FMF FOODS LIMITED

(Formerly Flour Mills of Fiji Limited)

ANNUAL REPORT
2018

19th September, 2018

Dear Shareholder

Subject: Service of documents viz., Notice of Meetings, Annual Report etc. through electronic mode

The new Companies Act, 2015 permits sending notice by electronic means (e-mail) as nominated by the Member (Section 143) and providing Annual Report to Members by publishing on a website if the Member consents in writing to access such report from a website instead of receiving a hard copy of the documents (Section 400).

Sending the notices and reports through electronic mode will definitely reduce paper consumption to a great extent in addition to allowing online access to documents promptly and without loss in postal transit. Your Company is committed to contribute to a greener environment and we are sure that as a responsible shareholder, you too will support this initiative. We, therefore, seek your written consent to receive future Notice of Meetings and Annual Reports in electronic format and to have access to such documents published on the Company website : www.fmf.com.fj or on the South Pacific Stock Exchange website : www.spse.com.fj , instead of sending hard copy printed documents by filling in the form attached to this letter.

The completed form could be returned to us as follows:

a) Scanned and emailed to sandeepk@fmf.com.fj ; or
b) Posted / Hand delivered to the address noted below :

The Company Secretary
FMF Foods Limited
P.O.Box 977, Leonidas Street
Walu Bay
Suva

In case you have already sent your consent in the above regard to the Company, you need not send this consent again.

If you do not wish to switch over to the environmentally friendly mode of receiving notice and annual reports by electronic means, no action from you is required to this letter.

Best regards

Sandeep Kumar
Company Secretary

CONSENT FOR RECEIVING NOTICES AND ANNUAL REPORT IN ELECTRONIC MODE

To

The Company Secretary
FMF Foods Limited
P.O.Box 977, Leonidas Street
Walu Bay
Suva

Dear Sir,

I/We shareholder (s) of FMF Foods Limited, agree to receive all notices and documents including the Annual Report, Notice for General Meetings and other Shareholders Communication, from time to time, in electronic mode and to have access to such documents published on the South Pacific Stock Exchange website : www.spse.com.fj or on the Company's website : www.fmf.com.fj

I/We request you to kindly register my/our below mentioned email id in the Company's records for sending such communication through e-mail.

Share Folio No. ___________________

Name of the Sole / First Shareholder :____

Name of the Joint Shareholders (if any) : ____

____

No. of shares held :____

E-mail id for receipt of documents
in electronic mode : ____

Date:

Place: Signature: _________________________

(Sole/ First Shareholder)

FMF FOODS LIMITED

Contents

FMF FOODS LIMITED (Formerly Flour Mills of Fiji Limited)

BOARD OF DIRECTORS

Mr. Hari Punja ORDER OF FIJI, OBE, - *Chairman*

Mr. Rohit Punja - *Executive Director*

Mr. Ram Bajekal - *Managing Director*

Mr. Ajai Punja - *Non-Executive Director*

Mr. Gary Callaghan – *Independent Director*

Mr. Pramesh Sharma – *Independent Director*

Ms. Leena Punja - *Alternate to Mr. Hari Punja*

GROUP CHIEF FINANCIAL OFFICER & COMPANY SECRETARY

Mr.Sandeep Kumar

AUDITORS

PricewaterhouseCoopers,
Chartered Accountants,
Suva.

SOLICITORS

M/s Sherani & Co.

BANKERS

Australia and New Zealand Banking Group Limited

REGISTERED OFFICE

Lot 2, Leonidas Street,
Walu Bay, Suva. Republic of Fiji.
Telephone: +679 330 1188 Fax: +679 330 0944
Email: sandeepk@fmf.com.fj

SHARE REGISTRAR AND SHARE TRANSFER AGENTS

Central Share Registry Limited
Level 2 Provident Plaza 1
FNPF Boulevard
33 Ellery Street, Suva.
Telephone: +679 330 4130 Fax: +679 330 4145
Email: registry@spse.com.fj

NOTICE OF THE ANNUAL GENERAL MEETING

Notice is hereby given that the 46th Annual General Meeting (AGM) of FMF Foods Limited will be held on Tuesday, October 30, 2018 at 4.00 p.m., at the Board Room at Fiji Commerce & Employers Federation,42 Gorrie Street, Suva, Fiji, to transact the following business:-

General Business

Item No.1 – Confirmation of Minutes

To confirm the minutes of the previous Annual General Meeting of the Company held on October 30, 2017.

Ordinary Business

Item No.2 – Adoption of Audited Financial Statements

To receive, consider and adopt the consolidated financial statements of the Group for the year ended June 30, 2018, including the audited statement of financial position as at June 30, 2018, the statement of profit and loss and other comprehensive income for the year ended on that date and the report of the Board of Directors ('the Board') and Auditors thereon.

Item No.3 – Appointment of Director

(a) Mr.Hari Punja

To appoint a Director in place of Mr.Hari Punja, who retires by rotation and being eligible in accordance with Article 86 of the Articles of Association of the Company, offers himself for re-appointment.

(b) Mr.Gary Callaghan

To appoint a Director in place of Mr.Gary Callaghan, who retires by rotation and being eligible in accordance with Article 86 of the Articles of Association of the Company, offers himself for re-appointment.

Item No.4 – Appointment of Auditors

To appoint Auditors in accordance with Section 422 of the Companies Act, 2015, to hold office from the conclusion of this meeting until conclusion of the next AGM at a remuneration as may be mutually agreed between the Board and the Auditors. The retiring Auditors M/s.PriceWaterHouseCoopers, Chartered Accountants, being eligible, offer themselves for appointment.

Any Other Business

Any other business brought up in conformity with the Articles of Association of the Company.

By **Order of the Board of Directors**

Sandeep Kumar K
Chief Financial Officer and
Company Secretary

19th September 2018

Registered Office:
Leonidas Street,
Walu Bay, Suva, Fiji

PROXIES

1. A member who is unable to attend the meeting is entitled to appoint a proxy to attend the meeting and vote on his behalf. The proxy need not be a member of the company.
2. A proxy form is enclosed with this Annual Report. To be effective the form must reach the registered office of the company, no less than 48 hours before the time for holding the meeting.

Explanatory Notes:

ORDINARY BUSINESS:

Item No.2 – Adoption of Audited Financial Statements

The audited consolidated statement of financial position as at June 30, 2018, the consolidated statement of profit or loss and other comprehensive income for the year ended on that date, together with the Report of the Board of Directors and Independent Auditor's Report thereon, included in the 2018 Annual Report is for the Shareholders to read prior to the meeting. The audited financial statements of the Company and its subsidiaries (together the 'Group') have been prepared and reported based on a consolidated basis as per the International Financial Reporting Standards (IFRS).

As stipulated in the Articles of Association of the Company, it is a requirement that the Shareholders present at the AGM receive and adopt the above mentioned statements and reports.

Item No.3 – Appointment of Directors

In accordance with Article 84 and 86 of the Articles of Association of the Company, one third of the Directors, based on serving longest in office since their last appointment, shall retire from office and a retiring Director shall be eligible for re-election. Based on this, Mr.Hari Punja and Mr.Gary Callaghan would retire by rotation and are eligible to be re-elected.

The Board proposes that Mr.Hari Punja and Mr.Gary Callaghan be re-appointed as Directors of the Company as it considers that each nominee possesses attributes necessary for the development of the Company.

A brief profile of the retiring Directors seeking re-appointment is as follows:

Mr.Hari Punja:

Mr. Hari Punja ORDER OF FIJI, OBE, is the founder of Hari Punja Group of Companies and serves as the Chairman of the Board. Mr. Punja received his education in Fiji and Australia and is trained as a chemical engineer. Mr. Punja joined the business in 1960. He has served as a Mayor of Lautoka and on a number of prestigious boards such as Fiji Broadcasting Commission and Fiji Sugar Corporation. He served as a Senator from 1996 to 1999.

Mr. Punja has served as the Chairman of The Rice Company of Fiji Limited and Atlantic & Pacific Packaging Company Limited until December 1, 2016. He has also served as the Chairman of Punja & Sons Ltd., Unwired Fiji Limited etc.

Mr.Gary Callaghan:

Mr. Gary Callaghan has been a non-executive and independent Director of the Company since January 1992.

He was the Managing Director of Dominion Insurance Limited based in Suva for the period 1991 to 2014 and prior to that he was employed by Marsh, an international firm of insurance brokers. In addition to his employment with Dominion Insurance Limited, he has been involved in numerous other businesses in Fiji, Vanuatu, Tonga and PNG.

He is also the Chairman of Rice Company of Fiji Ltd and sits on the Board of Atlantic and Pacific Packaging Ltd. He is currently a Director of Dominion Finance Ltd, Capital Insurance Limited, Denarau Resort Management Limited, Credit and Data Bureau Limited and a number of other private companies.

Item No.4 – Appointment of Auditors

The Board proposes that M/s.PricewaterhouseCoopers, Chartered Accountants be re-appointed as the Auditors of the Company until the conclusion of the next Annual General Meeting and that the Board be authorised to fix their remuneration.

The retiring Auditors M/s. PricewaterhouseCoopers have consented in writing to act as Auditors and offer themselves for re-appointment.

FMF FOODS LIMITED

CHAIRMAN'S REPORT TO THE SHAREHOLDERS

Dear Shareholders,

It is that time of the year when I have the privilege of apprising you of the activities during the year gone by.

Financial year 2017-18 was a challenging one where the Company had to face a very difficult market environment. The year witnessed a lot of turbulence in the local supermarkets segment which got very competitive and had an adverse impact on the volume and price of your Company's products. The Company also experienced a reduction of sales in the feed segment. However, on a positive note, the new biscuit factory at Veisari started production in March 2018 and we expect to increase its output during the current financial year. Commodity prices rose during the beginning of the calendar year 2018, driven by both demand and supply factors and steady recovery of the global economy. Group revenue during the year under review reduced by 9% to $184.9 Mn. compared to $202.5 Mn. in 2016-17. Lower revenue coupled with increased depreciation from the new biscuit factory at Veisari has resulted in reduction of Group profit before tax to $10.5 Mn.

Dividend payout from the Company was increased to $2.60 Mn., 23.8% higher than last year ($2.1 Mn. last year), representing a total shareholder return of 62% during the year, taking into account dividend payout and capital appreciation during the period.

Outlook

As per the World Bank Report, agricultural commodity prices and oil prices are forecasted to rise mainly due to lower plantings and robust demand. Global food prices are expected to rise by 3.3% this year before easing to 1.3% in 2019. As per a recent Asian Development Bank Report, the Pacific's major economic partners Australia, New Zealand, and the United States are performing well, but growth in the South Pacific region is seen to slow this year in part due to the impacts of recent disasters in Papua New Guinea and Tonga. The Fijian economy is expected to grow by 3.2% in 2018 and by 3.4% in 2019, with inflation expected to be stabilised at around 3% by this year end. Growth is expected in wholesale and retail trade, financial, insurance and construction, while agricultural production and related manufacturing activities are anticipated to recover from the natural disaster caused by TC Josie and TC Keni in April 2018.

The production and sales to export markets from your Company's new biscuit factory is expected to pick up during 2018-19. The Papua New Guinea foreign exchange shortage is continuing, due to which a cautious approach has been taken for exports to that country.

Though general elections are scheduled to take place in Fiji in late 2018, we don't expect commercial or investment activity to slow down drastically. Large commitments by the Government to infrastructure projects, social and structural reforms and taxation policies are likely to keep the economy buoyant. Even though trading conditions are likely to remain tough for some time to come, I believe the foundations of the business are very strong and we expect to make further progress in 2018-19.

FMF FOODS LIMITED

CHAIRMAN'S REPORT (Contd….)

The relationships with our employees and external stakeholders, including our shareholders, customers, suppliers, financiers, authorities and the community at large are critical to the sustainability of the business and I thank them for their continued support. The first two months of the current financial year have started on a positive note and look forward to a successful year ahead.

Hari Punja ORDER OF FIJI, OBE,
Chairman

19th September 2018

Corporate Governance

In June 2008, the Capital Markets Development Authority (now the Capital Markets Unit of Reserve Bank of Fiji) published the Corporate Governance Code for the Capital Market (The Code). The Code articulates 10 core principles together with the best practice recommendations. This code is the basis for the FMF Foods Ltd's (FMF) corporate governance standards.

On a continuous basis, FMF has reviewed its existing policies and has codified / modified policies in line with its goal to improve the standard of corporate governance.

Role of the Board

The role of the Board is to assume accountability for the success of the company by taking responsibility for its direction and management in order to meet its objective of enhancing shareholder value.

The Board

Directors are elected by Shareholders at the Annual General Meeting. One third of the total strength of the Board, retire by rotation each year and are eligible for re-election. Casual vacancies during the year are filled up by the Board till the conclusion of the next Annual General Meeting.

As at the Balance date, the Directors in Office were Messrs.Hari Punja (Chairman), Rohit Punja (Executive Director), Ram Bajekal (Managing Director), Ajai Punja, Gary Callaghan, Pramesh Sharma, and Leena Punja (Alternate to Mr. Hari Punja).

The Non-Executive Independent Directors are paid a Board fee for their service rendered during the year. Currently they are also entitled to an allowance of $1000 per meeting attended, towards travel and accommodation costs. Directors are also covered under a Directors and Officers' Liability Insurance Policy.

Meetings of the Board

The regular business of the Board during its meetings cover business investments and strategic matters, governance and compliance, the Managing Director's report, financial report and performance review of the Company.

During the Financial Year under review the Board met 4 times. The Members' attendance at the Board meetings, during the financial year is given below:

DIRECTOR	Number of Meeting Entitled to Attend	Number of Meetings Attended	Apologies Received
Mr. Hari Punja (Chairman)	4	2	2
Mr. Rohit Punja (Executive Director)	4	4	N/A
Mr. Ram Bajekal (Managing Director)	4	4	N/A
Mr. Ajai Punja (Non-Executive Director)	4	2	2
Mr. Gary Callaghan (Independent Director)	4	4	N/A
Mr. Pramesh Sharma (Independent Director)	4	4	N/A
Ms. Leena Punja *(Alternate to Hari Punja)*	N/A	N/A	N/A

Sub-committees of the Board

The Board has formally constituted two sub-committees; viz

- The Audit and Finance Committee and
- The Share Transfer Committee.

As at the Balance date, the Audit and Finance Committee comprised Messrs. Gary Callaghan, Rohit Punja, and Ram Bajekal.

The Audit and Finance Committee is responsible for monitoring FMF's financial strategies, reviewing the internal audit reports, monitoring the external audit of the company's affairs, reviewing the financial statements, and monitoring the Company's compliance with applicable laws and stock exchange requirements.

The Executive Management under the directions of this Committee, is also responsible for monitoring the Risk Management to ensure that key business and operational risks are identified and appropriate controls and procedures are put in place to manage those risks.

This sub-committee met four times during the financial year under review. The Executive Management usually takes its major decisions in consultation with the members of the sub-committee, where necessary.

As at the Balance date, the Share Transfer Committee comprised Messrs. Rohit Punja, Gary Callaghan and Ram Bajekal.

The Share Transfer Committee is responsible for approval of share transfers between the shareholders of the company. The Share transfer committee has met 4 times during the year under review.

Responses to the Guidelines on Corporate Governance issued by Reserve Bank of Fiji:

Principle	Company's response
Establish clear responsibilities for Board Oversight	Covered above
Constitute an effective Board	Covered above
Appointment of a Managing Director (MD)	The Board has appointed a suitably qualified and competent Managing Director entrusted with substantial powers of management of the affairs of the Company. He is a professionally qualified Chartered Accountant from the Institute of Chartered Accountants of India and has also studied Management as a Fulbright Fellow for Management Studies at Carnegie Mellon University, Pittsburgh, U.S.A.
Board and Company Secretary	The Company has appointed a suitably qualified and competent Company Secretary. He is a professionally qualified Chartered Accountant from the Institute of Chartered Accountants of India and an Associate Member of the Institute of Company Secretaries of India.
Timely and Balanced disclosure	Board meetings are held at least once in every quarter of the year. The Board is apprised of the company's performance and major decisions are deliberated and passed at Board level. Progress on carrying out strategies is reviewed at these meetings.
Promote ethical and responsible decision – making	FMF promotes and believes that all Directors and Employees uphold high standards, honesty, fairness and equity in all aspects of their employment and association with the Company.
Register of Interests	The Company maintains a Register of Interest wherein the interests of Directors are noted.
Respect the rights of Shareholders	An Annual General Meeting is held every year in accordance with the Articles of Association of the Company. The Annual report is also published each year and circulated to the Shareholders of the Company.
Accountability and Audit	FMF is audited externally each year and receives an independent audit report which forms part of the Annual Report. The Audit and Finance Committee is responsible for overseeing the financial reporting and disclosure process, performance and independence of the external auditors, monitoring internal control processes, reviewing adequacy of the internal audit function and discussing risk management policies and practices with management.
Recognize and Manage Risk	The Executive Management of the Company ensures that key business and operational risks are identified and appropriate controls and procedures are put in place to manage those risks.

DIRECTORS' REPORT

In accordance with a resolution of the Board of Directors, the Directors herewith submit the consolidated statement of financial position of FMF Foods Limited ("the Company") and subsidiaries (together "the Group") as at 30 June 2018 and the related consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and report as follows:

1 Directors

The following were Directors of the Company at any time during the financial year and up to the date of this report:

- Hari Punja Order of Fiji, OBE – Chairman
- Rohit Punja - Executive Director
- Ram Bajekal - Managing Director
- Ajai Punja
- Gary Callaghan
- Pramesh Sharma
- Leena Punja (Alternate Director to Hari Punja)

2 Principal activities

The principal activities of the Group comprise of milling of wheat, whole dunfield peas, manufacturing of packaging materials including corrugated cartons, assorted containers and bags, manufacturing of biscuits and snack food products, sale of rice, wheat and related products and investments.

3 Trading results

The net profit after income tax of the Group attributable to the members of the Company for the year was $7.46m (2017: $15.68m).

4 Provisions

There were no material movements in provisions.

5 Dividends

During the year, the Company has declared an interim dividend of 1.73 cents per equity share (2017: 1.40 cents) entailing outflow of $2.60m (2017: $2.10m). No further dividend is recommended for the financial year ended 30 June 2018.

6 Going concern

The financial statements have been prepared on a going concern basis. We consider the application of the going concern principle to be appropriate in the preparation of these financial statements as we believe that the Group has adequate funds to meet its liabilities as and when they fall due over the next twelve months.

DIRECTORS' REPORT (Cont'd)

7 Bad and doubtful debts

The Directors took reasonable steps before the financial statements were made out, to ascertain that all known bad debts were written off and adequate provision was made for doubtful debts. 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 the amount of the allowance for doubtful debts, inadequate to any substantial extent.

8 Current assets

The Directors took reasonable steps before the financial statements were made out to ascertain that the current assets of the Group were shown in the accounting records of the Group at a value equal to or below the value that would be expected to be realised in the ordinary course of the business. At the date of this report, the Directors are not aware of any circumstances which would render the values attributable to the current assets in the financial statements misleading.

9 Events subsequent to balance date

No charge on the assets of the Group has arisen since the end of the financial year to the date of this report to secure the liabilities of any other person.

No contingent liability has arisen since the end of the financial year to the date of this report.

No contingent or other liability has become enforceable or is likely to become enforceable within a period of twelve months after the date of this report which, in the opinion of the Directors, will or may affect the ability of the Group to meet its obligations as and when they fall due.

10 Related party transactions

In the opinion of the Directors all related party transactions have been adequately recorded in the books of the Group.

11 Other circumstances

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or financial statements which would render any amounts stated in the financial statements misleading.

12 Unusual transactions

The results of the Group’s operations during the year have not in the opinion of the Directors been substantially affected by any item, transaction or event of a material and unusual nature other than those disclosed in the financial statements.

DIRECTORS' REPORT (Cont'd)

13 Directors' and executive managements' interests

Interest of Directors, Executive Management and any additions thereto during the year in the ordinary shares of the Company are as follows:

	Beneficially		Non-Beneficially	
	Additions	Holding	Additions	Holding
Hari Punja	-	-	-	106,124,847
Gary Callaghan	-	1,700,225	-	1,487,240
Ajai Punja	-	-	-	106,124,847
Rohit Punja	-	-	-	106,124,847
Leena Punja (Alternate to Hari Punja)	-	-	-	106,124,847
Anuj K Patel	-	17,500	-	-

14 Directors' benefits

No Director of the Company has, since the end of the previous financial year, received or become entitled to receive a benefit (other than a benefit included in the total amount of emoluments received or due and receivable by Directors as shown in the financial statements) by reason of any contracts made by the Company with the Director or with a firm of which he/she is a Member, or with a company in which he/she has substantial financial interest.

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

Dated this 14th day of September 2018.

....
Director

....
Director

DIRECTORS' DECLARATION

The declaration by Directors is required by the Companies Act, 2015.

The Directors of the Company have made a resolution that declares:

a) In the opinion of the Directors, the financial statements of the Group for the financial year ended 30 June 2018:

   i) comply with the International Financial Reporting Standards and give a true and fair view of the financial position of the Group as at 30 June 2018 and of the performance and cash flows of the Group for the year ended 30 June 2018; and

   ii) have been prepared in accordance with the Companies Act, 2015.

b) The Directors have received independence declaration by auditors as required by Section 395 of the Companies Act, 2015; and

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

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

Dated this 19th day of September 2018.

....
Director

....
Director

AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF FMF FOODS LIMITED

As group auditor for FMF Foods Limited and its subsidiaries for the financial year ended 30 June 2018, I declare to the best of my knowledge and belief, there have been:

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

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

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

PricewaterhouseCoopers
Chartered Accountants

PricewaterhouseCoopers

by

Kaushick Chandra
Partner

19 September 2018

Independent Auditor's Report

To the Shareholders of FMF Foods Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of FMF Foods Limited (the 'Company') and its subsidiaries (together the 'Group'), which comprise the consolidated statement of financial position as at 30 June 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

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

Independence

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

pwc

Key audit matter	How our audit addressed the key audit matter
Timing of recognition for export revenues **(Refer also to Note 2.18)** Timing of recognition for export revenues is considered a key audit matter, as sales into overseas markets represent a significant portion of total Group revenues and the appropriate recognition for export revenues is dependent on export sales terms, shipping arrangements and movements. These terms vary by customer and delivery of goods to customers may take up to a month, thereby increasing the risk of premature recognition of export revenues occurring close to balance date.	Our audit procedures to ensure export revenues were accounted for in the correct accounting period included the following: • Understanding and evaluating the appropriateness of the Group's accounting policies, processes and controls over the timing of recognition for export sales. • Testing the timing of recording export sales by selecting a sample of export sale transactions recorded in the accounting records before and after the balance date, and sighting the sales terms and internal and external shipping documents to ensure if the export sales were recorded in the correct accounting period. • Testing a sample of export sale transactions recorded during the year back to supporting details of sales terms and shipping documents. • Obtaining confirmations of accounts receivable balances from a selection of export sale customers as at balance date.

Key audit matter	How our audit addressed the key audit matter
Volume of wheat inventory (Refer also to Notes 2.10 and 12) Wheat inventory stored in silos represents a significant portion of the Group's raw materials balance within total inventories. The quantity of wheat inventory on hand at balance date is determined by physical measurement of volume at that date. The measurement of volume of wheat inventory stored in silos involves some judgment and estimates regarding the silos and level of contents, and accordingly, the existence of wheat inventory is considered a key audit matter.	Our audit procedures in response to the existence and measurement of volume of wheat inventory included the following: • Understanding and evaluating the appropriateness of the Group's accounting policies, processes and controls over the measurement of volume of wheat inventory. • Attending the annual inventory measurement on all silos at balance date and observing the measurements of the silo's contents. • Agreeing assumptions and inputs on the volume calculation models to supporting documentations from the silo manufacturer and externally available industry data and considering their reasonableness. • Reperforming volume calculations performed by management to ensure they were accurate. • Performing sensitivity analysis on the volume calculation models to ascertain whether sensitivities calculated are materially significant.

Other Information

The directors and management are responsible for the other information. The other information comprises the information included in the Group's Annual Report for the year ended 30 June 2018 (but does not include the consolidated financial statements and our auditor's report thereon).

Our opinion on the consolidated 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 consolidated 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 consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard, except that not all other information was available to us at the date of our signing.

Responsibilities of Directors and Management for the Consolidated Financial Statements

The directors and management are responsible of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and with the requirements of the Fiji Companies Act 2015, and for such internal control as the directors and management determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated 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 ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated 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 Group's internal control.

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

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

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

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

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

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

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

pwc

Report on Other Legal and Regulatory Requirements

In our opinion, the consolidated financial statements have been prepared in accordance with the requirements of the Fiji Companies Act 2015, in all material respects, and;

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

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

Restriction on Use

This report is made solely to the Company's shareholders, as a body, in accordance with Section 396(1) of the Fiji Companies Act 2015. Our audit work has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants

Kaushick Chandra
Partner

19 September 2018
Suva, Fiji

FMF FOODS LIMITED AND SUBSIDIARIES

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2018

	Notes	2018 $'000	2017 $'000
Revenue	33(b)	184,939	202,534
Other operating income	6	1,715	3,819
Changes in inventories of finished goods and work in progress		(385)	418
Raw materials and consumables used		(118,903)	(131,795)
Staff costs		(17,573)	(16,372)
Depreciation		(7,766)	(6,175)
Other operating expenses		(31,018)	(32,154)
Profit from operations		11,009	20,275
Finance income	7	183	107
Finance cost	7	(738)	(839)
Profit before tax	10	10,454	19,543
Income tax expense	8	(1,964)	(2,650)
Profit for the year from continuing operations		8,490	16,893
Other comprehensive income		-	-
Total comprehensive income for the year		8,490	16,893
Attributable to:			
- Owners of the parent company		7,460	15,680
- Non-controlling interests		1,030	1,213
		8,490	16,893
Basic and diluted earnings per share (cents)	26	4.97	10.45

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

FMF FOODS LIMITED AND SUBSIDIARIES

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

	Notes	2018 $'000	2017 $'000
Current assets			
Cash on hand and at bank	11(a)	21,976	25,169
Inventories	12	36,741	42,876
Trade receivables	13	20,101	25,012
Prepayments and other receivables	14	4,208	4,018
Held-to-maturity investments	15	9,730	7,730
Current income tax assets	8	2,300	1,907
		95,056	106,712
Non-current assets			
Property, plant and equipment	17	84,373	82,994
Deferred income tax assets	9(a)	758	1,083
		85,131	84,077
Total assets		180,187	190,789
Current liabilities			
Bank overdraft	11(a)	19,290	27,905
Trade and other payables	19	10,095	11,220
Current income tax liabilities	8	106	36
Borrowings	21	3,220	6,280
Amounts owing to related companies	29(d)	445	457
		33,156	45,898
Non-current liabilities			
Borrowings	21	8,000	11,137
Deferred income tax liabilities	9(b)	5,022	4,982
		13,022	16,119
Total liabilities		46,178	62,017
Net assets		134,009	128,772
Equity			
Share capital	24	6,000	6,000
Retained earnings		122,090	117,230
		128,090	123,230
Non-controlling interests		5,919	5,542
Total equity		134,009	128,772

The above statement of financial position should be read in conjunction with the accompanying notes.

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

Dated this 19th day of September 2018.

.... Director

.... Director

FMF FOODS LIMITED AND SUBSIDIARIES

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2018

	Note	Attributable to owners of the parent company				
		Share capital $'000	Retained earnings $'000	Totals $'000	Non - controlling interests $'000	Total equity $'000
Balance at 1 July 2016		6,000	103,979	109,979	4,859	114,838
Comprehensive income						
Profit for the year		-	15,680	15,680	1,213	16,893
Total comprehensive income		-	15,680	15,680	1,213	16,893
Transactions with owners						
Dividends	25	-	(2,100)	(2,100)	(530)	(2,630)
1% transitional tax		-	(329)	(329)	-	(329)
Balance at 30 June 2017		6,000	117,230	123,230	5,542	128,772
Comprehensive income						
Profit for the year		-	7,460	7,460	1,030	8,490
Total comprehensive income		-	7,460	7,460	1,030	8,490
Transactions with owners						
Dividends		-	(2,600)	(2,600)	(653)	(3,253)
Balance at 30 June 2018		6,000	122,090	128,090	5,919	134,009

The above statement of changes in equity should be read in conjunction with the accompanying notes.

FMF FOODS LIMITED AND SUBSIDIARIES

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 $'000	2017 $'000
Cash flows from operating activities			
Receipts from customers		187,857	212,073
Payments to suppliers and employees		(159,124)	(193,692)
Cash generated from operations		28,733	18,381
1% transitional tax paid		(246)	(67)
Income taxes paid		(1,916)	(4,908)
Interest paid		(738)	(839)
Net cash generated from operating activities		25,833	12,567
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		20	1,976
Acquisition of property, plant and equipment		(9,164)	(19,298)
Interest received		183	107
Investment in term deposits		(2,000)	(600)
Net cash used in investing activities		(10,961)	(17,815)
Cash flows from financing activities			
Proceeds from borrowings		-	10,000
Repayment of borrowings		(6,197)	(6,083)
Dividends paid		(3,253)	(2,630)
Net cash generated from / (used in) financing activities		(9,450)	1,287
Net increase /(decrease) in cash and cash equivalents		5,422	(3,961)
Cash and cash equivalents at the beginning of the year		(2,736)	1,225
Cash and cash equivalents at the end of the year	11	2,686	(2,736)

The above statement of cash flows should be read in conjunction with the accompanying notes.

1 GENERAL INFORMATION

FMF Foods Limited ('the Company') and its subsidiaries (together forming 'the Group') engage in the milling of wheat, whole dunfield peas, manufacturing of packaging materials including corrugated cartons, assorted containers and bags, manufacturing of biscuits and snacks food products, sale of rice, wheat and related products and investments. The Company is a limited liability company incorporated and domiciled in the Republic of Fiji. The Company and two of its subsidiaries, The Rice Company of Fiji Limited and Atlantic & Pacific Packaging Company Limited are listed on the South Pacific Stock Exchange.

These financial statements were authorised for issue by the Board of Directors on 19 September 2018.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted by the Group are stated to assist in a general understanding of these financial statements. These policies have been consistently applied by the Group except where otherwise indicated.

2.1 Basis of preparation

The financial statements of the Group have been prepared in accordance with the provisions of the Companies Act 2015 and International Financial Reporting Standards ("IFRS") and IFRS Interpretations Committee (IFRS IC) interpretations. The financial statements have been prepared under the basis of historical costs.

(a) New and amended standards adopted by the Group

There are no IFRSs or IFRS IC interpretations that are effective for the first time for the financial year beginning on or after 1 July 2017 that have a material impact on the Group.

(b) New standards and amendements issued but not effective for the financial year beginning 1 July 2017 and not early adopted

Certain new and amended standards have been published that are not mandatory for financial year beginning 1 July 2017 and have not been early adopted by the Group. The impact and interpretation of these new standards is set out below.

IFRS 9 Financial Instruments

Addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.1 Basis of preparation (Cont'd)

(b) New standards and amendments issued but not effective for the financial year beginning 1 July 2017 and not early adopted (Cont'd)

IFRS 15 Revenue from contracts with customers
This standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted.

IFRS 16 Leases
Replaces the current guidance in IAS 17. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Under IAS 17, a lessee was required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires a lessee to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. Included is an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. The standard is effective for accounting periods beginning on or after 1 January 2019. Early adoption is permitted but only in conjunction with IFRS 15, 'Revenue from contracts with customers.

The Group intends to adopt the standards no later than the accounting period in which they become effective.

2.2 Principles of consolidation

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.2 Principles of consolidation (Cont'd)

Subsidiaries (Cont'd)
Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from intercompany transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.3 Segment reporting

The Board of Directors is the Group's chief operating decision-maker. Management has determined the operating segments based on the information reviewed by the Board of Directors for the purposes of allocating resources and assessing performance.

An operating segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other operating segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and return that are different from those segments operating in other economic environments. The Group operates predominantly within one geographical segment, that is, Fiji. For reporting purposes, the Group considers itself to be operating in three business segments as follows:

(a) food products - manufacture and/or sale of a wide variety of famous products to its local as well as export market such as biscuits, snacks, peas, flour, etc.;
(b) packaging materials - production of corrugated cartons as well as plastic pails/buckets and nylon bags; and
(c) properties - leases out properties based on intercompany arrangements

2.4 Foreign currency translation

(a) Functional and presentation currency
Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Fijian Dollars, which is the Company's functional currency.

(b) Transactions and balances
Foreign currency transactions are translated into the Fijian currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

2.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition 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 Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.5 Property, plant and equipment (Cont'd)

Depreciation/amortisation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Premium on leasehold land	-	term of lease
Buildings	-	2% - 10%
Plant and machinery	-	4% - 33%
Motor vehicles	-	25%
Furniture, fittings & office machines	-	6.7% - 25%
Computers	-	33%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

2.6 Financial assets

The Group classifies its financial assets in the following categories: loans and receivables and held-to-maturity financial assets. Management determines the classification of its financial assets at initial recognition. The classification depends on the purpose for which the financial assets were acquired.

2.6.1 Classification

(a) Loans and receivables
The Group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents'.

(b) Held-to-maturity financial assets
Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. For the Group, these comprise of term deposit investments.

2.6.2 Recognition and measurement

Regular purchases and sales of financial assets are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition.

Loans and receivables and held-to-maturity investments are subsequently carried at amortised cost using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.6 Financial assets (Cont'd)

2.6.2 Recognition and measurement (Cont'd)

Financial assets are derecognised when the rights to receive cash flows from them have expired or where they have been transferred and the Group has also transferred substantially all risks and rewards of ownership.

Interest income on held-to-maturity investments are included in profit or loss and are reported under finance income as interest income. In the case of impairment, it is reported as a deduction from the carrying value of the investment and recognised in profit or loss as impairment on investment.

2.7 Offsetting financial instruments

Financial assets and liabilities are offset when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.8 Impairment of financial assets

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

For loans and receivables and held-to-maturity categories, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss.

2.9 Impairment of non-financial assets

Assets that have an indefinite useful life, are not subject to amortisation and are tested annually for impairment and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and the value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average cost (WAC) method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Inventory quantities are regularly reviewed and a provision is recorded for any slow moving and/or obsolete inventory based on future demand forecasts, production and servicing requirements, technological changes and other factors.

2.11 Trade receivables

Trade receivables are recognised at invoice amount. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within other operating expenses.

When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited to other operating income in profit or loss.

2.12 Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with banks and bank overdraft. In the statement of financial position, bank overdraft is shown in current liabilities.

2.13 Share capital

Ordinary shares are classified as equity.

2.14 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised at amortised cost.

2.15 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.15 Borrowings (Cont'd)

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.16 Current and deferred income tax

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

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

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

2.17 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

2.18 Revenue recognition

Revenue comprises the consideration received or receivable for the sale of goods or services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts. Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.18 Revenue recognition (Cont'd)

Other income sources for the Group include:

(a) Dividend income
Dividend income is recognised when the right to receive dividend is established.

(b) Interest income
Interest income is recognised on an accrual basis.

2.19 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

Leases of property, plant and equipment where the Group have substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property, plant and equipment and the present value of the minimum lease payments. The corresponding rent obligations, net of finance charges, are included in other long term payables. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding.

The interest element of the finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the asset's useful life and the lease term.

2.20 Employee benefits

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

2.21 Dividend distribution

Dividend distribution to the shareholders is recognised as a liability in the financial statements in the period in which the dividends are declared by the Directors.

2.22 Earnings per share

Basic earnings per share
Basic earnings per share (EPS) is determined by dividing profit after income tax attributable to shareholders of the parent by the weighted-average number of ordinary shares as at balance date.

Diluted earnings per share
Diluted EPS is the same as the basic EPS as there are no potential ordinary shares which are considered dilutive.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.23 Comparative figures

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

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Except for the depreciation/amortisation of property, plant and equipment (Note 2.5) and inventory valuation (Note 2.10), the Group does not have any significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have a significant effect on the amounts recognised in the financial statements.

4 FINANCIAL RISK MANAGEMENT

The Group’s activities expose it to a variety of financial risks: market risk (including currency risk), credit risk and liquidity risk. The Group’s overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group’s financial performance.

Risk management is carried out by the Executive Management. The Executive Management under the directions of the Audit and Finance Committee identifies and evaluates financial and operational risks. The Board provides overall direction in risk management.

(a) Market risk

Foreign exchange risk
The Group is exposed to foreign exchange risk arising from various currency exposures in respect to purchase of inventory, primarily with respect to the Australian and New Zealand dollar. Foreign exchange risk arises from future commercial transactions and liabilities.

Management has set up a policy to require the Group to manage its foreign exchange risk against its functional currency, in this case the Fijian dollar. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency other than the Fijian Dollar. For significant settlements, the Group is required to seek quotations from recognised banks and use the most favourable exchange rate for purposes of the settlement. A foreign currency account is also maintained which is used for settlement of foreign currency payments to overseas suppliers.

To determine the Group’s sensitivity to foreign exchange risk, the Group calculates an implied volatility in exchange rates by calculating the maximum variation of daily spot rates from the average exchange rate for the year.

As at year end, assets and liabilities denominated in foreign currencies are not significant and hence changes in foreign currency exchange rate is expected to have minimal impact on the net profit and equity balances currently reflected in the financial statements.

4 FINANCIAL RISK MANAGEMENT (Cont'd)

(a) Market risk (Cont'd)

Interest rate risk

The Group's interest rate risk arises from borrowings and bank overdrafts. Borrowings and bank overdraft issued at variable rates expose the Group to cash flow interest rate risk. There are no borrowings issued at fixed rates. All borrowings are in local currency. The Group regularly negotiates its interest rate with the Banks so that the lowest possible rate is available.

As at 30 June 2018, if interest rates on borrowings and bank overdrafts had been 1000 basis points higher/lower with all other variables held constant, post-tax profit and equity for the year would have been $99k (2017: $146k) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings and bank overdraft.

(b) Credit risk

Credit risk is managed by management with board oversight. Credit risk arises from cash and cash equivalents, and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables.

As part of its risk control procedures, an assessment of the credit quality of a new customer, taking into account its financial position, past experience and other factors is carried out. Individual credit risk limits are then set based on the assessments done. The utilisation of credit limits is regularly monitored. Sales to credit retail customers are settled in either cash or bank cheques.

For banks and financial institutions, independent credit ratings exist for the Group to assess the credit quality of the counterparties and monitor any credit deterioration.

(c) Liquidity risk

Prudent liquidity risk management implies managing cash generated by its operations combined with bank borrowings. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and borrowings. Management monitors rolling forecasts of the Group's liquidity reserve comprising cash and cash equivalents on the basis of expected cash flows.

The Group's financial liabilities are analysed below into relevant maturity groupings based on the remaining period at balance date to the contractual maturity date, including contractual undiscounted cash flows (consisting of outstanding principal balance plus future interest payments, if any).

	Contractual Undiscounted Cash Flows				
	Up to 1 year $'000	1 to 2 years $'000	2 to 5 years $'000	Total $'000	Carrying amount $'000
As at 30 June 2018					
Bank overdraft	19,290	-	-	19,290	19,290
Borrowings	7,297	7,034	3,346	17,677	11,220
Trade and other payables	10,095	-	-	10,095	10,095
Owing to related companies	445	-	-	445	445
Total	37,127	7,034	3,346	47,507	41,050
As at 30 June 2017					
Bank overdraft	27,905	-	-	27,905	27,905
Borrowings	7,529	7,267	3,462	18,258	17,417
Trade and other payables	11,220	-	-	11,220	11,220
Owing to related companies	457	-	-	457	457
Total	47,111	7,267	3,462	57,840	56,999

Letters of credit and guarantees are disclosed in the Note 28.

5 CAPITAL RISK MANAGEMENT

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

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group has a number of financial covenants to comply with as part of the terms of its borrowings. These financial covenants are managed as part of the Group's capital management. The Group has complied with all its externally imposed capital requirements.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity plus net debt. During 2018, the Group's strategy was to maintain a gearing ratio of up to 14% (unchanged from 2017).

The gearing ratio for the Group was as follows:

	2018 $'000	2017 $'000
Total borrowings (Note 21)	11,220	17,417
Cash and cash equivalents (Note 11)	(2,686)	2,736
Net debt	8,534	20,153
Equity	134,009	128,772
Total capital	142,543	148,925
Gearing ratio	6%	14%

6 OTHER OPERATING INCOME

	2018 $'000	2017 $'000
Gain on disposal of property, plant and equipment	20	1,601
Exchange gains	1,601	1,433
Other income	94	785
	1,715	3,819

7 NET FINANCE INCOME AND COST

	2018 $'000	2017 $'000
Finance income		
Interest income on term deposits	129	107
Interest income on Customer Overdue Accounts	54	-
Finance costs		
Interest expense on overdraft and borrowings	(738)	(839)
Net finance cost	(555)	(732)

8 INCOME TAX EXPENSE

	2018 $'000	2017 $'000
Current tax:		
Current tax on profits for the year	1,603	1,735
Adjustments in respect of prior year	(4)	38
Total current tax	1,599	1,773
Deferred tax:		
Origination and reversal of temporary differences	320	877
Adjustments in respect of prior year	45	-
Total deferred tax	365	877
Income tax expense	1,964	2,650

The prima facie income tax expense on pre-tax accounting profit is reconciled to the current income tax liability/ (asset) as follows:

	2018	2017
Profit before tax	10,454	19,543
Prima facie income tax expense at 10%/ 20%	1,578	2,585
Tax effects of:		
- Non-deductible and items not subject to tax (net)	(6)	(191)
Tax losses not recognised	378	218
Prior year adjustments	14	38
Income tax expense	1,964	2,650
Temporary differences	(365)	(877)
	1,599	1,773
Add: Opening current tax liabilities	(1,871)	1,264
Less: Taxes (paid) / refunded	(1,922)	(4,908)
Current income tax liabilities / (assets)	(2,194)	(1,871)

Unused tax losses for which no deferred income tax asset has been recognised amounted to $0.7m as at 30 June 2018 (2017: $0.3m), which were incurred by a subsidiary that is not likely to generate taxable income in the foreseeable future.

9 DEFERRED INCOME TAXES

(a) Deferred income tax assets

	Tax losses $'000	Other $'000	Total $'000
At 30 June 2016	330	329	659
Charged/ (credited) to profit or loss	376	48	424
At 30 June 2017	706	377	1,083
Charged/ (credited) to profit or loss	(334)	9	(325)
At 30 June 2018	372	386	758

(b) Deferred income tax liabilities

	Property, plant & equipment $'000	Other $'000	Total $'000
At 30 June 2016	2,955	726	3,681
Charged/ (credited) to profit or loss	1,208	93	1,301
At 30 June 2017	4,163	819	4,982
Charged/ (credited) to profit or loss	(63)	103	40
At 30 June 2018	4,100	922	5,022

10 PROFIT BEFORE TAX

Included in profit before tax are the following items of revenues and expenses:

	2018 $'000	2017 $'000
Expenses		
Auditors' remuneration		
- PricewaterhouseCoopers (Principal auditors)	89	89
- Other auditors	28	28
Directors' emoluments		
- Directors' fees	40	38
Doubtful debts	108	2,031

11 CASH AND CASH EQUIVALENTS

(a) Cash at the end of the year as shown in the statements of cash flows is reconciled to the related items in the statement of financial position as follows:

	2018 $'000	2017 $'000
Cash on hand and at bank	21,976	25,169
Bank overdraft	(19,290)	(27,905)
Cash and cash equivalents	2,686	(2,736)

(b) Financing facilities

Bank overdraft facility from ANZ totalling $15m (2017: $15m) is available to the Group and interchangeable amongst the Group companies. One of the subsidiaries also has a bank overdraft facility from Bank of Baroda totalling $6.75m (2017: $6.75m). Refer to Note 20 for securities provided.

12 INVENTORIES

	2018 $'000	2017 $'000
Finished products	7,279	7,503
Raw and packaging materials	24,803	30,008
Spares	3,288	2,758
Work in progress	119	284
Goods in transit	1,813	2,595
Inventory provision	(561)	(272)
	36,741	42,876

13 TRADE RECEIVABLES

	2018 $'000	2017 $'000
Trade receivables	22,001	26,988
Less: Trade receivables impairment provision	(1,900)	(1,976)
Trade receivables - net	20,101	25,012

Trade receivables as noted below were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2018 $'000	2017 $'000
Up to 2 months	4,885	6,378
Over 2 months	858	764
	5,743	7,142

Trade receivables as noted below were impaired and provided for. The individually impaired receivables mainly relate to balances that were in dispute or where the customer is facing financial difficulties. The ageing of these receivables is as follows:

	2018 $'000	2017 $'000
Over 1 month	169	-
Over 2 months	1,606	2,283
	1,775	2,283

Movement in the provision for impairment of trade receivables is as follows:

	2018 $'000	2017 $'000
At 1 July	1,976	1,698
Provision recognised in current year	108	2,031
Bad debts written-off	(184)	(1,753)
At 30 June	1,900	1,976

The maximum exposure to credit risk at the reporting date is the carrying value (which is also the fair value) as noted above. The Group does not hold any collateral as security.

14 PREPAYMENTS AND OTHER RECEIVABLES

	2018 $'000	2017 $'000
Prepayments and other receivables	4,208	4,018
Less: Other receivables impairment provision	-	-
	4,208	4,018

Movement in the provision for impairment of other receivables is as follows:

	2018 $'000	2017 $'000
At 1 July	-	19
Provision for impaired receivables	-	-
Unused amounts reversed	-	(19)
At 30 June	-	-

15 HELD-TO-MATURITY INVESTMENTS

	2018 $'000	2017 $'000
Term deposits	9,730	7,730

The above term deposits are short term in nature but more than 90 days. $7.13m (2017: $7.13m) of the group term deposits are held as lien for the $6.75m (2017: $6.75m) bank overdraft facility with the bank. In case of default on the bank overdraft, the bank has the right to receive the cash flows from the term deposits.

16 INVESTMENTS IN SUBSIDIARIES

(a) The Group's principal subsidiaries at year end are set out below. They have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the group. The country of incorporation or registration is also their principal place of business.

	Country of incorporation	% Interest 2018	% Interest 2017	Principal activities
Pea Industries Limited	Fiji	100	100	Pea milling
Biscuit Company of (Fiji) Limited	Fiji	100	100	Biscuit manufacture
DHF Limited	Fiji	100	100	Wheat and bakery ingredients sale
FMF Investment Company Limited	Fiji	100	100	Property management
FMF Snax Limited	Fiji	100	100	Snacks manufacture
Bakery Company (Fiji) Limited	Fiji	100	100	Biscuit manufacture
The Rice Company of Fiji Limited	Fiji	75	75	Rice sale
Atlantic & Pacific Packaging Company Limited	Fiji	60	60	Packaging materials manufacture
FMF Foods PNG Limited	PNG	100	100	Trading

(b) The financial statements of the subsidiaries, The Rice Company of Fiji Limited, FMF Snax Limited and FMF Investment Company Limited are audited by BDO Chartered Accountants.

(c) Material non-controlling interests

The two material subsidiaries with non-controlling interests are The Rice Company of Fiji Limited (RCF) and Atlantic & Pacific Packaging Company Limited (ATPACK) with 25% and 40% ordinary shares held by non-controlling interests respectively.

The total non-controlling interest at year end was $5.92m (2017: $5.54m), of which $3.47m (2017:$3.36m) was for RCF and $2.45m (2017: $2.18m) was attributed to ATPACK.

The profit/(loss) allocated to non-controlling interest for the year was $1.03m (2017: $1.21m), of which $0.64m (2017: $0.80m) was for RCF and $0.39m (2017: $0.41m) was attributed to ATPACK.

The dividends paid to non-controlling interest during the year was $0.65m (2017: $0.53m), of which $0.53m (2017: $0.45m) was paid by RCF and $0.13m (2017: $0.08m) was paid by ATPACK.

16 INVESTMENTS IN SUBSIDIARIES (Cont'd)

Set out below are the summarised financial information for each subsidiary that has non-controlling interests that are material to the Group.

Summarised statements of financial position

	RCF		ATPACK	
	2018 $'000	**2017 $'000**	**2018 $'000**	**2017 $'000**
Current				
Assets	14,364	13,731	3,851	3,981
Liabilities	503	312	2,536	2,730
Current net assets	13,861	13,419	1,315	1,251
Non-current				
Assets	22	20	5,050	4,512
Liabilities	-	-	246	309
Non-current net assets	22	20	4,804	4,203
Net assets	13,883	13,439	6,119	5,454

Summarised statements of profit or loss and other comprehensive income

	RCF		ATPACK	
	2018 $'000	**2017 $'000**	**2018 $'000**	**2017 $'000**
Revenue	27,825	29,555	14,560	12,295
Profit / (loss) before income tax	2,827	3,540	1,084	1,154
Income tax (expense) / credit	(283)	(354)	(99)	(115)
Net profit / (loss)	2,544	3,186	985	1,039
Other comprehensive income	-	-	-	-
Total comprehensive income	2,544	3,186	985	1,039

Summarised cash flows

	RCF		ATPACK	
	2018 $'000	**2017 $'000**	**2018 $'000**	**2017 $'000**
Cash flows from operating activities	2,399	3,642	2,078	1,902
Cash flows from investing activities	-	-	(1,474)	(1,277)
Cash flows from financing activities	(2,100)	(1,800)	(320)	(200)
Net increase / (decrease) in cash and cash equivalents	299	1,842	284	425

17 PROPERTY, PLANT AND EQUIPMENT

	Leasehold land & building $'000	Freehold land & building $'000	Motor vehicles $'000	Plant, furniture & equipment $'000	Work - in progress $'000	Total $'000
At 30 June 2016						
Cost	29,529	1,554	4,556	93,566	20,124	149,329
Accumulated depreciation	(7,856)	(581)	(3,297)	(67,347)	-	(79,081)
Net book amount	21,673	973	1,259	26,219	20,124	70,248
For the year ended 30 June 2017						
Opening net book amount	21,673	973	1,259	26,219	20,124	70,248
Additions	195	-	667	2,255	16,181	19,298
Disposals	-	(367)	-	(10)	-	(377)
Transfers	21,433	-	333	12,430	(34,196)	-
Depreciation charge	(549)	(36)	(719)	(4,871)	-	(6,175)
Closing net book amount	42,752	570	1,540	36,023	2,109	82,994
At 30 June 2017						
Cost	51,155	861	5,381	108,626	2,109	168,132
Accumulated depreciation	(8,403)	(291)	(3,841)	(72,603)	-	(85,138)
Net book amount	42,752	570	1,540	36,023	2,109	82,994
For the year ended 30 June 2018						
Opening net book amount	42,752	570	1,540	36,023	2,109	82,994
Additions	1,737	-	421	5,594	1,413	9,165
Disposals	(20)	-	-	-	-	(20)
Transfers	1,888	-	-	546	(2,434)	-
Depreciation charge	(1,088)	(22)	(677)	(5,979)	-	(7,766)
Closing net book amount	45,269	548	1,284	36,184	1,088	84,373
At 30 June 2018						
Cost	54,761	862	5,738	114,766	1,088	177,215
Accumulated depreciation	(9,492)	(314)	(4,454)	(78,582)	-	(92,842)
Net book amount	45,269	548	1,284	36,184	1,088	84,373

18 INTANGIBLE ASSETS

	2018 $'000	2017 $'000
F1 Audio Visual production	1,458	1,458
Provision for impairment	(1,458)	(1,458)
	-	-

19 TRADE AND OTHER PAYABLES

	2018 $'000	2017 $'000
Trade payables	4,648	4,357
Other payables and accruals	3,768	5,647
Staff leave accruals	1,679	1,216
	10,095	11,220

20 BANK OVERDRAFT AND BORROWING SECURITIES

The secured borrowings and bank overdrafts of the Group are secured by a first registered mortgage debenture over all the assets of the Group including uncalled capital and unpaid premiums, cross guarantees by the subsidiaries, and a negative pledge by a subsidiary, Atlantic & Pacific Packaging Company Limited, not to lend or grant security to another party.

A separate overdraft facility is secured by the various term deposits (Note 15).

21 BORROWINGS

	2018 $'000	2017 $'000
Current		
Secured borrowings	3,220	6,280
Non-Current		
Secured borrowings	8,000	11,137
	11,220	17,417

The carrying amounts of borrowings approximate their fair values.

The security details on borrowings are disclosed in Note 20.

22 FINANCIAL INSTRUMENTS BY CATEGORY

30 June 2018

	Loans & receivables $'000	Held-to maturity $'000	Total $'000
Assets as per statement of financial position			
Cash on hand and at bank	21,976	-	21,976
Trade receivables	20,101	-	20,101
Prepayments and other receivables	4,208	-	4,208
Held-to-maturity investments	-	9,730	9,730
Amounts owing by related companies	-	-	-
	46,285	9,730	56,015

	Financial liabilities at amortised cost $'000	Total $'000
Liabilities as per statement of financial position		
Bank overdraft	19,290	19,290
Trade and other payables	10,095	10,095
Amounts owing to related companies	445	445
Borrowings - current	3,220	3,220
Borrowings - non-current	8,000	8,000
	41,050	41,050

30 June 2017

	Loans & receivables $'000	Held-to maturity $'000	Total $'000
Assets as per statement of financial position			
Cash on hand and at bank	25,169	-	25,169
Trade receivables	25,012	-	25,012
Prepayments and other receivables	4,018	-	4,018
Held-to-maturity investments	-	7,730	7,730
Amounts owing by related companies	-	-	-
	54,199	7,730	61,929

	Financial liabilities at amortised cost $'000	Total $'000
Liabilities as per statement of financial position		
Bank overdraft	27,905	27,905
Trade and other payables	11,220	11,220
Amounts owing to related companies	457	457
Borrowings - current	6,280	6,280
Borrowings - non-current	11,137	11,137
	56,999	56,999

The carrying amounts of the financial assets and liabilities of the Group approximate their fair values.

23 CREDIT QUALITY OF FINANCIAL ASSETS

	2018 $'000	2017 $'000

The credit quality of cash and cash equivalents and held-to-maturity investments is as follows:

	2018 $'000	2017 $'000
Cash		
Bank A	21,976	25,169
	21,976	25,169

Bank A - The Group has cash with the Fiji branch as well as the Australian branch of an international bank which has a Moody's credit rating of Aa3 (2017: Aa3).

	2018 $'000	2017 $'000
Held-to-maturity investments		
Bank B	9,730	7,730
	9,730	7,730

Bank B - The Group has held-to-maturity deposits with the Fiji branch of an international bank which has a Moody's credit rating of Baa3 (2017: Baa3).

24 SHARE CAPITAL

	2018 $'000	2017 $'000
Issued and fully paid:		
150,000,000 ordinary shares	6,000	6,000

The company's capital comprises ordinary shares only and these carry the same rights, preferences and restrictions.

25 DIVIDENDS

	2018 $'000	2017 $'000
Dividends declared (Dividend per share 2018:$1.73/ 2017: $1.40)	3,253	2,630

26 EARNINGS PER SHARE

	2018 $'000	2017 $'000
Profit after tax attributable to the owners of the Company	7,460	15,680
Number of ordinary shares issued ('000)	150,000	150,000
Basic and diluted earnings per share (cents)	4.97	10.45

27 CAPITAL COMMITMENTS

	2018 $'000	2017 $'000
Capital commitments		
Capital commitments - contracted	6,000	-
Capital commitments - budgeted but not contracted	24,000	-

28 CONTINGENCIES AND COMMITMENTS

	2018 $'000	2017 $'000
(a) Letters of credit	1,708	1,911
(b) Guarantees and bonds	715	712

29 RELATED PARTIES

	2018 $'000	2017 $'000

(a) **Directors**

The following were Directors of the Company at any time during the financial year and up to the date of this report:

- Hari Punja Order of Fiji, OBE – Chairman
- Rohit Punja - Executive Director
- Ram Bajekal - Managing Director
- Ajai Punja
- Gary Callaghan
- Pramesh Sharma
- Leena Punja (Alternate Director to Hari Punja)

(b) **Immediate and ultimate holding company**

The immediate and penultimate holding company is Hari Punja and Sons Limited (HPS). The ultimate holding company is Hari Punja Nominees Limited.

(c) **Amounts owing by related companies**

	2018 $'000	2017 $'000
Holding company	-	-
Fellow subsidiaries	-	-
	-	-

The receivables from related parties arise mainly from sale transactions and are due within two months after the date of sale. The receivables are unsecured in nature and bear no interest. No provisions are held against receivables from related parties (2017: $Nil).

(d) **Amounts owing to related companies**

	2018 $'000	2017 $'000
Holding company	64	-
Fellow subsidiaries	381	457
	445	457

The payables to related parties bear no interest and payables arising from purchases are due within two months of purchases.

29 RELATED PARTIES (Cont'd)

	2018 $'000	2017 $'000

(e) **Related party transactions**

Significant transactions during the year with related parties were as follows:

	2018 $'000	2017 $'000
Income		
Sales	4	1
Administration fees	23	4
Expenses		
Management fee	1,532	1,691
Purchase of consumables	4,017	3,611
Dividends		
Dividend paid	1,883	1,521

The management fees are paid to HPS by the Holding Company and its subsidiaries in accordance with a management agreement the entities have with HPS. Sales, administration fees and purchase of consumables transactions are with the fellow subsidiaries of the Holding Company and its subsidiaries.

Dividends are paid to HPS by the Holding Company and its subsidiaries, namely Atlantic & Pacific Packaging Company Limited and the Rice Company of Fiji Limited.

During the year, interest-bearing advances were made within the Group. These amounts had been settled in full at year end.

(f) **Key management personnel**

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

During the year the executives identified as key management personnel, with the greatest authority and responsibility for the planning, directing and controlling the activities of the Company were the Managing Director, the Group Chief Financial Officer (CFO) and the Group General Manager.

The amount of compensation of the key management personnel borne by and included in the Group is as follows:

	2018 $'000	2017 $'000
Salaries and other short term benefits	635	616

30 OPERATING LEASES

	2018 $'000	2017 $'000

The Group has leased various land under the crown lease agreements ranging from 60 to 99 years from the Government of Republic of Fiji for which the total commitments are as follows:

	2018 $'000	2017 $'000
Payable not later than 1 year	157	157
Payable later than 1 year but not later than 5 years	629	629
Payable later than 5 years	13,345	13,503
	14,131	14,289

31 EVENTS SUBSEQUENT TO BALANCE DATE

No charge on the assets of the Group has arisen since the end of the financial year to the date of this report to secure the liabilities of any other person.

No contingent liability has arisen since the end of the financial year to the date of this report.

No contingent or other liability has become enforceable or is likely to become enforceable within a period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Group to meet its obligations when they fall due.

32 REGISTERED OFFICE AND SHARE REGISTER

Registered Office
2 Leonidas Street
Walu Bay
Suva
Republic of Fiji

Share Register
Central Share Registry
Level 2, Plaza One, Provident Plaza
33 Ellery Street
Suva
Republic of Fiji

33 SEGMENT INFORMATION

(a) **Secondary reporting – geographical segments**

The Group operates in the geographical segment of Fiji and Papua New Guinea. The subsidiary in New Zealand was not operational during the year. The operations in Papua New Guinea commenced during the year and were not significant for separate reporting.

33 SEGMENT INFORMATION - continued

(b) **Primary reporting - business segments 2018**

	Food products $'000	Packaging materials $'000	Properties $'000	Inter-segment elimination $'000	Total $'000
External sales	179,330	5,609	-	-	184,939
Intersegment sales	25,385	8,951		(34,336)	-
Sales	204,715	14,560	-	(34,336)	184,939
Other operating income	9,551	238	2,863	(10,937)	1,715
	214,266	14,798	2,863	(45,273)	186,654
Segment result before income tax and finance costs	12,458	1,166	1,869	(4,484)	11,009
Net finance costs	(347)	(82)	(126)	-	(555)
Profit before income tax expense	12,111	1,084	1,743	(4,484)	10,454
Income tax expense	(1,516)	(99)	(349)	-	(1,964)
Net profit / (loss)	10,595	985	1,394	(4,484)	8,490
Segment assets	166,869	8,887	25,683	(22,010)	179,429
Deferred income tax assets	743	14	1	-	758
Total assets	167,612	8,901	25,684	(22,010)	180,187
Segment liabilities	14,192	930	86	(4,562)	10,646
Deferred income tax liabilities	2,876	246	1,900	-	5,022
Borrowings	10,335	-	885	-	11,220
Bank overdraft	13,084	1,606	4,600	-	19,290
Total liabilities	40,487	2,782	7,471	(4,562)	46,178
Acquisition of property, plant and equipment	5,676	1,477	2,012	-	9,165
Depreciation expense	6,366	884	516	-	7,766
Net cash flows from operating activities	20,663	2,078	1,976	1,116	25,833

33 SEGMENT INFORMATION - continued

(b) **Primary reporting - business segments 2017**

	Food products $'000	Packaging materials $'000	Properties $'000	Inter-segment elimination $'000	Total $'000
External sales	198,184	4,350	-	-	202,534
Intersegment sales	41,203	7,945	-	(49,148)	-
Sales	239,387	12,295	-	(49,148)	202,534
Other operating income	8,803	149	2,943	(8,076)	3,819
	248,190	12,444	2,943	(57,224)	206,353
Segment result before income tax and finance costs	21,182	1,256	2,315	(4,478)	20,275
Net finance costs	(447)	(102)	(183)	-	(732)
Profit before income tax expense	20,735	1,154	2,132	(4,478)	19,543
Income tax expense	(2,176)	(115)	(359)	-	(2,650)
Net profit / (loss)	18,559	1,039	1,773	(4,478)	16,893
Segment assets	175,736	8,424	23,807	(18,261)	189,706
Deferred income tax assets	1,013	69	1	-	1,083
Total assets	176,749	8,493	23,808	(18,261)	190,789
Segment liabilities	11,683	839	93	(902)	11,713
Deferred income tax liabilities	2,878	309	1,795	-	4,982
Borrowings	15,392	-	2,025	-	17,417
Bank overdraft	22,938	1,891	3,076	-	27,905
Total liabilities	52,891	3,039	6,989	(902)	62,017
Acquisition of property, plant and equipment	19,303	1,281	1,843	(3,129)	19,298
Depreciation expense	5,098	668	409	-	6,175
Net cash flows from operating activities	8,121	1,902	1,527	1,017	12,567

FMF FOODS LIMITED
LISTING REQUIREMENTS OF SOUTH PACIFIC STOCK EXCHANGE
(UNAUDITED AND NOT INCLUDED ELSEWHERE IN THE ANNUAL REPORT)

(a) Schedule of each class of equity security in compliance with listing requirements 6.31 (iv):

NAME	Number of Shares	%
HARI PUNJA & SONS LIMITED	106,124,847	70.75
FIJI NATIONAL PROVIDENT FUND	6,717,975	4.48
BSP LIFE (FIJI) LIMITED	5,669,597	3.78
UNIT TRUST OF FIJI (TRUSTEE COMPANY) LTD	5,187,006	3.46
REDDY'S ENTERPRISES LIMITED	2,113,050	1.41
GARY CALLAGHAN	1,700,225	1.13
CARLISLE (FIJI) LIMITED	1,487,240	0.99
FIJIAN HOLDINGS LTD	1,298,200	0.87
JITENDRA KUMAR M NARSEY	1,090,450	0.73
FHL TRUSTEES LTD ATF FIJIAN HOLDINGS UNIT TRUST	735,506	0.49
VENILAL MAGANLAL NARSEY	675,950	0.45
HARIGANGA RATANJI	582,825	0.39
BECHARBHAI HOLDINGS LTD	499,950	0.33
JITENDRA THAKORLAL NARSEY	388,437	0.26
KANTI LAL PUNJA	375,000	0.25
HARI KRISHNA NARSEY	369,937	0.25
INDRAVADAN NARSEY	369,937	0.25
BIPIN CHANDRA	318,700	0.21
LAKSHMIKANT DHARAMSI SAMPAT	300,000	0.20
SHANTILAL PATEL	279,900	0.19
SURESH CHANDRA	274,950	0.18
VIJAY KUMAR	274,950	0.18
VIJAYKUMAR PATEL	274,950	0.18

(b) Schedule of each class of equity security in compliance with listing requirements 6.31(v):

Distribution of ordinary shareholders:

No. of Holders	Holding	Total % Holding
11	1 to 500 shares	0.00
103	501 to 5,000 shares	0.24
74	5,001 to 10,000 shares	0.41
77	10,001 to 20,000 shares	0.81
41	20,001 to 30,000 shares	0.68
16	30,001 to 40,000 shares	0.41
22	40,001 to 50,000 shares	0.72
35	50,001 to 100,000 shares	1.90
48	100,001 to 1,000,000 shares	7.23
9	Over 1,000,000 shares	87.60
436	**Total**	**100.00**

FMF FOODS LIMITED
LISTING REQUIREMENTS OF SOUTH PACIFIC STOCK EXCHANGE (Cont'd)
(UNAUDITED AND NOT INCLUDED ELSEWHERE IN THE ANNUAL REPORT)

(c) Disclosure under section 6.31 (viii):

Subsidiaries information:		
Names of the subsidiaries dealing in food products	1	Biscuit Company of (Fiji) Limited
	2	Pea Industries Limited
	3	DHF Limited
	4	FMF Snax Limited
	5	The Rice Company of Fiji Limited
	6	Bakery Company (Fiji) Limited
	7	FMF Foods New Zealand Limited
	8	FMF Foods (PNG) Limited
Name of the subsidiary dealing in packaging materials	9	Atlantic & Pacific Packaging Company Limited
Name of the subsidiary having property investments	10	FMF Investment Company Limited
Principal country of operation	1 - 6, 9 - 10	Republic of Fiji
	7	New Zealand
	8	Papua New Guinea
Country of incorporation	1 - 6, 9 - 10	Republic of Fiji
	7	New Zealand
	8	Papua New Guinea

	Food products $'000	**Packaging materials $'000**	**Properties $'000**
Turnover	119,039	14,560	-
Other income	2,099	241	2,915
	121,138	14,801	2,915
Depreciation	(1,772)	(884)	(516)
Interest expense	(575)	(85)	(178)
Other expenses	(112,515)	(12,748)	(478)
Profit before tax	6,276	1,084	1,743
Income tax expense	(1,284)	(99)	(349)
Net profit after tax	4,992	985	1,394
Total assets	66,714	8,901	25,684
Total liabilities	12,753	2,782	7,471
Shareholders' equity	53,961	6,119	18,213

FMF FOODS LIMITED
LISTING REQUIREMENTS OF SOUTH PACIFIC STOCK EXCHANGE (Cont'd)
(UNAUDITED AND NOT INCLUDED ELSEWHERE IN THE ANNUAL REPORT)

(d) **Disclosure under Section 6.31 (xii):**

Summary of key financial results for the previous five years for the Group:

	2018 $'000	2017 $'000	2016 $'000	2015 $'000	2014 $'000	2013 $'000
Net Profit after Tax	8,490	16,893	17,586	17,456	15,998	11,561
Current Assets	95,056	106,712	107,490	103,696	88,490	91,910
Non - Current Assets	85,131	84,077	70,907	56,669	52,371	45,828
Total Assets	180,187	190,789	178,397	160,365	140,861	137,738
Current Liabilities	33,156	45,898	52,378	43,400	34,266	40,388
Non -Current Liabilities	13,022	16,119	11,181	17,407	22,191	26,731
Total Liabilities	46,178	62,017	63,559	60,808	56,457	67,119
Shareholders' Equity	134,009	128,772	114,838	99,557	84,405	70,619

(e) **Disclosure under Section 6.31 (xiii) (a):**

Dividend declared per share:

	2018	2017	2016	2015	2014	2013
Cents per share	1.73	1.40	1.20	1.20	1.20	1.00

(f) **Disclosure under Section 6.31 (xiii) (b):**

Group earnings per share:

	2018	2017	2016	2015	2014	2013
Cents per share	4.97	10.45	11.30	11.01	10.21	7.28

(g) **Disclosure under Section 6.31 (xiii) (c):**

Group net tangible assets per share:

	2018	2017	2016	2015	2014	2013
Cents per share	89.34	85.85	76.56	66.37	56.27	47.08

(h) **Disclosure under Section 6.31 (xiii) (d):**

Share price during the year	2018 $	2017 $
Highest	1.36	0.85
Lowest	0.85	0.76
On 30th June	1.36	0.85

FMF Foods Limited (Formerly Flour Mills of Fiji Limited)

Minutes of the Forty Fifth Annual General Meeting of the Members of the Company, held at 4.00 p.m. on the 30th October 2017 at the Training Room of Atlantic & Pacific Packaging Company Limited, Bounty Street, Walu Bay, Suva.

Directors

Mr. Hari Punja	:	Chairman
Mr. Rohit Punja	:	Executive Director
Mr. Ram Bajekal	:	Managing Director
Mr. Ajai Punja	:	Director
Mr. Gary Callaghan	:	Director
Mr. Pramesh Sharma	:	Director

Invitees

Mr. Kaushick Chandra	:	Partner, M/s. PricewaterhouseCoopers, Statutory Auditors
Ms. Krishika Narayan	:	Chief Executive Officer, South Pacific Stock Exchange (Observer)

Company Secretary & Group Chief Financial Officer

Mr. Sandeep Kumar

1. MEMBERS

Ten members / proxy holders holding 120,682,240 shares were present during the meeting.

2. APOLOGIES FROM DIRECTORS

All members were present in the meeting.

3. CHAIRMAN

In terms of provisions of Article 64 of the Articles of Association of the Company, Mr. Hari Punja presided over the meeting.

4. SHARE REGISTER & STATUTORY REGISTERS

The Share Register containing all the relevant details of the Shareholders of the Company and the Statutory Register were placed on the Table and remained open for inspection during the meeting.

5. QUORUM

The Chairman commenced the meeting by welcoming the Members to the 45th Annual General Meeting. The Chairman announced that the requisite quorum being present, the meeting was called to order.

6. CONFIRMATION OF THE MINUTES OF THE PREVIOUS ANNUAL GENERAL MEETING HELD ON 28th OCTOBER 2016.

The motion was proposed by Mr. Hari Raj Naicker and seconded by Mr. Anuj Patel. Thereafter, the motion was put to vote by show of hands and was passed without any objection.

7. MATTERS ARISING:

There were no matters arising from earlier minutes.

8. ADOPTION OF THE AUDITED FINANCIAL STATEMENTS OF THE COMPANY FOR THE YEAR ENDED JUNE 30 2017

The Chairman took up the agenda item no.2 for the adoption of audited consolidated financial statements of the Company for the year ended June 30, 2017 along with report of the Board of Directors and Auditors of the Company.

On the request of Chairman, Mr. Ram Bajekal, Managing Director of the company briefed the Members about the key highlights of the financials and operations of the Company for the year in report. He mentioned that though the Company had done well in terms of sales volume, the price realization were lower resulting in lower turnover compared to previous year.

Mr. Hari Raj Naicker proposed the motion which was seconded by Mr. Maganlal Mohanlal and thereafter the motion was put to vote by a show of hands and was approved nem.

9. TO APPOINT MR. AJAI PUNJA AS A DIRECTOR, WHO RETIRES BY ROTATION AND BEING ELIGIBLE IN ACCORDANCE WITH ARTICLE 86 OF ARTICLES OF ASSOCIATION OF THE COMPANY, OFFERS HIMSELF FOR REAPPOINTMENT.

Mr. Maganlal Mohanlal proposed the motion for Item 3 (a) in the Notice, which was seconded by Mr. Mahendra Pal Singh and thereafter the motion was put to vote.

By a show of hands, the meeting approved the motion and elected Mr. Ajai Punja as a Director of the company without any objection

10. TO APPOINT MR. PRAMESH SHARMA AS A DIRECTOR, WHO RETIRES BY ROTATION AND BEING ELIGIBLE IN ACCORDANCE WITH ARTICLE 86 OF ARTICLES OF ASSOCIATION OF THE COMPANY, OFFERS HIMSELF FOR REAPPOINTMENT.

Mr. Hari Raj Naicker proposed the motion for Item 3 (b) in the Notice, which was seconded by Mr. Mahendra Pal Singh and thereafter the motion was put to vote.

By a show of hands, the meeting approved the motion and elected Mr. Pramesh Sharma as a Director of the company without any objection

11. APPOINTMENT OF AUDITORS

The motion was proposed by Mr. Hari Raj Naicker and seconded by Mr. Mahendra Pal and thereafter was put to vote.

By a show of hands, the meeting approved the motion and confirmed, without any objection, the appointment of the retiring auditors, M/s. M/s PricewaterhouseCoopers, as the Statutory Auditors of the Company to hold the office from the conclusion of this meeting until the conclusion of the next Annual General Meeting at a fee to be decided by the Board of Directors.

12. ADOPTION OF NEW SET OF ARTICLES OF ASSOCIATION

The Chairman took up the Special Business under agenda item no.5 regarding the approval for adoption of new set of Articles of Association of the Company. The Chairman informed the Members that the new set of Articles of Association was necessitated in view of the introduction of Companies Act 2015 and that the revised Articles of Association was prepared based on the model Articles issued by the south Pacific Stock Exchange for listed entities.

The motion to approve the business was proposed by Mr. Hari Raj Naicker and was seconded by Mr. Mahendra Pal Singh. The below mentioned resolution was then put to vote by show of hands and was approved by the Members unanimously:

"RESOLVED that pursuant to the provisions of Section 46 and any other applicable provisions of the Companies Act, 2015, the new set of Articles of Association, submitted to this meeting, be and are hereby approved and adopted in substitution for, and to the exclusion, of the existing Articles of Association of the Company.

RESLOVED FURTHER THAT the Board of Directors of the Company be and are hereby authorized to do all acts and take all such steps as may be necessary, proper or expedient to give effect to this resolution."

13. GENERAL DISCUSSION:

There was a general discussion on the operations of the Company and the Chairman responded to the comments, queries and suggestions from the Members.

The meeting concluded at 4.30 pm with a vote of thanks to the Chair from the floor.

Sd/-
Chairman

FMF FOODS LIMITED

PROXY FORM

Share Folio No. ……….……..……………
No. of shares held ……….……..……………..

The Company Secretary
FMF Foods Limited
P O Box 977,
Suva, Fiji.

I/WE……….……………………………………………………………………………………………….….

of ……………….…………………..……………………………………………………………………….

being a member(s) of **FMF FOODS LIMITED** (formerly **FLOUR MILLS OF FIJI LIMITED)** *hereby*

appoint …………..…………………………………………………………………………………………

or failing him/her…..…………………………………………………………………………………………

as my/our proxy to vote on my/our behalf at the 46th Annual General Meeting of the Company, to be held at **4.00 p.m**. on **30th October 2018** and at any adjournment thereof in respect of such business(es) as are indicated below:

Item No.	Business	Vote (*optional see note 1*)		
		For	Against	Abstain
General Business				
1.	To confirm the minutes of the previous Annual General Meeting held on 30th October 2017			
Ordinary Business				
2.	Adoption of Financial Statements for the year ended June 30, 2018 including Balance Sheet, Statement Profit & Loss and the report of the Board of Directors and Auditors			
3 (a)	Appointment of Director in place of Mr.Hari Punja who retires by rotation and being eligible, seeks re-appointment			
3 (b)	Appointment of Director in place of Mr.Gary Callaghan who retires by rotation and being eligible, seeks re-appointment			
4	Appointment of Messrs.PricewaterhouseCoopers as Auditors of the Company			

As witness to my/our hands this…….…day of ………………..2018, at …………………………………

Signed by the said member (s) ………………………………………..……………………………….…….

In the presence of (Witnessed by)……….…………………………………………………………………

Notes:

1. Please put a tick mark (√) in the appropriate column against the resolutions indicated in the box. It is optional to indicate your preference. If you leave the 'for', 'against' or 'abstain' box blank against any or all of the resolutions, your Proxy will be entitled to vote in the manner as he/she may deem appropriate. Where more than one box against same item is ticked, the vote will be invalid on that item.
2. This form, in order to be effective, should be duly completed, signed, and deposited at the registered office of the Company, not less than 48 hours before the Annual General Meeting.
3. In the case of a body corporate, this form should be under its Seal or be signed by an officer or an attorney duly authorized by it.

For office use only:
Proxy received on ________________ at ______________ am / pm by _____________________________