit Union has not obtained independent actuarial valuation of liabilities arising from the death benefit scheme as at 30 June 2020. The actuarial valuation is to determine the adequacy of the provisions and reserves for this benefit scheme. Any additional provision and reserves that may be required from the actuarial valuation has not been recognised in the financial statements, as the effect cannot be quantified.

Furthermore, the balance under special death benefit scheme fund as at 30 June 2020 was $924,063 (2019: $844,756).

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS *continued*
FOR THE YEAR ENDED 30 JUNE 2020

	Group 2020 $	Group 2019 $	Credit Union 2020 $	Credit Union 2019 $
24. Notes to the Statement of Cash Flows				

a) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances with banks. Cash and cash equivalents included in the Statement of Cash Flow comprise the following Statement of Financial Position amounts:

	Group 2020 $	Group 2019 $	Credit Union 2020 $	Credit Union 2019 $
Cash on hand and at bank	172,569	317,122	109,335	292,055
Bank overdraft (Note 16)	(318,252)	(233,456)	(318,252)	(233,456)
Total cash and cash equivalents	(145,683)	83,666	(208,917)	58,599

b) Non-cash financing activities

During the year, member's shares of $1,233,996 (2019: $1,786,201) were applied against payment of member's loan accounts.

Furthermore, dividends of $Nil (2019: $Nil) were declared and credited to member's shares during the year.

25. Commitments

Construction contracts committed but not completed for SBSL amounts to $741,212 (2019: $864,010). The direct costs related to these projects is committed by the Group as of balance date.

26. Contingent liabilities

Contingent liabilities as at 30 June 2020 amounted to $Nil (2019: $Nil).

27. Related party disclosures

a) The names of persons who were directors of the Credit Union at any time during the financial year are as follows:

Mr. Jale Kunawalu (Chairperson) - effective from September 2020
Mr. Aporosa Lutunauga (Deputy Chairperson) - effective from September 2020
Mrs. Jowana Koroituinakelo (Chairperson) - ceased September 2020
Mr. Jale Kunawalu (Deputy Chairperson) - ceased September 2020
Mr. Romulusi Yauvoli
Mr. Eliki Masa
Mr. Tikiko Vulaca

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS *continued*
FOR THE YEAR ENDED 30 JUNE 2020

27. Related party disclosures *continued*	Group 2020 $	Group 2019 $	Credit Union 2020 $	Credit Union 2019 $

b) Transactions with the Board and Committee members of the Credit Union for the year ended 30 June 2020 with approximate transaction values are summarised as follows:

i) Loans:

	Group 2020 $	Group 2019 $	Credit Union 2020 $	Credit Union 2019 $
Loans - balance as at 30 June	630,004	586,101	630,004	586,101
Shares:				
Shares - balance as at 30 June	106,804	62,334	106,804	62,334

ii) Expenditure

	Group 2020 $	Group 2019 $	Credit Union 2020 $	Credit Union 2019 $
Board and committee meeting allowances	58,582	107,749	45,275	102,878

All transactions with the Board and committee members are generally conducted on commercial terms and conditions.

c) Amounts due from Skaffwork Building Solutions Pte Limited (SBSL) amounted to $258,583 (2019: $19,580). Major transactions were for the purchase of construction materials to fulfil SBSL contractual obligations and to assist with the subsidiary's current year operations.

	$	$
Purchase of construction materials	169,599	-
Operational expenses	88,984	110,755
Office space rental	-	26,000
	258,583	136,755

d) Key management personnel remuneration

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

No remuneration were paid to the Directors. Total remuneration to Credit Union key management personnel for the current period was: $133,156 (2019: $102,880). Total remuneration to SBSL key management was $113,692 (2019: $71,019).

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS *continued*
FOR THE YEAR ENDED 30 JUNE 2020

28. Leases

Credit Union and Group as a lessee

The Credit Union and Group have lease contracts for land and office premises used in its operations. The native land lease has a term of 14 years, the lease for office premises is generally for 3 years. Generally, the Credit Union and Group is restricted from assigning and subleasing the leased assets.

The Credit Union and Group also have certain leases for office premises with lease terms of 12 months or less and leases of office equipment with low value. The Credit Union and Group apply the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year:

Group	Motor vehicles	Land $	Office premises $	Total $
As at 1 July 2019	161,420	141,760	4,602	307,782
Depreciation expense	(57,707)	(12,695)	(3,068)	(73,470)
As at 30 June 2020	103,713	129,065	1,534	234,312

Credit Union	Land $	Office premises $	Total $
As at 1 July 2019	141,760	4,602	146,362
Depreciation expense	(12,695)	(3,068)	(15,763)
As at 30 June 2020	129,065	1,534	130,599

Set out below are the carrying amounts of lease liabilities and the movements during the year:

	Group $	Credit Union $
As at 1 July 2019	135,229	18,740
Accretion of interest	8,874	3,115
Payments	(68,421)	(7,202)
As at 30 June 2020	75,682	14,653
Current	63,711	2,682
Non-current	11,971	11,971
	75,682	14,653

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS *continued*
FOR THE YEAR ENDED 30 JUNE 2020

28. Leases *continued*

Credit Union and Group as a lessee continued

The maturity analysis of lease liabilities are disclosed in Note 29.

The following are the amounts recognised in profit or loss for the year ended 30 June 2020:

	Group $	Credit Union $
Depreciation expense of right-of-use assets	73,470	15,763
Interest expense on lease liabilities	8,874	3,115
Expense relating to short-term leases (included in other operating expenses)	9,063	9,063
Total amount recognised in profit or loss	91,407	27,941

The Credit Union had cash outflows for leases of $16,265 whereas the Group had total cash outflows for leases of $77,484.

Credit Union and Group as a lessor

The Credit Union and Group have entered into operating leases on its investment property portfolio consisting of office premises (see Note 10). These leases have terms between 1 month and 5 years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions. Rental income recognised by the Credit Union during the year amounted to $543,603 (2019: $467,038), and rental income recognised by the Group during the year amounted to $543,603 (2019: $446,238).

Future minimum rentals receivable under non-cancellable operating leases as at 30 June are as follows:

	Group 2020 $	Group 2019 $	Credit Union 2020 $	Credit Union 2019 $
Within one year	403,896	743,883	403,896	743,883
After one year but not more than five years	509,254	686,010	509,254	686,010
	913,150	1,429,893	913,150	1,429,893

29. Financial instruments risk management objectives and policies

The Credit Union's principal financial liabilities, comprise loans and borrowings, and trade and other payables. The main purpose of these financial liabilities is to finance the Credit Union's operations. The Credit Union's principal financial assets include trade receivables, and cash and short-term deposits that derive directly from its operations. The Credit Union also holds investments in debt and equity instruments.

The Credit Union is exposed to market risk, credit risk and liquidity risk. The Credit Union's senior management oversees the management of these risks. The Credit Union's senior management is supported by a finance committee that advises on financial risks and the appropriate financial risk governance framework for the Credit Union. The finance committee provides assurance to the Credit Union's senior management that the Credit Union's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Credit Union's policies and risk objectives. The Board of Directors review and agree on policies for managing each of these risks, which are summarised below.

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS *continued*
FOR THE YEAR ENDED 30 JUNE 2020

29. Financial instruments risk management objectives and policies *continued*

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk and other price risk, such as equity price risk and commodity risk. Financial instruments affected by market risk include loans and borrowings, deposits and debt and equity investments.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Credit Union's exposure to the risk of changes in market interest rates relates primarily to the Credit Union's long-term debt obligations.

Credit risk

Credit risk is the risk that the Credit Union will incur a loss because its members or counterparties fail to discharge their contractual obligations. The Credit Union 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 monitored by the Finance Department of the Credit Union. It is their responsibility to review and manage credit risk.

The Credit Union has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions. Counterparty limits are established by the use of a credit risk classification system, which assigns each counterparty a risk rating. Risk ratings are subject to regular revision. The credit quality review process aims to allow the Bank to assess the potential loss as a result of the risks to which it is exposed and take corrective actions.

Impairment assessment

Definition of default, impaired and cure

The Credit Union considers a financial instrument defaulted for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments. The Credit Union considers loan balances defaulted and takes immediate action when the required intraday payments are not settled by the close of business as outlined in the individual agreements.

As a part of a qualitative assessment of whether an exposure is credit-impaired, the Credit Union also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Credit Union 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:

- An exposure is forborne or modified due to financial difficulties of the borrower
- Internal rating of the borrower indicating default or near-default
- The borrower requesting emergency funding from the Credit Union
- The borrower having 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 covenant breach not waived by the Credit Union

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS *continued*
FOR THE YEAR ENDED 30 JUNE 2020

29. Financial instruments risk management objectives and policies *continued*

Credit risk *continued*

Impairment assessment continued

Definition of default, impaired and cure continued

It is the Credit Union'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 12 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.

Liquidity risk

The table below summarises the maturity profile of the Credit Union's undiscounted cash flows of its financial liabilities as at 30 June.

30 June 2020	On demand $	Less than 3 months $	3 to 12 months $	1 to 5 years $	More than 5 years $	Total $
Bank overdraft	318,252	-	-	-	-	318,252
Interest-bearing borrowings	-	65,702	328,509	1,198,056	446,980	2,039,247
Lease liabilities	-	622	3,112	6,789	8,486	19,009
Trade and other payables	-	788,623	-	-	-	788,623
Finance lease obligations	-	9,470	47,348	-	-	56,818
	318,252	864,417	378,969	1,204,845	455,466	3,221,949

30. Assets held for sale	Group 2020 $	Group 2019 $	Credit Union 2020 $	Credit Union 2019 $
Transfer from investment properties [Note 10]	889,042	-	889,042	-
Transfer from property, plant and equipment [Note 8]	1,729,355	-	1,729,355	-
	2,618,397	-	2,618,397	-

During the year management had agreed to sell three of its properties to third parties, this sale occurred subsequent to year end. For further details, refer to Note 35.

31. Principal activities

The principal activities of the Credit Union during the year were that of promoting thrift among its members, receiving the savings of its members and to make loans to its members.

There were no significant changes in the nature of these activities during the financial year.

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS *continued*
FOR THE YEAR ENDED 30 JUNE 2020

32. Group details

a) Credit Union Incorporation
The Credit Union is incorporated in Fiji under the Credit Unions Act, 1972.

Registered office/ Principal place of business
The registered office/principal place of business is located at:

11 Goodenough Street
GPO Box 1231
Suva.

b) Skaffwork Building Solutions Limited
The legal form of the company is a private company, domiciled and incorporated in Fiji.

Registered office/ Principal place of business
The registered office/principal place of business is located at :

29, Gladstone Road
Suva.

33. Comparatives

Where necessary, amounts relating to prior period have been reclassified to conform with presentation in the current period.

34. Significant event during the year

The COVID-19 outbreak was declared a pandemic by the World Health Organisation in March 2020.

The Group has remained operational since this declaration and continues to engage in promoting thrift among its members, receiving the savings of its members, to grant loans to its members and to invest members savings and to perform the undertaking of renovations and construction works as well as renting out scaffolding equipment and temporary sheds. However, there has been a significant impact on our business to date. The outbreak and the response of Governments in dealing with the pandemic is interfering with general activity levels within the community, the economy and the operations of our business.

35. Events subsequent to balance date

Subsequent to the end of the financial year, there was an increase in membership withdrawals as a result of the COVID-19 pandemic and in response to policies implemented by the Credit Union to protect its liquidity. However, the scale and duration of these developments remain uncertain as at the date of this report and continue to have a detrimental impact on our earnings, cash flow and financial position. The Directors confirm that they have considered all currently known impacts of COVID-19 when preparing the financial statements and applying the going concern concept.

Subsequent to year-end, the Group disposed three properties in December 2020 and January 2021 and recorded a net gain of $1.8 million.

Apart from the matters noted above, no other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
DISCLAIMER ON ADDITIONAL FINANCIAL INFORMATION
FOR THE YEAR ENDED 30 JUNE 2020

DISCLAIMER ON ADDITIONAL FINANCIAL INFORMATION

The additional financial information, being the attached Detailed Income Statement has been compiled by management of Fiji Public Service Credit Union.

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
DETAILED INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2020

	Group 2020 $	Group 2019 $	Credit Union 2020 $	Credit Union 2019 $
Income				
Interest - member loans	987,491	2,083,378	987,491	2,083,378
Construction revenue	439,132	2,001,124	-	-
Total	1,426,623	4,084,502	987,491	2,083,378
Cost of sales				
Direct materials	95,102	1,557,850	-	-
Direct labour	373,293	903,138	-	-
Interest on loans	159,335	151,486	153,576	139,387
	627,730	2,612,474	153,576	139,387
Gross profit	798,893	1,472,028	833,915	1,943,991
Other income				
Rent	543,603	446,238	543,603	467,038
Proceeds from sundry asset sale	-	639	-	639
Fees and charges	343,725	520,952	343,725	520,952
Temporary shed hire	370,618	628,071	-	-
Scaffolding equipment hire	413	27,095	-	-
Gain on disposal	11,685	-	-	-
Interest on investment	26,020	16,816	26,020	16,816
Miscellaneous income	132,584	120,789	130,827	118,982
Total other income	1,428,648	1,760,600	1,044,175	1,124,427
Total income	2,227,541	3,232,628	1,878,090	3,068,418
Expenses				
Administration sundries	5,234	6,841	5,234	6,841
Advertising and promotion	1,338	5,491	1,138	4,721
Annual general meeting	-	86,134	-	86,134
Annual leave	1,298	9,407	1,298	9,407
Auditors' remuneration: - audit services	20,000	29,750	12,000	19,750
- other services	-	2,500	-	-
Bank charges	15,554	16,419	13,659	12,854
Board meeting allowances	41,924	86,086	30,942	63,408
Commission - treasury	3,366	8,767	3,366	8,767
Credit committee meeting allowances	16,658	21,663	16,658	21,663
Expected credit losses - trade receivables	-	287,630	-	-
Expected credit losses - loans to members	2,051,618	-	2,051,618	-
Depreciation and amortisation	401,601	464,349	103,789	133,766
Depreciation of right-of-use assets	15,763	-	15,763	-
Fringe benefit tax	719	2,874	719	2,874
Fuel	26,478	59,780	-	-
General expenses	1,734	1,440	-	13
Insurance	36,521	69,729	19,580	32,406

The Detailed Income Statement is to be read in conjunction with the disclaimer set out on page 58.

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
DETAILED INCOME STATEMENT *continued*
FOR THE YEAR ENDED 30 JUNE 2020

Expenses *continued*	Group 2020 $	Group 2019 $	Credit Union 2020 $	Credit Union 2019 $
Interest on leases	3,115	-	3,115	-
Legal fees	18	-	18	-
Membership drive expenses	16,602	21,230	16,602	21,230
Motor vehicle expenses	56,040	45,042	56,040	45,042
Navoli farm	-	1,165	-	-
Office rent- Head office	7,500	13,788	-	-
Other administrative expenses	22,854	8,840	-	-
Postage, printing and stationery	3,552	15,083	3,552	5,951
Professional fees	10,631	19,105	5,956	14,265
Rates and taxes	14,254	10,285	14,254	10,285
Rental - Lautoka and Labasa	9,063	41,670	9,063	41,670
Repair and maintenance	40,531	23,538	11,390	7,386
Repair and maintenance- Credit Union Towers	9,346	100	9,346	100
Salaries, wages and Fiji National Provident Fund	712,881	973,796	556,689	687,751
Security expenses	53,795	50,411	53,795	50,411
Social functions	16,096	10,021	16,096	10,021
Software upgrade and support	28,241	22,207	28,241	22,207
Staff training	13,950	9,817	13,950	9,817
Sundry expenses	2,051	2,244	2,051	2,244
Supervisory committee meeting allowances	6,487	7,992	6,487	7,992
Staff costs	1,550	2,765	-	-
Telephone and internet	35,687	49,857	30,152	34,306
Tender expenses	2,300	13,240	-	-
Travelling - local	308	4,324	214	1,798
Water and electricity	25,011	31,356	23,235	27,037
Total expenses	3,731,669	2,536,736	3,136,010	1,402,117
(Loss)/profit from operations	(1,504,128)	695,892	(1,257,920)	1,666,301
Change in fair value of investment properties	-	-	-	-
Income tax benefit	-	23,902	-	-
(Loss)/profit for the year	(1,504,128)	719,794	(1,257,920)	1,666,301
Other comprehensive income	-	-	-	-
Total comprehensive (loss)/income for the year	(1,504,128)	719,794	(1,257,920)	1,666,301

The Detailed Income Statement is to be read in conjunction with the disclaimer set out on page 58.

FIJI PUBLIC SERVICE CREDIT UNION
And its subsidiary

FINANCIAL STATEMENT
FOR THE YEAR ENDED
30 JUNE 2021

I. NAIVELI & CO

CHARTERED ACCOUNTANTS, TAX AGENT, BUSINESS ADVISORS

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

Contents

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2021

In accordance with a resolution of the Board of Directors, the Directors herewith submit the statement of financial position of Fiji Public Service Credit Union (the Credit Union) and its subsidiary (collectively the Group) as at 30 June 2021, the statement of profit or loss and other comprehensive income, the statement of changes in members' funds and reserves and the statement of cash flows for the year then ended and report as follows:

Directors

The names of Directors of the Credit Union in office at any time during the year are:

Mr. Jale Kunawalu (Chairperson)
Mr. Aporosa Lutunauga (Deputy Chairperson)
Mr. Romulusi Yauvoli
Mrs. Jowana Koroituinakelo
Mr. Tikiko Vulaca

Principal Activities

The principal activities of the Credit Union during the year were that of promoting thrift among its members, receiving the savings of its members, to grant loans to its members and to invest members savings. The principal activities of the subsidiary were building construction work and hiring out scaffolding equipment and temporary sheds.

Results

The consolidated net profit of the Group for the year was $1,689,633 (2020: net loss of $1,504,128). No provisions for income tax were necessary. The net profit for the Credit Union was $1,919,631 (2020: net loss of $1,257,920).

Dividends

At year-end, no dividends were declared by the directors for the year (2020: nil).

Bad and Doubtful Debts

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

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

Current and Non-current Assets

Prior to the completion of the financial statements of the Credit Union, the Directors took reasonable steps to ascertain whether any current and non-current assets were unlikely to be realised in the ordinary course of business compared to their values as shown in the accounting records of the Credit Union. 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.

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
DIRECTORS' REPORT continued
FOR THE YEAR ENDED 30 JUNE 2021

Current and Non-current Assets continued

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

Unusual Transactions

In the opinion of the Directors, the results of the operations of the Credit Union 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 Credit Union in the current financial year, other than those reflected in the financial statements.

Significant Event During the Year

During the year, there was an increase in membership withdrawals as a result of the COVID-19 pandemic. In response, the Credit Union decided to dispose three properties, settle its borrowings with ANZ Bank and implemented policies to protect its liquidity whilst meeting its members' requests. The disposal of the properties resulted in a net gain of $1.9 million and loans and overdraft facility with ANZ Bank of approximately $2 million were settled.

Events Subsequent to Balance Date

The effects of COVID-19 have manifested in the interval between the end of the financial year and the date of this report. During this uncertain period, there were restrictions to movement which impacted business activity. Nevertheless, the Credit Union and the Group continued to adapt and respond to challenges during the pandemic.

Apart from the matters noted above, no other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Other Circumstances

As at the date of this report:

(i) no charge on the assets of the Credit Union or the Group 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 Credit Union or the Group could become liable; and

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

Auditor Independence

The Directors have obtained an independence declaration from the Credit Union's auditor, I. Naiveli & Co. A copy of the auditor's independence declaration is set out in the *Auditor's Independence Declaration to the Directors of Fiji Public Service Credit Union* and its subsidiary on page 6.

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
DIRECTORS' REPORT continued
FOR THE YEAR ENDED 30 JUNE 2021

Directors' Benefits

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

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

Dated this 30 day of September, 2024.

.... 30/09/2024.

Director **Director**

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
DIRECTORS' DECLARATION
FOR THE YEAR ENDED 30 JUNE 2021

The Directors' of the Fiji Public Service Credit Union (the Credit Union) have made a resolution that declared:

(a) in the Directors' opinion, the consolidated financial statements and notes of the Credit Union and its subsidiary for the financial year ended 30 June 2021;

(i) give a true and fair view of the financial position of the Credit Union and its subsidiary as at 30 June 2021 and of the performance of the Credit Union and its subsidiary for the year ended 30 June 2021; and

(ii) have been made out in accordance with the relevant legal framework;

(b) they have received declarations as required by law; and

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

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

Name
Chairperson
Date
Suva, Fiji.

I. NAIVELI & CO.

Chartered Accountants and Business Advisors
Registered Tax Agent, Certified Public Practitioner (CPP), Fellow Member – Association of International Accountants (UK), Member CPA Australia

Auditors Independence Declaration Under Section 395 of the Companies Act 2015

To: The Executive Committee of the Fiji Public Service Credit Union

As lead auditor for the audit of Fiji Public Service Credit Union for the year ended 30 June 2021, I declare that to the best of my knowledge and belief, there have been:

- No contraventions of the auditor independence requirements of the Companies Act, Fiji 2015 in relation to the audit and
- No contraventions of any applicable code of professional conduct in relation to the audit.

The declaration is of the Fiji Public Service Credit Union during the period.

I. Naiveli & Co

Akisi Rabulimasei Naiveli
Managing Partner
I.Naiveli & Co

Suva,Fiji
30 September 2024

GPO BOX 14014 SUVA FIJI PHONE No: (679) 3305 395/3305 386/9927390 E-mail: office@inaiveli.com.fj
Lot 4 Ratu Dovi Road, Laucala Beach Estate

INDEPENDENT AUDIT REPORT

TO THE MEMBERS OF THE FIJI PUBLIC SERVICE CREDIT UNION

Disclaimer of Opinion

We have audited the financial statements of Fiji Public Service Credit Union, which comprise the statement of financial position as at 30 June 2021, statement of comprehensive income, statement of cash flow, detailed income statement and notes to the financial statement including a summary of significant policies as set out on pages 15 to 55.

We do not express an opinion on the financial statements of the Fiji Public Service Credit Union as at 30 June 2021 and the results of its operations and its cash flows for the year ended because of the significance of the matters described in the basis for disclaimer of opinion; we have not been able to obtain sufficient appropriate audit evidence to provide for a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

In respect of the Credit Union, we have not been able to obtain sufficient appropriate audit evidence in relation
to a variety of transactions, recorded amounts and balances, including:

i. Interest on loan income of $347,982 and loans to members of $2,311,038;
ii. Wages and salaries expenses of $409,655
iii. Investment property of $5,834,892 and its fair value;
iv. Vault cash of $32,750, Receivables of $3,617,882 and other assets of $322,726;
v. Trade and other payables of $448,998;
vi. The investment in subsidiary of $5,526,401 and assessment of whether any Impairment of this asset is
required;
vii. Intercompany transactions of $117,175 between Credit Union and its subsidiary; and
viii. Movements in members shares and reserves listed in the statement of changes in members' funds and
reserves.

We also draw attention to Note 2.1 of the financial statements which discloses the following conditions:

(i) Loss making performance of the subsidiary and heavy reliance on the Credit Union for future financial
support;
(ii) Tight cash flows of the Group and significant loan repayments;
(iii) A significant reduction in future lending activities and projects for the Group; and
(iv) The potential impact of the COVID-19 pandemic on the Group.
These events or conditions indicate that material uncertainties exist that may cast significant doubt on the ability
of the Credit Union and the Group to continue as going concerns. The financial statements do not include any
adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and
classification of liabilities that might be necessary should the Credit Union or Group not continue as going
concerns.

Basis for Disclaimer of Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA) and Credit Union Act of Fiji. 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 credit union in accordance with the ethical requirements that are relevant to our audit of the financial statements in Fiji and we have fulfilled our other responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the executive and/or Directors for the Financial Statements

The executive committees are responsible for the preparation of the financial statements in accordance with International Financial Reporting Standards and the Credit Union Act of Fiji for such internal control as the executive committee 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, the executive committee are responsible for assessing the credit union'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 the executive committee either intend to liquidate the credit union or to cease operations, or have no realistic alternative but to do so. The executive committees are responsible for overseeing the credit union'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.

Misstatements can arise from fraud and 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 the financial statements.

As part of an audit in accordance with ISA, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the credit union's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the executive committee.
- Conclude on the appropriateness of the executive's and 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 credit union's ability to continue as a going concern. If we conclude that 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 credit union to cease to continue as a going concern.
- We communicate with the executive committee 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.

Emphasis of Matter

We draw attention to Note 34 of the consolidated financial statements which notes the World Health Organisation's declaration of the outbreak of COVID-19 as a global pandemic subsequent to 30 June 2021 and how this has been considered by the Directors in the preparation of the financial statements. As set out in Note 34, no adjustments have been made to the consolidated financial statements as at 30 June 2021 for the impacts of COVID-19. Our opinion is not modified in respect of this matter.

I. Naiveli & Co

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I.Naiveli & Co
Chartered Accountants & Business Advisors

…………………………
Akisi Rabulimasei Naiveli
Registered Auditor
(Under Companies Act 2015)
Lot 4 Ratu Dovi Road
Laucala Beach Nasinu

30 September 2024

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2021

	Notes	Group 2021 $	Group 2020 $	Credit Union 2021 $	Credit Union 2020 $
Revenue					
Operating revenue - lending		568,613	1,331,216	568,613	1,331,216
Operating revenue - construction and scaffolding		457,842	810,163	-	-
Rental income		583,287	536,103	588,287	543,603
	3 (a)	1,609,742	2,677,482	1,156,900	1,874,819
Cost of sales					
Direct materials		(72,817)	(95,102)	-	-
Direct labour		(193,842)	(373,293)	-	-
Interest expense on loans	3 (b)	(119,891)	(159,335)	(117,665)	(153,576)
		(386,550)	(627,730)	(117,665)	(153,576)
Gross profit		1,223,192	2,049,752	1,039,235	1,721,243
Other income	4	1,934,871	170,289	1,932,266	156,847
Net income		3,158,063	2,220,041	2,971,501	1,878,090
Expenses					
Employee benefit expenses		(497,658)	(712,881)	(409,655)	(556,689)
Expected credit loss on loans to members		-	(2,051,618)	-	(2,051,618)
Other operating expenses		(970,772)	(959,670)	(642,215)	(527,703)
Total expenses		(1,468,430)	(3,724,169)	(1,051,870)	(3,136,010)
Profit/(loss) before tax		1,689,633	(1,504,128)	1,919,631	(1,257,920)
Income tax benefit	18	-	-	-	-
Profit/(loss) for the year, net of tax		**1,689,633**	**(1,504,128)**	**1,919,631**	**(1,257,920)**
Other comprehensive income		-	-	-	-
Total comprehensive income/(loss) for the year		1,689,633	(1,504,128)	1,919,631	(1,257,920)

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

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
STATEMENT OF CHANGES IN MEMBERS' FUNDS AND RESERVES
FOR THE YEAR ENDED 30 JUNE 2021

	Members shares	Reserve fund	Special reserve fund	Special death benefit scheme fund	Asset revaluation reserve	Accumulated profits	General reserve	Total
	$	$	$	$	$	$	$	$
Balance at 1 July 2019	8,497,273	3,257,030	4,713,854	844,756	756,474	(502,913)	12,019	17,578,493
Contributions	2,241,023	-	-	-	-	-	-	2,241,023
Refunds	(1,987,498)	-	-	-	-	-	-	(1,987,498)
Shares offset against loan to members	(1,233,996)	-	-	-	-	-	-	(1,233,996)
Administrative and service fees	(245,813)	-	-	-	-	-	-	(245,813)
Entrance fees	(240)	-	-	-	-	-	-	(240)
Bad debts transferred	-	(36,723)	-	-	-	-	-	(36,723)
Bad debts written off	-	(2,599,757)	-	-	-	2,599,757	-	-
Special death benefit fees	-	-	-	84,984	-	-	-	84,984
Death benefits	5,677	-	-	(5,677)	-	-	-	-
Effect of adoption of IFRS 16 Leases	-	-	-	-	-	(33,821)	-	(33,821)
Other adjustments	(7,710)	-	-	-	-	-	-	(7,710)
Loss for the year	-	-	-	-	-	(1,504,128)	-	(1,504,128)
Balance as at 30 June 2020	7,268,716	620,550	4,713,854	924,063	756,474	558,895	12,019	14,854,571
Contributions	2,233,415	-	-	-	-	-	-	2,233,415
Refunds	(1,301,682)	-	-	-	-	-	-	(1,301,682)
Shares offset against loan to members	(1,327,676)	-	-	-	-	-	-	(1,327,676)
Administrative and service fees	(175,909)	-	-	-	-	-	-	(175,909)
Entrance fees	(250)	-	-	-	-	-	-	(250)
Special death benefit fees	-	-	-	58,996	-	-	-	58,996
Death benefits	15	-	-	(15)	-	-	-	-
Reversals	(40)	-	-	-	-	-	-	(40)
Prior year adjustments	-	-	-	-	-	(18,566)	-	(18,566)
Profit for the year	-	-	-	-	-	1,689,633	-	1,689,633
Balance as at 30 June 2021	6,696,589	620,550	4,713,854	983,044	756,474	2,229,962	12,019	16,012,492

The accompanying notes form an integral part of this Statement of Changes in Members' Fund and Reserves.

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021

	Notes	Group 2021	Group 2020	Credit Union 2021	Credit Union 2020
Assets		$	$	$	$
Current assets					
Cash and cash equivalents	24	172,318	172,569	162,494	109,335
Receivables	5	4,406,972	1,540,975	3,617,882	738,935
Current tax asset		123,917	123,917	-	-
Other assets	6	322,726	309,769	322,726	309,769
Inventories	7	751,050	674,363	-	-
Amounts due from related parties	27 (c)	-	-	382,380	258,583
Loans to members, net	13	2,311,038	2,379,028	2,311,038	2,379,028
Assets held for sale	30	-	2,618,397	-	2,618,397
Total current assets		8,088,021	7,819,018	6,796,520	6,414,047
Non-current assets					
Financial assets - debt instruments	9	-	35,779	-	35,779
Property, plant and equipment	8	768,019	1,046,333	85,178	119,365
Investment properties	10	5,834,892	5,834,892	5,834,892	5,834,892
Right-of-use assets	28	220,083	234,312	116,369	130,599
Investment in subsidiary	12 (a)	-	-	5,526,401	5,526,401
Goodwill on consolidation	11 (b)	1,187,368	1,187,368	-	-
Intangible assets	11 (a)	51,227	61,166	51,025	60,325
Loans to members, net	13	588,979	1,583,561	588,979	1,583,561
Total non-current assets		8,650,568	9,983,411	12,202,844	13,290,922
Total assets		16,738,589	17,802,429	18,999,364	19,704,969
Liabilities					
Current liabilities					
Bank overdraft	16 (a)	-	318,252	-	318,252
Interest-bearing borrowings	16 (b)	-	290,146	-	290,146
Lease liabilities	28	2,682	63,711	2,682	2,682
Trade and other payables	14	619,464	788,623	448,998	547,263
Employee benefit liability	15	15,614	15,614	15,614	15,614
Total current liabilities		637,760	1,476,346	467,294	1,173,957
Non-current liabilities					
Interest-bearing borrowings	16 (b)	-	1,384,180	-	1,384,180
Lease liabilities	28	11,324	11,971	9,288	11,971
Deferred tax liability	18	64,221	64,221	-	-
Unearned revenue		12,792	11,140	-	-
Total non-current liabilities		88,337	1,471,512	9,288	1,396,151
Total liabilities		726,097	2,947,858	476,582	2,570,108
Net assets		16,012,492	14,854,571	18,522,782	17,134,861
Members funds and reserves					
Members shares		6,696,589	7,268,716	6,293,600	6,865,727
Reserve fund		620,550	620,550	620,549	620,549
Special reserve fund		4,713,854	4,713,854	4,713,854	4,713,854
Special death benefit scheme fund		983,044	924,063	983,044	924,063
Accumulated profits		2,229,962	558,895	5,143,241	3,242,174
General reserve		12,019	12,019	12,020	12,020
Asset revaluation reserve		756,474	756,474	756,474	756,474
Total members funds and reserves		16,012,492	14,854,571	18,522,782	17,134,861

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

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2021

	Note	Group 2021 $	Group 2020 $	Credit Union 2021 $	Credit Union 2020 $
Operating activities					
Cash receipts for interest, rentals and other income		1,268,424	2,793,321	835,986	1,841,511
Payment to suppliers and employees		(1,801,487)	(2,031,740)	(1,211,363)	(989,406)
Interest paid		(120,943)	(159,335)	(118,717)	(153,576)
Members loan granted		(812,596)	(1,850,396)	(812,596)	(1,850,396)
Members loan repaid		1,353,526	2,627,591	1,353,526	2,627,591
Death benefit fees received		58,996	84,984	58,996	84,984
Death benefits paid		(15)	(5,677)	(15)	(5,677)
Net cash from operating activities		**(54,095)**	**1,458,748**	**105,817**	**1,555,031**
Investing activities					
Proceeds from redemption of financial assets		35,779	42,721	35,779	42,721
Proceeds from the sale of fixed assets		2,125	70,000	-	-
Proceeds from sale of investment properties		1,745,156	-	1,745,156	-
Payments for plant and equipment		(8,531)	(29,161)	(7,564)	(27,243)
Net cash from/(used in) investing activities		**1,774,529**	**83,560**	**1,773,371**	**15,478**
Financing activities					
Net payment of term loans		(1,674,326)	(483,553)	(1,674,326)	(483,553)
Repayment of lease - principal portion		(62,660)	(59,547)	(1,631)	(4,087)
Advance to related party		-	-	(166,373)	(121,828)
Redemption of members share capital		334,553	(1,228,557)	334,553	(1,228,557)
Net cash used in financing activities		**(1,402,433)**	**(1,771,657)**	**(1,507,777)**	**(1,838,025)**
Net increase/(decrease) in cash and cash equivalents		318,001	(229,349)	371,411	(267,516)
Cash and cash equivalents at the beginning of the year		(145,683)	83,666	(208,917)	58,599
Cash and cash equivalents at 30 June	24	**172,318**	**(145,683)**	**162,494**	**(208,917)**

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

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

1.1 Corporate information

The consolidated financial statements of Fiji Public Service Credit Union (the Credit Union) and its subsidiary (collectively the Group) for the year ended 30 June 2021 were authorised for issue in accordance with a resolution of the Directors on 30 September 2024. The Credit Union is registered in Fiji and operates under its own By-Laws.

1.2 Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis. The consolidated financial statements are presented in Fijian dollars and all values are rounded to the nearest dollar except when otherwise indicated.

Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The consolidated financial statements provide comparative information in respect of the previous period only for the Credit Union.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiary as at 30 June 2021. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the group's voting rights and potential voting rights.

The Group re-assesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the Statement of Profit or Loss and Other Comprehensive Income from the date the Group gains control until the date the Group ceases to control the subsidiary.

A change in ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- derecognises the assets (including goodwill) and liabilities of the subsidiary;
- derecognises the cumulative translation differences recorded in equity;

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 30 JUNE 2021

1.2 Basis of preparation continued

Basis of consolidation continued

- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss; and
- reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

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.

1.3 Changes in accounting policies and disclosures

1.3.1 New and amended standards and interpretations

The Credit Union and Group applied a number of standards for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

New standards and amendments	Impact on the Group
Covid-19-Related Rent Concessions beyond 30 June 2021 – Amendment to IFRS 16	No impact

1.4 Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Credit Union's and Group's financial statements are disclosed below. The Credit Union and Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

New standards and amendments	Effective date
Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7,	1 January 2023
Amendments to IAS 1: Classification of Liabilities as Current or Non-current	1 January 2023
Reference to the Conceptual Framework – Amendments to IFRS 3	1 January 2022
Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16	1 January 2022
Onerous Contracts – Costs of Fulfilling a Contract – Amendments	1 January 2022
IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter	1 January 2022
IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities	1 January 2022
IAS 41 Agriculture – Taxation in fair value measurements	1 January 2022

1.5 Summary of significant accounting policies

A summary of the significant accounting policies adopted by the Credit Union and the Group is set out in this note. The policies adopted are in accordance with the International Financial Reporting Standards (IFRS).

a) Allowance for doubtful debts

In accordance with the Credit Unions Act 1985, a reserve fund is held as a general reserve for bad loans or losses (Refer Note 13 Loans to members).

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 30 JUNE 2021

1.5 Summary of significant accounting policies continued

b) Borrowing cost

Borrowing costs are recognised as an expense in the period in which they are incurred.

c) Cash and cash equivalents

For the purpose of the Statements of Cash flows, cash and cash equivalents comprise cash on hand and cash in banks, net of outstanding bank overdrafts. Bank overdrafts are disclosed as interest-bearing borrowings in current liabilities in the Statement of Financial Position.

d) Comparatives

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

e) Financial Instruments

i) Measurement categories of financial assets and liabilities

Financial assets are classified based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortised cost.
- FVOCI.
- FVTPL.

The Credit Union classifies and measures its trading portfolio at FVPL. The Credit Union may designate financial instruments at FVPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies.

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortised cost or at FVPL when they are held for trading.

Determination of fair value

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 Credit Union has access to at the measurement date. The Credit Union 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 Credit Union 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.

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 30 JUNE 2021

1.5 Summary of significant accounting policies continued

e) Financial Instruments continued

i) Measurement categories of financial assets and liabilities continued

The Credit Union periodically reviews its valuation techniques including the adopted methodologies and model calibrations. However, the base models may not fully capture all factors relevant to the valuation of the Credit Union's financial instruments such as credit risk (CVA), own credit (DVA) and/or funding costs (FVA). Therefore, the Credit Union applies various techniques to estimate the credit risk associated with its financial instruments measured at fair value, which include a portfolio-based approach that estimates the expected net exposure per counterparty over the full lifetime of the individual assets, in order to reflect the credit risk of the individual counterparties for non-collateralised financial instruments. The Credit Union estimates the value of its own credit from market observable data, such as secondary prices for its traded debt and the credit spread on credit default swaps and traded debts on itself.

The Credit Union evaluates the levelling at each reporting period on an instrument-by-instrument basis and reclassifies instruments when necessary, based on the facts at the end of the reporting period.

Business model assessment

The Credit Union determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective:

- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed.
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

The expected frequency, value and timing of sales are also important aspects of the Credit Union's assessment. The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Credit Union's original expectations, the Credit Union does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The SPPI test

As a second step of its classification process the Credit Union assesses the contractual terms of the financial asset to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Credit Union applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 30 JUNE 2021

1.5 Summary of significant accounting policies continued

e) Financial Instruments continued

i) Measurement categories of financial assets and liabilities continued

The SPPI test continued

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

Debt instruments at FVOCI

The Credit Union applies the new category under IFRS 9 of debt instruments measured at FVOCI when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets.
- The contractual terms of the financial asset meet the SPPI test.

These instruments largely comprise assets that had previously been classified as financial investments available for-sale under IAS 39.

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income and foreign exchange gains and losses are recognised in profit or loss in the same manner as for financial assets measured at amortised cost. The ECL calculation for Debt instruments at FVOCI. Where the Credit Union holds more than one investment in the same security, they are deemed to be disposed of on a first–in first–out basis. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

Equity instruments at FVOCI

Upon initial recognition, the Credit Union occasionally elects to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of definition of Equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. Such classification is determined on an instrument-by instrument basis.

Gains and losses on these equity instruments are never recycled to profit. Dividends are recognised in profit or loss as other operating income when the right of the payment has been established, except when the Credit Union benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment.

Debt issued and other borrowed funds

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 EIR. A compound financial instrument which contains both a liability and an equity component is separated at the issue date.

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 30 JUNE 2021

1.5 Summary of significant accounting policies continued

e) Financial Instruments continued

i) Measurement categories of financial assets and liabilities continued

Financial assets and financial liabilities at fair value through profit or loss

Financial assets and financial liabilities in this category are those that are not held for trading and have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9. Management only designates an instrument at FVPL upon initial recognition when one of the following criteria are met. Such designation is determined on an instrument-by-instrument basis:

- The designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis; or
- The liabilities (and assets until 1 July 2018 under IAS 39) are part of a group of financial liabilities (or financial assets, or both under IAS 39), which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- The liabilities (and assets until 1 July 2018 under IAS 39) contain one or more embedded derivatives, unless they do not significantly modify the cash flows that would otherwise be required by the contract, or it is clear with little or no analysis when a similar instrument is first considered that separation of the embedded derivative(s) is prohibited.

Financial assets and financial liabilities at FVPL are recorded in the Statement of Financial Position at fair value. Changes in fair value are recorded in profit and loss with the exception of movements in fair value of liabilities designated at FVPL due to changes in the Credit Union's own credit risk. Such changes in fair value are recorded in the reserve through OCI and do not get recycled to the profit or loss. Interest earned or incurred on instruments designated at FVPL is accrued in interest income or interest expense, respectively, using the EIR, taking into account any discount/premium and qualifying transaction costs being an integral part of instrument. Interest earned on assets mandatorily required to be measured at FVPL is recorded using the contractual interest rate. Dividend income from equity instruments measured at FVPL is recorded in profit or loss as other operating income when the right to the payment has been established.

ii) Reclassification of financial assets and liabilities

The Credit Union does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Credit Union acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified. The Credit Union did not reclassify any of its financial assets or liabilities in 2021.

iii) Derecognition of financial assets and liabilities

Derecognition due to substantial modification of terms and conditions

The Credit Union 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, unless the new loan is deemed to be POCI.

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 30 JUNE 2021

1.5 Summary of significant accounting policies continued

e) Financial Instruments continued

iii) Derecognition of financial assets and liabilities continued

Derecognition due to substantial modification of terms and conditions continued

When assessing whether or not to derecognise a loan to a customer, amongst others, the Credit Union considers the following factors:

- Change in currency of the loan.
- Introduction of an equity feature.
- Change in counterparty.
- If the modification is such that the instrument would no longer meet the SPPI criterion.

If the modification does not result in cash flows that are substantially different, as set out below, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Credit Union records a modification gain or loss, to the extent that an impairment loss has not already been recorded. For financial liabilities, the Credit Union considers a modification substantial based on qualitative factors and if it results in a difference between the adjusted discounted present value and the original carrying amount of the financial liability of, or greater than, ten percent. For financial assets, this assessment is based on qualitative factors.

Derecognition other than for substantial modification

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the financial asset have expired. The Credit Union also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

The Credit Union has transferred the financial asset if, and only if, either:

- The Credit Union has transferred its contractual rights to receive cash flows from the financial asset; or
- It retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement.

Pass-through arrangements are transactions whereby the Credit Union retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:

- The Credit Union has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates.
- The Credit Union cannot sell or pledge the original asset other than as security to the eventual recipients.
- The Credit Union has to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the Credit Union is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents, including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients.

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 30 JUNE 2021

1.5 Summary of significant accounting policies continued

e) Financial Instruments continued

iii) Derecognition of financial assets and liabilities continued

Derecognition other than for substantial modification continued

A transfer only qualifies for derecognition if either:

- The Credit Union has transferred substantially all the risks and rewards of the asset; or
- The Credit Union has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

The Credit Union considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Credit Union has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Credit Union's continuing involvement, in which case, the Credit Union also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Credit Union has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Credit Union could be required to pay.

If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the continuing involvement is measured at the value the Credit Union would be required to pay upon repurchase. In the case of a written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

iv) Write-offs

Financial assets are written off either partially or in their entirety only when the Credit Union has no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an 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. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

v) Impairment of financial assets

Aside from this note, other disclosures relating to impairment of financial assets (trade receivables) are included in Note 5 Receivables and Note 13 Loans to members.

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 30 JUNE 2021

1.5 Summary of significant accounting policies continued

e) Financial Instruments continued

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

Based on the above process, the Credit Union groups its loans into Stage 1, Stage 2 and Stage 3 as described below:

- **Stage 1:** When loans are first recognised, the Credit Union recognises an allowance based on 12 months ECL. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.
- **Stage 2:** When a loan has shown a significant increase in credit risk since origination, the Credit Union records an allowance for the life time ECL. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.
- **Stage 3:** Loans considered credit-impaired. The Credit Union records an allowance for the life time ECL.

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Credit Union considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

vi) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

f) Foreign currency translation

Foreign currency transactions are translated to Fijian dollars at rates of exchange ruling at the dates of the transactions. Amounts receivable and payable in foreign currencies are converted to Fiji currency at the rates of exchange ruling at balance date. All exchange gains or losses whether realised or unrealised are reflected in the Statement of Profit or Loss and Other Comprehensive Income.

g) Impairment of non-financial assets

At each reporting date, the Credit Union reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 30 JUNE 2021

1.5 Summary of significant accounting policies continued

g) Impairment of non-financial assets continued

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised in the Statement of Profit or Loss and Other Comprehensive Income immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the Statement of Profit or Loss and Other Comprehensive Income, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

h) Income tax

The Credit Union is not liable for income tax under the Income Tax Act. Its subsidiary, Skaffwork Building Solutions Pte Limited is liable for income tax under the Income Tax Act.

i) Intangible assets

Intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses.

j) Loans to members

Loans to members are stated at principal loan advanced plus accrued interest. A reserve fund is held as a general reserve against bad loans or losses. Impairment of loans to members is described in Note 1.5(a).

k) Leases

The Credit Union and Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Credit Union and Group as a lessee

The Credit Union and Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Credit Union and Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets

The Credit Union and Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

• Office premises	3 years
• Land	14 years
• Motor vehicles	5 years

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 30 JUNE 2021

1.5 Summary of significant accounting policies continued

k) Leases continued

Credit Union and Group as a lessee continued

i) Right-of-use assets continued

If ownership of the leased asset transfers to the Credit Union and Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in Note 1.5 (g) Impairment of non-financial assets.

ii) Lease liabilities

At the commencement date of the lease, the Credit Union and Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Credit Union and Group and payments of penalties for terminating the lease, if the lease term reflects the Credit Union and Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Credit Union and Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Credit Union's and Group's lease liabilities are included Note 28.

iii) Short-term leases and leases of low-value assets

The Credit Union and Group applies the short-term lease recognition exemption to its short-term leases of office premises (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

Credit Union and Group as a lessor

Leases in which the Credit Union and Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 30 JUNE 2021

1.5 Summary of significant accounting policies continued

l) Trade and other payables

Payables are recognised when the Credit Union becomes obliged to make future payments resulting from the receipt of goods and services.

m) Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition and installation of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Credit Union and the cost of the item can be measured reliably. The carrying amount of a replaced part is de-recognised. All other repairs and maintenance are charged to the Statement of Profit or Loss and Other Comprehensive Income during the financial period in which they are incurred.

Property, plant and equipment (except freehold land) are depreciated on a straight-line basis over their estimated useful lives using the following rates:

	Rate	Method
Building and landscaping	1.25% - 10%	Straight line
Computer equipment	10% - 25%	Straight line
Furniture and fittings	10% - 25%	Straight line
Motor vehicles	20%	Straight line
Plant and equipment	10% - 25%	Straight line
Software - intangibles	25%	Straight line

Profit and losses on disposal of property, plant and equipment are taken into account in determining the results for the year.

Capital work in progress is not depreciated.

If there is an indication that there has been a significant change in the depreciation rate, useful life or residual value of an asset, the depreciation of that asset is revised prospectively to reflect the new expectations.

n) Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the Statement of Profit or Loss and Other Comprehensive Income in the period in which they arise. Fair values are evaluated every three to five years by an accredited external, independent valuer, applying a valuation model recommended by the International Valuation Standards Committee.

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 30 JUNE 2021

1.5 Summary of significant accounting policies continued

n) Investment properties continued

Investment properties are derecognised when either they have been disposed or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the Statement of Profit or Loss and Other Comprehensive Income in the period of derecognition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change.

o) Employee benefits

Annual leave

The liability for annual leave is recognised in the provision for employee benefits. Liabilities for annual leave are expected to be settled within 12 months of the reporting date and are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. All long service leave was paid at reporting date.

p) Performance obligations and revenue recognition policies

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a good or service to a customer.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Service type	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
Loans to members	The Credit Union provides personal loans to its members which are secured against members shares. The performance obligations, as well as the timing of their satisfaction, are identified, and determined, at the inception of the contract. The Credit Union's revenue contracts do not typically include multiple performance obligations.	When the Credit Union provides a service to its customers, consideration is invoiced and generally due immediately upon satisfaction of a service provided at a point in time or at the end of the contract period for a service provided over time unless otherwise specified. The Credit Union has generally concluded that it is the principal in its revenue arrangements because it typically controls the services before transferring them to the customer. For details on income earning refer to additional disclosures below on (i) Interest income and (ii) Fees and charges.

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 30 JUNE 2021

1.5 Summary of significant accounting policies continued

p) Performance obligations and revenue recognition policies continued

Service type	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
Construction and renovation works	The subsidiary provides renovation and construction works for customers based on their designs and on their land. Each project commences on receipt of a full prepayment from a customer and its length depends on the complexity of the design. The performance obligations and payment terms are specific to each contract.	Revenue is recognised over time based on the cost-to-cost method. The related costs are recognised in profit or loss when they are incurred. Advances received are included in contract liabilities.
Hiring of scaffolds	The subsidiary also provides scaffolding equipment for hire to customers. Prior to delivery of the scaffolding equipment, customers are required to pay a deposit. The contract to hire scaffold equipment usually does not extend beyond 6 months.	Revenue is recognised over time based on the number of days the equipment is hired. Advances received are included In contract liabilities.

i) Interest income

The effective interest rate method

Under both IFRS 9 and IAS 39, interest income is recorded using the EIR method for all financial assets measured at amortised cost. Similar to interest-bearing financial assets classified as available-for-sale or held to maturity under IAS 39, interest income on interest bearing financial assets measured at FVOCI under IFRS 9 is also recorded using the EIR method. Interest expense is also calculated using the EIR method for all financial liabilities held at amortised cost. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or liability or, when appropriate, a shorter period, to the gross carrying amount of the financial asset.

The EIR (and therefore, the amortised cost of the financial asset) is calculated by taking into account transaction costs and any discount or premium on the acquisition of the financial asset, as well as fees and costs that are an integral part of the EIR. The Credit Union recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, the EIR calculation also takes into account the effect of potentially different interest rates that may be charged at various stages of the financial asset's expected life, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

If expectations of fixed rate financial assets' or liabilities' cash flows are revised for reasons other than credit risk, then changes to future contractual cash flows are discounted at the original EIR with a consequential adjustment to the carrying amount. The difference from the previous carrying amount is booked as a positive or negative adjustment to the carrying amount of the financial asset or liability on the balance sheet with a corresponding increase or decrease in Interest revenue/expense calculated using the effective interest method.

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 30 JUNE 2021

1.5 Summary of significant accounting policies continued

p) Performance obligations and revenue recognition policies continued

Interest and similar income/expense

Net interest income comprises interest income and interest expense calculated using both the effective interest method and other methods. These are disclosed separately on the face of the income statement for both interest income and interest expense to provide symmetrical and comparable information.

In its Interest income/expense calculated using the effective interest method, the Credit Union only includes interest on those financial instruments that are set out in Note 1.5(e) Financial instruments above.

Other interest income/expense includes interest on 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 Credit Union 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.

Interest income is accrued on the monthly outstanding loan balance at the prevailing interest rate of 1% per month.

ii) Fees and charges

The Credit Union earns fees and charges income from financial services it provides to its members. Fee and charges income is recognised at an amount that reflects the consideration to which the Credit Union expects to be entitled in exchange for providing the services. Fees and charges include appeal fees, education withdrawal fees, Christmas penalty, loan establishment fees, member administration fees, member exit fees, monthly account fees and withdrawal fees.

The performance obligations, as well as the timing of their satisfaction, are identified, and determined, at the inception of the contract. The Credit Union's revenue contracts do not typically include multiple performance obligations.

When the Credit Union provides a service to its customers, consideration is invoiced and generally due immediately upon satisfaction of a service provided at a point in time or at the end of the contract period for a service provided over time.

The Credit Union has generally concluded that it is the principal in its revenue arrangements because it typically controls the services before transferring them to the member.

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in Note 2 Significant accounting judgments, estimates and assumptions.

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 30 JUNE 2021

1.5 Summary of significant accounting policies continued

p) Performance obligations and revenue recognition policies continued

ii) Fees and charges continued

Performance obligations satisfied over time include asset management, custody and other services, where the customer simultaneously receives and consumes the benefits provided by the Credit Union's performance as the Credit Union performs.

Fee and charges income from services where performance obligations are satisfied over time

The Credit Union's fees and charges income from services where performance obligations are satisfied over time include the following:

- Appeal fees
- Member administration fees
- Monthly account fees

Services provided where the Credit Union's performance obligations are satisfied at a point in time are recognised once control of the services is transferred to the customer. This is typically on completion of the underlying transaction or service or, for fees or components of fees that are linked to a certain performance, after fulfilling the corresponding performance criteria.

The Credit Union typically has a single performance obligation with respect to these services, which is to successfully complete the transaction specified in the contract.

- Education withdrawal fees
- Christmas penalty
- Loan establishment fees
- Member exit fees
- Withdrawal fees

i) Interest income

Interest income is accrued on the monthly outstanding loan balance at the prevailing interest rate of 1% per month.

ii) Fees and charges

Fees and charges include appeal fees, education withdrawal fees, Christmas penalty, loan establishment fees, member administration fees, member exit fees, monthly account fees and withdrawal fees. These are recognised in the Statement of Profit or Loss and Other Comprehensive Income as they are incurred during the period.

iii) Construction income

Construction income is recognised as project stages are completed. Income is recognised when significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be measured reliably.

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 30 JUNE 2021

1.5 Summary of significant accounting policies continued

p) Performance obligations and revenue recognition policies continued

iv) Scaffolding income

Scaffolding income is recognised as the deposit payment for hiring the equipment is received.

v) Rental Income

Rental income is recognised on an accrual basis.

vi) Dividend income

Dividend income from investment is recognised when the right to receive payment has been established.

q) Special death benefit scheme fund

Funds recognised in this account is determined by the main account by transferring equal instalments for both loan and shares approved by the Board.

Death benefits by way of additional share refunds and loan write-offs are charged directly to special death benefit scheme fund on death of a member, refer to Note 22 for additional details.

r) Value Added Tax (VAT)

Revenue, expenses, assets and liabilities are recognised net of VAT, except:

(i) Where the amount of VAT incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of the asset or as part of an item of expense; and

(ii) For trade receivables and trade payables which are recognised inclusive of VAT.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

s) Assets held for sale

The Group classifies non-current assets (principally investment property) and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale (except for investment property measured at fair value) are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale is expected to be completed within one year from the date of the classification.

Investment property held for sale continues to be measured at fair value. Assets and liabilities classified as held for sale are presented separately in the statement of financial position.

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 30 JUNE 2021

1.5 Summary of significant accounting policies continued

s) Assets held for sale continued

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- Is a subsidiary acquired exclusively with a view to resale.

2. Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the assets or liabilities affected in future periods. Other disclosures relating to the Group's exposure to risks and uncertainties include:

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Leases

The Group applied the following judgements that significantly affect the determination of the amount and timing of income from lease contracts where the Group acts as a lessor:

Determining the lease term of contracts with renewal and termination options – Credit Union and Group as lessee

The Credit Union and Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Credit Union and Group has several lease contracts that include extension and termination options. The Credit Union and Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Credit Union and Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

The renewal options for leases are not included as part of the lease term because the Credit Union and Group typically leases motor vehicles for not more than five years and, hence, is not exercising any renewal options. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 30 JUNE 2021

2. Significant accounting judgements, estimates and assumptions continued

Judgements continued

Property lease classification – Credit Union and Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the commercial property, that it retains all the significant risks and rewards of ownership of this property and accounts for the contracts as operating leases.

Revenue from contracts with customers

The Credit Union and Group applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

- *Determination of performance obligations*

Loans to members

Refer to Note (p) Performance obligations and revenue recognition policies.

Construction and renovation works

With respect to providing construction and renovation works, the Group concluded the goods and services transferred in each contract constitute a single performance obligation. In particular, the promised goods and services in contracts for construction services provided mainly include design work, procurement of materials and development of the property. Generally, the Group is responsible for all these goods and services and the overall management of the project. Although these goods and services are capable of being distinct, the Group accounts for them as a single performance obligation because they are not distinct in the context of the contract. The Group uses those goods and services as inputs and provides a significant service of integrating them into a combined output i.e., the completed property for which the customer has contracted.

Services to tenants

In relation to the services provided to tenants of investment property (such as cleaning, security, landscaping, reception services, catering) as part of the lease agreements into which the Group enters as a lessor, the Group has determined that the promise is the overall property management service and that the service performed each day is distinct and substantially the same. Although the individual activities that comprise the performance obligation vary significantly throughout the day and from day to day, the nature of the overall promise to provide management service is the same from day to day. Therefore, the Group has concluded that the services to tenants represent a series of daily services that are individually satisfied over time, using a time-elapsed measure of progress, because tenants simultaneously receive and consumes the benefits provided by the Group.

Hiring of scaffolding equipment

The Group provides scaffolding equipment for hire which results in a promise to transfer goods and services over time and are part of the negotiated exchange between the Group and the customer.

- *Allocating the variable consideration to distinct services within a series*

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 30 JUNE 2021

2. Significant accounting judgements, estimates and assumptions continued

Judgements continued

Revenue from contracts with customers continued

Hiring of scaffolding equipment *continued*

- *Allocating the variable consideration to distinct services within a series continued*

The Credit Union's loan and membership contracts all contain a single performance obligation comprising of a series of distinct services that are substantially the same and have the same pattern of transfer to the customer. Although the Credit Union may perform various activities each day (e.g., loan processing and certain administrative tasks), the Credit Union has concluded that each day of service is substantially the same because the nature of its promise to the customer is to provide an overall service.

As mentioned above, the Credit Union and Group has applied the variable consideration allocation exception in each of these contracts. This is because the fees received each day, each month and each quarter, relate specifically to the Credit Union's efforts to transfer the services for that day, month or quarter, which is distinct from the services provided in other days, months or quarters. In addition, the amount allocated corresponds to the value provided to the customer for that period.

- *Principal versus agent considerations – services to tenants*

The Credit Union and Group arranges for certain services provided to tenants of investment property included in the contract the Credit Union and Group enters into as a lessor, to be provided by third parties. The Credit Union and Group has determined that it controls the services before they are transferred to tenants, because it has the ability to direct the use of these services and obtain the benefits from them. In making this determination, the Group has considered that it is primarily responsible for fulfilling the promise to provide these specified services because it directly deals with tenants' complaints and it is primarily responsible for the quality or suitability of the services. In addition, the Group has discretion in establishing the price that it charges to the tenants for the specified services.

Therefore, the Credit Union and Group has concluded that it is the principal in these contracts. In addition, the Group has concluded that it transfers control of these services over time, as services are rendered by the third-party service providers, because this is when tenants receive and at the same time, consume the benefits from these services.

- *Determining the timing of revenue recognition on construction and renovation works*

The Group has evaluated the timing of revenue recognition on the provision of construction and renovation works based on a careful analysis of the rights and obligations under the terms of the contract and legal advice from the Group's external counsels in various jurisdictions.

The Group has generally concluded that contracts relating to the sale of construction and renovation works are recognised over time when control transfers at each stage of completion. For unconditional exchanges of contracts, control is generally expected to transfer to the customer together with the legal title. For conditional exchanges, this is expected to take place when all the significant conditions are satisfied.

The Group has determined that the input method is the best method for measuring progress for these contracts because there is a direct relationship between the costs incurred by the Group and the transfer of goods and services to the customer.

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 30 JUNE 2021

2. Significant accounting judgements, estimates and assumptions continued

Judgements continued

Revenue from contracts with customers continued

- *Consideration of significant financing component in a contract*

For some contracts involving construction and renovation works, the Group is entitled to receive an initial deposit. The Group concluded that this is not considered a significant financing component because it is for reasons other than the provision of financing to the Group. The initial deposits are used to protect the Group from the other party failing to adequately complete some or all of its obligations under the contract where customers do not have an established credit history or have a history of late payments.

Estimates and assumptions

The key assumptions concerning future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Valuation of investment property

The fair value of investment property is determined by real estate valuation experts using recognised valuation techniques and the principles of IFRS 13 *Fair Value Measurement* .

Investment property is measured based on estimates prepared by independent real estate valuation experts, except where such values cannot be reliably determined. The significant methods and assumptions used by valuers in estimating the fair value of investment property are set out in Note 1.5(n) Investment properties.

Measurement of progress when revenue is recognised over time

For those contracts involving construction and renovation works that meet the over time criteria of revenue recognition, the Group's performance is measured using an input method, by reference to the inputs towards satisfying the performance obligation relative to the total expected inputs to satisfy the performance obligation, i.e., the completion of the property. The Group generally uses the costs incurred method as a measure of progress for its contracts because it best depicts the Group's performance. Under this method of measuring progress, the extent of progress towards completion is measured based on the ratio of costs incurred to date to the total estimated costs at completion of the performance obligation. When costs are incurred, but do not contribute to the progress in satisfying the performance obligation (such as unexpected amounts of wasted materials, labour or other resources), the Group excludes the effect of those costs. Also, the Group adjusts the input method for any cost incurred that are not proportionate to the Group's progress in satisfying the performance obligation.

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 30 JUNE 2021

2. Significant accounting judgements, estimates and assumptions continued

Estimates and assumptions continued

Provision for expected credit losses of trade receivables and contract assets

The Credit Union and Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, property type, customer type and rating, and coverage by credit insurance).

The provision matrix is initially based on the Credit Union's and Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in a customer segment, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in Note 5 Receivables and Note 13 Loans to members.

In accordance with the Credit Unions Act, a reserve fund is held as a reserve for bad loans or losses (Refer Note 21). Whilst the reserve fund has reached 8% of the sum of the deposits and the issued capital, it is now within the 20% requirement under the By-Laws or 10% under the Credit Union Act. Management decision in assessing impairment of loans requires significant judgment about inherent uncertain future outcomes of events or conditions. Accordingly, subsequent events may result in outcomes that may be different from the assessment.

Impairment losses on financial assets

The measurement of impairment losses both under IFRS 9 and IAS 39 across all categories of financial assets in scope requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Credit Union's 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 models that are considered accounting judgements and estimates include:

- Development of ECL models, including the various formulas and the choice of inputs.
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on probability of defaults (PDs).
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

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

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 30 JUNE 2021

2. Significant accounting judgements, estimates and assumptions continued

Estimates and assumptions continued

Impairment losses on financial assets continued

Impairment of loan balances is assessed at an individual level as well as on a collective level. If there is objective evidence that impairment loss on loans and receivable financial assets has occurred, the carrying value of the asset is reduced by the use of an allowance account. The amount of the loss is recognised in the Statement of Profit or Loss and Other Comprehensive Income. In accordance with the Credit Union Act, a reserve fund is held as a reserve for bad loans or losses (Refer Note 21).

Impairment of property, plant and equipment

The Credit Union assesses whether there are any indicators of impairment of all property, plant and equipment at each reporting date. Property, plant and equipment are tested for impairment and when there are indicators that the carrying amount may not be recoverable, a reasonable allowance for impairment is created. The Directors' and management's assessment of recoverable amount involves making a judgment, at a particular point in time, about inherent uncertain future outcomes of events or conditions. Accordingly, subsequent events may result in outcomes that are significantly different from assessment.

2.1 Going concern

The financial statements of the Group have been prepared on a going concern basis, which assumes that the Group will be able to meet its obligation as and when they fall due.

The Group operates in a very competitive market putting pressure on its cash flows. Whilst the subsidiary entity was able to record positive EBITDA results in the last two years, it is reliant on the Credit Union to manage its cash flows.

In the immediate term, the directors and management have disposed some assets to improve the Group's gearing and reduce debt commitments. After the disposal of the assets, the Group's liquidity position has improved. Management remains confident that sufficient contracts will be secured, and future rental and lending activities will generate sufficient positive cash flows. Accordingly, the directors have prepared this financial report on a going concern basis.

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 30 JUNE 2021

	Group 2021 $	Group 2020 $	Credit Union 2021 $	Credit Union 2020 $
3. Operating income and interest expense				
a) Operating income				
Interest on loans to members	347,982	987,491	347,982	987,491
Fees and charges	220,631	343,725	220,631	343,725
Construction revenue	160,054	439,132	-	-
Temporary shed/scaffolding income	297,788	371,031	-	-
Rental income	583,287	536,103	588,287	543,603
Total operating income	1,609,742	2,677,482	1,156,900	1,874,819
b) Interest expense				
Interest on borrowings	119,891	159,335	117,665	153,576
Interest on leases	1,052	3,115	1,052	3,115
	120,943	162,450	118,717	156,691

4. Other income	$	$	$	$
Miscellaneous income	24,637	132,584	22,032	130,827
Gain on disposal of fixed assets	-	11,685	-	-
Gain on disposal of investment properties	1,905,198		1,905,198	-
Other income	5,036	26,020	5,036	26,020
Total other revenue	1,934,871	170,289	1,932,266	156,847

5. Receivables	$	$	$	$
Trade and other receivables	1,857,683	1,779,743	780,963	690,073
Less: allowance for expected credit loss	(287,630)	(287,630)	-	-
	1,570,053	1,492,113	780,963	690,073
Other receivable	2,778,439	-	2,778,439	-
Deposit	27,236	27,746	27,236	27,746
Prepayments	31,244	21,116	31,244	21,116
	4,406,972	1,540,975	3,617,882	738,935

Movements in the provision for impairment of trade and other receivables were, as follows:

	$	$	$	$
At the beginning of the year	287,630	287,630	-	-
Add: charge for the year	-	-	-	-
At 30 June	287,630	287,630	-	-

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 30 JUNE 2021

6. Other assets	Group 2021 $	Group 2020 $	Credit Union 2021 $	Credit Union 2020 $
Staff advances	293,071	287,744	293,071	287,744
Advance to Board members	102,361	94,731	102,361	94,731
Less: allowance for expected credit loss	(72,706)	(72,706)	(72,706)	(72,706)
	322,726	309,769	322,726	309,769

Movements in the provision for impairment of other assets are as follows:

At 1 July	72,706	72,706	72,706	72,706
Movement during the year	-	-	-	-
At 30 June	72,706	72,706	72,706	72,706

7. Inventories	$	$	$	$
Tools and materials	55,893	55,893	-	-
Work in progress	695,157	618,470	-	-
	751,050	674,363	-	-

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 30 JUNE 2021

8. Property, plant and equipment

Group:

	Freehold land and buildings	Furniture and fittings	Plant and computer equipment	Motor vehicles	Total
	$	$	$	$	$
Cost					
At 30 June 2019	2,047,270	114,467	2,230,110	742,859	5,134,706
Additions	-	-	29,161	-	29,161
Disposals	-	-	-	(167,220)	(167,220)
Less: transfer to assets held for sale [Note 30]	(1,885,827)	-	-	-	(1,885,827)
Transfer to right-of-use assets	(161,443)	-	-	(288,533)	(449,976)
At 30 June 2020	-	114,467	2,259,271	287,106	2,660,844
Additions	-	-	8,531	-	8,531
Disposals	-	-	(4,190)	-	(4,190)
At 30 June 2021	-	114,467	2,263,612	287,106	2,665,185
Depreciation					
At 30 June 2019	124,914	94,901	1,060,022	411,540	1,691,377
Amortisation and depreciation charge for the year	31,558	12,147	211,024	60,895	315,624
Disposals	-	-	-	(108,905)	(108,905)
Transfer to right-of-use assets	-	-	-	(127,113)	(127,113)
Less: transfer to assets held for sale adjustment	(156,472)	-	-	-	(156,472)
At 30 June 2020	-	107,048	1,271,046	236,417	1,614,511
Amortisation and depreciation charge for the year	-	5,651	185,398	93,706	284,755
Disposals	-	-	(2,100)	-	(2,100)
At 30 June 2021	-	112,699	1,454,344	330,123	1,897,166
Net book value					
At 30 June 2021	-	1,768	809,268	(43,017)	768,019
At 30 June 2020	-	7,419	988,225	50,689	1,046,333

The property at Goodenough Street, Suva is stated at fair value based on an independent valuation at open market value prepared on 2 December 2014 by registered valuer, Roile Associates. The freehold land, building and specific leased motor vehicles have been pledged as security to Australia and New Zealand Banking Group for the Credit Union's borrowings. The loans with ANZ Bank were settled during this financial year.

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 30 JUNE 2021

8. Property, plant and equipment continued

Credit Union:

	Freehold land and buildings	Furniture and fittings	Plant and computer equipment	Motor vehicles	Total
	$	$	$	$	$
Cost					
At 30 June 2019	2,047,270	114,467	644,321	98,861	2,904,919
Additions	-	-	27,243	-	27,243
Less: transfer to right-of-use assets	(161,443)	-	-	-	(161,443)
Less: transfer to assets held for sale [Note 30]	(1,885,827)	-	-	-	(1,885,827)
At 30 June 2020	-	114,467	671,564	98,861	884,892
Additions	-	-	7,564	-	7,564
Disposals	-	-	(158)	-	(158)
At 30 June 2021	-	114,467	678,970	98,861	892,298
Depreciation					
At 30 June 2019	124,914	94,901	541,456	76,108	837,379
Amortisation and depreciation charge for the year	31,558	12,147	32,383	8,532	84,620
Less: transfer to assets held for sale adjustment	(156,472)	-	-	-	(156,472)
At 30 June 2020	-	107,048	573,839	84,640	765,527
Amortisation and depreciation charge for the year	-	5,651	27,568	8,532	41,751
Other adjustments	-	-	(158)	-	(158)
At 30 June 2021	-	112,699	601,249	93,172	807,120
Net book value					
At 30 June 2021	-	1,768	77,721	5,689	85,178
At 30 June 2020	-	7,419	97,725	14,221	119,365

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 30 JUNE 2021

	Group 2021 $	Group 2020 $	Credit Union 2021 $	Credit Union 2020 $
9. Financial assets				
Debt instruments at amortised cost				
Term deposit - Kontiki Finance Limited	-	35,779	-	35,779
	-	35,779	-	35,779

The term deposit was held with Kontiki Finance Limited. This was redeemed during the year.

10. Investment properties	$	$	$	$
Balance at the beginning of the year	5,834,892	6,723,934	5,834,892	6,723,934
Less: investment property held for sale [Note 30]	-	(889,042)	-	(889,042)
Net written down value as at 30 June	5,834,892	5,834,892	5,834,892	5,834,892

Investment properties are stated at fair value at each balance date as determined by the Directors with reference to valuations by registered independent valuers. The most recent independent valuation of the properties prior to balance date was performed in June 2018 by Rolle Associates. The properties were pledged as security for borrowings with Australia and New Zealand Banking Group. During the financial year, the loans from ANZ Bank were settled and the securities have been released.

11. Intangible assets	$	$	$	$
a) Computer software				
At cost				
At the beginning of the year	315,560	315,560	268,503	268,503
At 30 June	315,560	315,560	268,503	268,503
Depreciation and impairment				
At the beginning of the year	254,394	226,124	208,178	189,009
Amortisation expense for the year	9,939	28,270	9,300	19,169
At 30 June	264,333	254,394	217,478	208,178
Net book value	51,227	61,166	51,025	60,325

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 30 JUNE 2021

	Group 2021 $	Group 2020 $	Credit Union 2021 $	Credit Union 2020 $
11. Intangible assets continued				
b) Goodwill				
Goodwill	1,187,368	1,187,368	-	-

Goodwill acquired through business combination with indefinite life has been allocated to the subsidiary acquired which is an individual Cash Generating Unit. The subsidiary recorded a positive EBITDA result for the years 2021 and 2020.

12. Investment in subsidiary	$	$	$	$
a) Skaffwork Building Solutions Pte Limited (SBSL)	-	-	5,526,401	5,526,401

The Credit Union owns 100% of the shares of SBSL.

b) On 11 June 2019, the Board of Directors had agreed to convert $3,865,718 worth of advances from the Credit Union to subordinated loan and classify it as equity in SBSL. A portion of these will be translated to share capital. At year-end, the terms of the shares have yet to be confirmed and the shares yet to be issued.

13. Loans to members	$	$	$	$
Balance at the beginning of the year	6,018,385	9,348,822	6,018,385	9,348,822
Add: Loans given during the year	812,596	1,850,396	812,596	1,850,396
Fees and interest	467,449	1,174,664	467,449	1,174,664
Transfers	2,981	16,351	2,981	16,351
	7,301,411	12,390,233	7,301,411	12,390,233
Deduct: Loans repaid	(1,353,526)	(2,627,591)	(1,353,526)	(2,627,591)
Loans offset against members shares	(906,680)	(1,132,763)	(906,680)	(1,132,763)
Reclassification to other receivables	(85,392)	-	(85,392)	-
Bad debts written off	-	(2,611,494)	-	(2,611,494)
Balance as at 30 June	4,955,813	6,018,385	4,955,813	6,018,385
Deduct:				
Allowance for expected credit loss at the beginning of the year	(2,055,796)	(2,567,211)	(2,055,796)	(2,567,211)
Bad debts transferred to reserve fund	-	(36,723)	-	(36,723)
Bad debts written off during the year	-	2,599,756	-	2,599,756
Allowance for expected credit loss	-	(2,051,618)	-	(2,051,618)
	(2,055,796)	(2,055,796)	(2,055,796)	(2,055,796)
Loans to Members, net	2,900,017	3,962,589	2,900,017	3,962,589
Loans to Members presented as:				
Current	2,311,038	2,379,028	2,311,038	2,379,028
Non-current	588,979	1,583,561	588,979	1,583,561
	2,900,017	3,962,589	2,900,017	3,962,589

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 30 JUNE 2021

13. Loans to members continued

Impairment allowance for loans to members
A reconciliation of the allowance for impairment losses and advances, by class, is as follows :

ECL Stages	Number of loans	Member loan balances	Member savings balances	(Secured)/ Unsecured	Provision made
Stage 1	692	1,454,500	2,752,199	533,568	-
Stage 2	112	641,103	322,227	496,765	9,935
Stage 3	2,109	3,165,497	410,836	2,863,846	2,045,861
Members without loans	8,348	-	2,730,971	698,582	-
Total	11,261	5,261,100	6,216,233	4,592,761	2,055,796

(i) Unsecured loans amounted to $4,592,761 (2020: $4,536,904), were granted to members as at 30 June 2021.

(ii) As at 30 June 2021, the balance of loans payable by the board and committee members of Fiji Public Service Credit Union amounted to $640,569 (2020: $630,004) out of which $560,716 (2020: $523,201) were unsecured.

(iii) A reserve fund is held as a reserve against bad loans or losses as well as impaired loss for uncollectable loans.

(iv) A sum of $2,055,796 (2020: $2,055,796) was recorded as allowance for impairment losses.

	Group 2021 $	Group 2020 $	Credit Union 2021 $	Credit Union 2020 $
14. Trade and other payables				
Creditors and accruals	436,743	453,529	266,277	212,169
Rental deposits	203,059	207,187	203,059	207,187
Other payables	(20,338)	127,907	(20,338)	127,907
	619,464	788,623	448,998	547,263
15. Provisions	$	$	$	$
Employee entitlements				
At the beginning of the year	15,614	24,743	15,614	24,743
Arising during the year	2,024	901	2,024	901
Utilised during the year	(2,024)	(10,030)	(2,024)	(10,030)
At 30 June	15,614	15,614	15,614	15,614

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 30 JUNE 2021

	Group 2021 $	Group 2020 $	Credit Union 2021 $	Credit Union 2020 $
16. Interest-bearing borrowings				
a) Bank overdraft (Note 24)	-	318,252	-	318,252

The interest-bearing borrowing represented a bank overdraft facility with the Australia and New Zealand Banking group. The overdraft limit attracted an interest rate of 5.49% and a temporary overdraft limit of $250,000. The repayment terms of the facility are on demand. During the year, the amount outstanding on the facility was settled.

	$	$	$	$
b) Term Loan - current	-	290,146	-	290,146
Term Loan - non current	-	1,384,180	-	1,384,180
	-	1,674,326	-	1,674,326

Interest-bearing borrowings represented fully drawn advance facilities taken from the Australia and New Zealand Banking Group. The loans were taken for capital expenditure, the purchase of business information system, purchase of Skaffworks business, Waimanu and Wailoku properties. The loan facility attracted an interest rate of 5.49% per annum and was due to be settled within 36 months from the date of borrowing. At 30 June 2021, the loans were settled after the disposal of certain investment properties of the Credit Union.

Term loan - current represents the portion of interest-bearing borrowings due within the next 12 months.

Particulars related to secured borrowings:

The bank overdraft and term loan from ANZ Bank which was drawn down by the Group was secured by:
1) A general lien, dated 26/06/1997 over the assets of the Credit Union (Stamped to $3.2m);
2) First registered mortgage over commercial property situated at 11 Goodenough Street, Suva and comprised in Certificate of Title No. 5009;
3) First registered mortgage number 426150 over commercial property situated at Gladstone Road, Suva and comprised in Certificate of Title No. 28194;
4) First registered Bill of Sale Deed over all chattels, fixtures and fittings and goods of the Credit Union including book debts;
5) Deed of assignment of debt;
6) Assignment over contract or proceeds;
7) Master Operating Lease Agreement between Fiji Public Service Credit Union and ANZ Bank; and
8) First Registered Mortgage over Certificate of Title Number 6052 being Lot 1 on DP 7846 over vacant land.

These securities have been discharged after the settlement of the loans with the ANZ Bank during the year.

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 30 JUNE 2021

17. Income tax	**Group 2021 $**	**Group 2020 $**

The prima facie income tax benefit differs from that shown in the financial statements and is reconciled as follows:

	Group 2021 $	Group 2020 $
Operating loss before income tax of the subsidiary	(229,998)	(246,208)
Prima facie tax expense on operating loss at 20%	(46,000)	(49,242)
Tax losses not recognised/recouped	46,000	49,242
Income tax (benefit)/expense on current year profit	-	-

Deferred tax

Deferred income tax at 30 June relates to the following:

	Group 2021 $	Group 2020 $
Deferred tax liability		
Accelerated depreciation for tax purposes	64,221	64,221

Reflected in the statement of financial position as follows:

	Group 2021 $	Group 2020 $
Deferred tax liability	64,221	64,221

18. Member shares

Clause 13 of the Fiji Public Service Credit Union Supplementary By-Laws further states that money paid in on account of shares may be withdrawn in whole or in part subject to any indebtedness to the Credit Union.

Shares may be transferred only from one member to another by written instrument in such form as the Board may prescribe.

Each year the Board may declare a dividend from the earnings remaining after provision for reserves as specified in clause 70 of the Fiji Public Service Credit Union Supplementary By-Laws and dividends shall be paid on fully paid shares outstanding at the end of the financial year.

19. Reserve fund

The reserve fund is held as a general reserve against bad loans or losses (Section 37(4)) of the Credit Union Act).

In accordance with Section 67 and 68 of the Fiji Public Service Credit Union Supplementary By-laws:

(i) All entrance fees and fines are directly brought into this reserve.

(ii) Until such time as the total amount in the reserve fund reaches 20% of the sum of the deposits and the issued capital, it is compulsory for directors to transfer not less than 20% of net earnings to the reserve fund, prior to declaring any dividends. Once the amount in the reserve fund is equal to 20% of the sum of the deposits and the issued capital, the directors "shall not be required to set aside" funds to the reserve fund.

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 30 JUNE 2021

20. Special reserve fund

In accordance with clause 70 of the Fiji Public Service Credit Union Supplementary By-Laws, the Directors had established the special reserve fund, into which the net surplus for the year, after adjusting for proposed dividends and transfer to reserve fund, was transferred.

21. Special death benefit scheme fund

In accordance with clauses 76.2 and 86 of Fiji Public Service Credit Union Supplementary By-Laws, the Directors have established the Special Death Benefit Scheme Fund to provide for special benefits upon death of a member. The special death benefit scheme fund envisages, in the event of a member's death, waiver of loan balance outstanding from a member up to a maximum of $10,000 and repayment of twice the share balance (up to a maximum of $5,000) to the credit of the member's beneficiary. On death of a member, death benefits by way of additional share refunds and loan write-offs are charged directly to the special death benefit scheme fund, rather than charging such loan write-offs and additional share refunds through the statement of comprehensive income. During the year, $15 (2020: $5,677) was paid out under this scheme fund.

22. Self insurance of death benefit scheme

The death benefit scheme envisages, in the event of a member's death, waiver of loan balance outstanding from a member up to a maximum of $10,000 and repayment of twice the share balance (up to a maximum of $5,000) to the credit of the member's beneficiary.

The Credit Union had, during the year ended 30 June 1999, discontinued the external insurance cover for loan protection insurance scheme covering liabilities arising out of death benefit scheme. Accordingly, the Credit Union has adopted a policy of self-insurance with respect to the death benefit scheme.

The Credit Union has not obtained independent actuarial valuation of liabilities arising from the death benefit scheme as at 30 June 2020. The actuarial valuation would have determined the adequacy of the provisions and reserves for this benefit scheme. The making of provisions and reserves the scheme is based on the Credit Union's policies. At balance date, the directors and management deem the provisions made as adequate.

The balance of special death benefit scheme fund as at 30 June 2021 was $983,044 (2020: $924,063).

23. Notes to the Statement of Cash Flows	**Group 2021 $**	**Group 2020 $**	**Credit Union 2021 $**	**Credit Union 2020 $**

a) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances with banks. Cash and cash equivalents included in the Statement of Cash Flow comprise the following Statement of Financial Position amounts:

	Group 2021 $	Group 2020 $	Credit Union 2021 $	Credit Union 2020 $
Cash on hand and at bank	172,318	172,569	162,494	109,335
Bank overdraft (Note 16)	-	(318,252)	-	(318,252)
Total cash and cash equivalents	172,318	(145,683)	162,494	(208,917)

b) Non-cash financing activities

During the year, member's shares of $1,327,676 (2020: $1,233,996) were applied against payment of member's loan accounts.

Furthermore, no dividends were declared and credited to member's shares during the year (2020: nil).

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 30 JUNE 2021

24. Commitments

Construction contracts committed but not completed for SBSL amounts to $340,066 (2020: $741,212). The direct costs related to these projects is committed by the Group as of balance date.

25. Contingent liabilities

Contingent liabilities as at 30 June 2021 amounted to $Nil (2020: $Nil).

26. Related party disclosures

a) The names of persons who were directors of the Credit Union at any time during the financial year are as follows:

Mr. Jale Kunawalu (Chairperson) - effective from September 2020
Mr. Aporosa Lutunauga (Deputy Chairperson) - effective from September 2020
Mrs. Jowana Koroituinakelo (Chairperson) - ceased September 2020
Mr. Jale Kunawalu (Deputy Chairperson) - ceased September 2020
Mr. Romulusi Yauvoli
Mr. Eliki Masa
Mr. Tikiko Vulaca

	Group 2021 $	Group 2020 $	Credit Union 2021 $	Credit Union 2020 $
b) Transactions with the Board and Committee members of the Credit Union for the year ended 30 June 2021 with approximate transaction values are summarised as follows:				
i) Loans:				
Loans - balance as at 30 June	640,569	630,004	640,569	630,004
Shares:				
Shares - balance as at 30 June	79,859	106,804	79,859	106,804
ii) Expenditure				
Board and committee meeting allowances	26,527	58,582	24,963	45,275

All transactions with the Board and committee members are generally conducted on commercial terms and conditions.

c) Amounts due from Skaffwork Building Solutions Pte Limited (SBSL) amounted to $382,380 (2020: $258,583). Major transactions were for the purchase of construction materials to fulfil SBSL contractual obligations and to assist with the subsidiary's current year operations.

	$	$
Purchase of construction materials	211,007	169,599
Operational expenses	166,373	88,984
Office space rental	5,000	-
	382,380	258,583

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 30 JUNE 2021

26. Related party disclosures continued

d) Key management personnel remuneration

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

No remuneration were paid to the Directors except for meeting allowances (2020:nil). Total remuneration to the Group's key management personnel was: $108,358 (2020: $133,156).

27. Leases

Credit Union and Group as a lessee

The Credit Union and Group have lease contracts for land and office premises used in its operations. The native land lease has a term of 14 years, the lease for office premises is generally for 3 years. Generally, the Credit Union and Group is restricted from assigning and subleasing the leased assets.

The Credit Union and Group also have certain leases for office premises with lease terms of 12 months or less and leases of office equipment with low value. The Credit Union and Group apply the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year:

Group	**Motor vehicles**	**Land $**	**Office premises $**	**Total $**
As at 1 July 2020	103,713	129,065	1,534	234,312
Depreciation expense	1	(11,162)	(3,068)	(14,229)
As at 30 June 2021	103,714	117,903	(1,534)	220,083

Credit Union	**Land $**	**Office premises $**	**Total $**
As at 1 July 2020	129,065	1,534	130,599
Depreciation expense	(11,162)	(3,068)	(14,230)
As at 30 June 2021	117,903	(1,534)	116,369

Set out below are the carrying amounts of lease liabilities and the movements during the year:

	Group $	**Credit Union $**
As at 1 July 2020	75,682	14,653
Accretion of interest	3,278	1,052
Payments	(64,954)	(3,735)
As at 30 June 2021	14,006	11,970
Current	2,682	2,682
Non-current	11,324	9,288
	14,006	11,970

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 30 JUNE 2021

27. Leases continued

Credit Union and Group as a lessee continued

The maturity analysis of lease liabilities are disclosed in Note 29.

The following are the amounts recognised in profit or loss for the year ended 30 June 2021:

	Group $	Credit Union $
Depreciation expense of right-of-use assets	14,229	14,230
Interest expense on lease liabilities	3,278	1,052
Expense relating to short-term leases (included in other operating expenses)	1,563	1,563
Total amount recognised in profit or loss	19,070	16,845

The Credit Union had cash outflows for leases of $5,298 (2020: $16,265) whereas the Group had total cash outflows for leases of $66,517 (2020: $77,484).

Credit Union and Group as a lessor

The Credit Union and Group have entered into operating leases on its investment property portfolio consisting of office premises (see Note 10). These leases have terms between 1 month and 5 years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions. Rental income recognised by the Credit Union during the year amounted to $588,287 (2020: $543,603), and rental income recognised by the Group during the year amounted to $583,287 (2020: $543,603).

Future minimum rentals receivable under non-cancellable operating leases as at 30 June are as follows:

	Group 2021 $	Group 2020 $	Credit Union 2021 $	Credit Union 2020 $
Within one year	403,896	403,896	403,896	403,896
After one year but not more than five years	509,254	509,254	509,254	509,254
	913,150	913,150	913,150	913,150

28. Financial instruments risk management objectives and policies

The Credit Union's principal financial liabilities, comprise loans and borrowings, and trade and other payables. The main purpose of these financial liabilities is to finance the Credit Union's operations. The Credit Union's principal financial assets include trade receivables, and cash and short-term deposits that derive directly from its operations. The Credit Union also holds investments in debt and equity instruments.

The Credit Union is exposed to market risk, credit risk and liquidity risk. The Credit Union's senior management oversees the management of these risks. The Credit Union's senior management is supported by a finance committee that advises on financial risks and the appropriate financial risk governance framework for the Credit Union. The finance committee provides assurance to the Credit Union's senior management that the Credit Union's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Credit Union's policies and risk objectives. The Board of Directors review and agree on policies for managing each of these risks, which are summarised below.

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 30 JUNE 2021

28. Financial instruments risk management objectives and policies continued

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk and other price risk, such as equity price risk and commodity risk. Financial instruments affected by market risk include loans and borrowings, deposits and debt and equity investments.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Credit Union's exposure to the risk of changes in market interest rates relates primarily to the Credit Union's long-term debt obligations.

Credit risk

Credit risk is the risk that the Credit Union will incur a loss because its members or counterparties fail to discharge their contractual obligations. The Credit Union 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 monitored by the Finance Department of the Credit Union. It is their responsibility to review and manage credit risk.

The Credit Union has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions. Counterparty limits are established by the use of a credit risk classification system, which assigns each counterparty a risk rating. Risk ratings are subject to regular revision. The credit quality review process aims to allow the Bank to assess the potential loss as a result of the risks to which it is exposed and take corrective actions.

Impairment assessment

Definition of default, impaired and cure

The Credit Union considers a financial instrument defaulted for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments. The Credit Union considers loan balances defaulted and takes immediate action when the required intraday payments are not settled by the close of business as outlined in the individual agreements.

As a part of a qualitative assessment of whether an exposure is credit-impaired, the Credit Union also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Credit Union 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:

- An exposure is forborne or modified due to financial difficulties of the borrower
- Internal rating of the borrower indicating default or near-default
- The borrower requesting emergency funding from the Credit Union
- The borrower having 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 covenant breach not waived by the Credit Union

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 30 JUNE 2021

28. Financial instruments risk management objectives and policies continued

Credit risk continued

Impairment assessment continued

Definition of default, impaired and cure continued

It is the Credit Union'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 12 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.

Liquidity risk

The table below summarises the maturity profile of the Credit Union's undiscounted cash flows of its financial liabilities as at 30 June.

30 June 2021	On demand $	Less than 3 months $	3 to 12 months $	1 to 5 years $	More than 5 years $	Total $
Bank overdraft	-	-	-	-	-	-
Interest-bearing borrowings	-	-	-	1,198,056	446,980	1,645,036
Lease liabilities	-	622	2,060	6,789	8,486	17,957
Trade and other payables	-	619,464	-	-	-	619,464
	-	620,086	2,060	1,204,845	455,466	2,282,457
30 June 2020	$	$	$	$	$	$
Bank overdraft	318,252	-	-	-	-	318,252
Interest-bearing borrowings	-	65,702	328,509	1,198,056	446,980	2,039,247
Lease liabilities	-	622	3,112	6,789	8,486	19,009
Trade and other payables	-	788,623	-	-	-	788,623
Finance lease obligations	-	9,470	47,348	-	-	56,818
	318,252	864,417	378,969	1,204,845	455,466	3,221,949

29. Assets held for sale	Group 2021 $	Group 2020 $	Credit Union 2021 $	Credit Union 2020 $
Transfer from investment properties [Note 10]	-	889,042	-	889,042
Transfer from property, plant and equipment [Note 8]	-	1,729,355	-	1,729,355
	-	2,618,397	-	2,618,397

The Credit Union sold three investment properties during the year. The proceeds were used to settle the loan with ANZ Bank and for operations and capital expenditure.

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
NOTES TO THE FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 30 JUNE 2021

30. Principal activities

The principal activities of the Credit Union during the year were that of promoting thrift among its members, receiving the savings of its members and to make loans to its members.

There were no significant changes in the nature of these activities during the financial year.

31. Group details

a) Credit Union Incorporation
The Credit Union is incorporated in Fiji under the Credit Unions Act, 1972.

Registered office/ Principal place of business
The registered office/principal place of business is located at:

11 Goodenough Street
GPO Box 1231
Suva.

b) Skaffwork Building Solutions Limited
The legal form of the company is a private company, domiciled and incorporated in Fiji.

Registered office/ Principal place of business
The registered office/principal place of business is located at :

29 Gladstone Road
Suva.

32. Comparatives

Where necessary, amounts relating to prior period have been reclassified to conform with presentation in the current period.

33. Significant event during the year

During the year, there was an increase in membership withdrawals as a result of the COVID-19 pandemic. In response, the Credit Union decided to dispose three properties, settle its borrowings with ANZ Bank and implemented policies to protect its liquidity whilst meeting its members' requests. The disposal of the properties resulted in a net gain of $1.9 million and loans and overdraft facility with ANZ Bank of approximately $2 million were settled.

34. Events subsequent to balance date

The effects of COVID-19 have manifested in the interval between the end of the financial year and the date of this report. During this uncertain period, there were restrictions to movement which impacted business activity. Nevertheless, the Credit Union and the Group continued to adapt and respond to challenges during the pandemic.

Apart from the matters noted above, no other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
DISCLAIMER ON ADDITIONAL FINANCIAL INFORMATION
FOR THE YEAR ENDED 30 JUNE 2021

DISCLAIMER ON ADDITIONAL FINANCIAL INFORMATION

The additional financial information, being the attached Detailed Income Statement has been compiled by management of Fiji Public Service Credit Union.

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
DETAILED INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2021

	Group 2021 $	Group 2020 $	Credit Union 2021 $	Credit Union 2020 $
Income				
Interest - member loans	347,982	987,491	347,982	987,491
Construction revenue	160,054	439,132	-	-
Total	508,036	1,426,623	347,982	987,491
Cost of sales				
Direct materials	72,817	95,102	-	-
Direct labour	193,842	373,293	-	-
Interest on loans	119,891	159,335	117,665	153,576
	386,550	627,730	117,665	153,576
Gross profit	121,486	798,893	230,317	833,915
Other income				
Rent	583,287	536,103	588,287	543,603
Proceeds from sundry asset sale	1,010	-	1,010	-
Fees and charges	220,631	343,725	220,631	343,725
Temporary shed hire	295,769	370,618	-	-
Scaffolding equipment hire	2,019	413	-	-
Gain on disposal of investment properties	1,905,198	11,685	1,905,198	-
Interest on investment	4,026	26,020	4,026	26,020
Miscellaneous income	24,637	132,584	22,032	130,827
Total other income	3,036,577	1,421,148	2,741,184	1,044,175
Total income	3,158,063	2,220,041	2,971,501	1,878,090
Expenses				
Administration sundries	-	5,234	-	5,234
Advertising and promotion	2,710	1,338	2,710	1,138
Annual general meeting	-	-	-	-
Annual leave	2,024	1,298	2,024	1,298
Auditor's remuneration - audit fees	14,780	20,000	13,080	12,000
- other fees	2,500	-	-	-
Bank charges	13,457	15,554	11,979	13,659
Board meeting allowances	17,457	41,924	15,893	30,942
Commission - treasury	1,534	3,366	1,534	3,366
Credit committee meeting allowances	5,755	16,658	5,755	16,658
Expected credit losses - loans to members	-	2,051,618	-	2,051,618
Depreciation and amortisation	294,694	401,601	51,051	103,789
Depreciation of right-of-use assets	14,229	15,763	14,229	15,763
Fringe benefit tax	-	719	-	719
Fuel	46,746	26,478	29,545	18,630
General expenses	2,043	1,734	1,369	-
Insurance	29,498	36,521	22,839	19,580

The Detailed Income Statement is to be read in conjunction with the disclaimer set out on page 53.

FIJI PUBLIC SERVICE CREDIT UNION and its subsidiary
DETAILED INCOME STATEMENT continued
FOR THE YEAR ENDED 30 JUNE 2021

Expenses continued	Group 2021 $	Group 2020 $	Credit Union 2021 $	Credit Union 2020 $
Interest on leases	1,052	3,115	1,052	3,115
Legal fees	22,087	18	22,087	18
Loss on disposal	208,618	-	208,583	-
Membership drive expenses	17,002	16,602	17,002	16,602
Motor vehicle expenses	3,687	56,040	3,687	-
Navoli farm	1,307	-	-	-
Other administrative expenses	22,795	22,854	-	-
Postage, printing and stationery	3,017	3,552	3,017	3,552
Professional fees	21,540	10,631	21,540	5,956
Rates and taxes	19,825	14,254	19,825	14,254
Rental - Lautoka and Labasa	1,563	9,063	1,563	9,063
Repairs and maintenance	49,858	40,531	26,155	48,800
Repairs and maintenance - Credit Union Towers	8,468	9,346	8,468	9,346
Salaries, wages and Fiji National Provident Fund	497,658	712,881	409,655	556,689
Security expenses	53,696	53,795	53,696	53,795
Social functions	3,377	16,096	3,377	16,096
Software upgrade and support	23,114	28,241	23,114	28,241
Staff training	4,003	13,950	4,003	13,950
Sundry expenses	5,083	2,051	5,083	2,051
Supervisory committee meeting allowances	3,315	6,487	3,315	6,487
Staff costs	677	1,550	-	-
Telephone and internet	28,215	35,687	23,867	30,152
Tender expenses	250	2,300	-	-
Travelling - local	1,464	308	1,441	214
Water and electricity	19,332	25,011	19,332	23,235
Total expenses	1,468,430	3,724,169	1,051,870	3,136,010
Profit/(loss) from operations	1,689,633	(1,504,128)	1,919,631	(1,257,920)
Change in fair value of investment properties	-	-	-	-
Income tax benefit	-	-	-	-
Profit/(loss) for the year	1,689,633	(1,504,128)	1,919,631	(1,257,920)
Other comprehensive income	-	-	-	-
Total comprehensive income/(loss) for the year	1,689,633	(1,504,128)	1,919,631	(1,257,920)

The Detailed Income Statement is to be read in conjunction with the disclaimer set out on page 53.

Orbituary

Unseen, unheard but always near, still missed, and held so dear.

Jone Yabakidrau Koroi
General Manager
1974 - 2020

Eliki Masa
Director
1963 - 2021

Ratu Lagani Bukiyanawasawasa
Staff Member
1960 - 2021

Jack Valentine
Former Executive & Acting General Manager
1952 - 2023

Nasoni Balenacagi
Staff Member
1967 - 2023

Ana Ratu
Staff Member
1973 - 2023

Romolusi
Yauvoli Director
1968 - 2023

FPS

Credit Union

Level 2 CREDIT UNION TOWERS

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Suva, Fiji