



# FMF Foods Limited

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## Market Announcement

### FMF Foods Limited's Consolidated Financial Results for the financial year ended 30<sup>th</sup> June, 2019

The audited consolidated financial statements of FMF Foods Limited for the financial year ended 30<sup>th</sup> June, 2019 is appended herewith.

The Group's consolidated revenue for the financial year 2018-19 grew by 3% to \$190.2 Mn. from \$184.9 Mn. in the previous year. The Group's consolidated profit before tax for the year was \$8.5 Mn. compared to \$10.5 Mn. during the previous year. Whilst, the revenue volumes have grown during the year, the profits were significantly impacted due to increase in global wheat prices resulting in increased Flour production cost, which could not be passed on to consumers for almost five months due to delay in getting price increase. Further, an increase in insurance premium during the year also adversely impacted the profit margins even though the Group was able to reduce other operating expenses significantly through better cost control and efficiencies.

The Company declared an increased dividend of \$3 Mn. for the financial year 2018-19 (\$2.6 Mn. in FY'18).

As at June 30, 2019, the total equity of the Group was \$136.6 Mn.

While financial year 2018-19 was a challenging year, we expect the Group's profitability to improve in FY 2019-20 considering the capital investments being made during the year and operating efficiencies anticipated from the same.

Ram Bajekal  
Managing Director

Sandeep Kumar  
Chief Financial Officer &  
Company Secretary

30 September, 2019

**FMF FOODS LIMITED AND SUBSIDIARIES**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2019**

**FMF FOODS LIMITED AND SUBSIDIARIES****FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

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**FMF FOODS LIMITED AND SUBSIDIARIES****FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019****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 forming "the Group") as at 30 June 2019 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 Fijii, 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 \$5.29m (2018: \$7.46m).

**4 Provisions**

There were no material movements in provisions.

**5 Dividends**

During the year, the Company has declared an interim dividend of 2.00 cents per equity share (2018: 1.73 cents) entailing outflow of \$3.0m (2018: \$2.60m). No further dividend is recommended for the financial year ended 30 June 2019.

**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.

**FMF FOODS LIMITED AND SUBSIDIARIES****FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019****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.

**FMF FOODS LIMITED AND SUBSIDIARIES****FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019****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:

	<u>Beneficially</u>		<u>Non-Beneficially</u>	
	<u>Additions</u>	<u>Holding</u>	<u>Additions</u>	<u>Holding</u>
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 18th day of September 2019.

.....  
Director

.....  
Director

**FMF FOODS LIMITED AND SUBSIDIARIES****FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019****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 2019:
  - 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 2019 and of the performance and cash flows of the Group for the year ended 30 June 2019; 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.

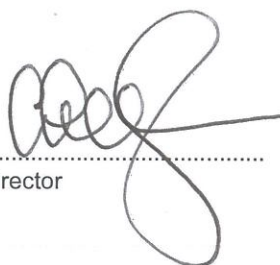
For and on behalf of the Board and in accordance with a resolution of the Directors.

Dated this 18th day of September 2019.

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 2019, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the Companies Act 2015 in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

PricewaterhouseCoopers  
Chartered Accountants

*PricewaterhouseCoopers*  
by

A handwritten signature in blue ink, appearing to read 'Kaushick Chandra'.

Kaushick Chandra  
Partner

18 September 2019





## **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 2019, 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 2019, 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.

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Key audit matter	How our audit addressed the key audit matter
<p><b>Timing of recognition for export revenues</b> <b>(Refer also to Note 2.18)</b></p> <p>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.</p> <p>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.</p>	<p>Our audit procedures to ensure export revenues were accounted for in the correct accounting period included the following:</p> <ul style="list-style-type: none"> <li>• Understanding and evaluating the appropriateness of the Group's accounting policies, processes and controls over the timing of recognition for export sales.</li> <li>• 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.</li> <li>• Testing a sample of export sale transactions recorded during the year back to supporting details of sales terms and shipping documents.</li> <li>• Obtaining confirmations of accounts receivable balances from a selection of export sale customers as at balance date.</li> </ul>



Key audit matter	How our audit addressed the key audit matter
<p><b>Volume of wheat inventory</b> <b>(Refer also to Notes 2.9 and 12)</b></p> <p>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.</p>	<p>Our audit procedures in response to the existence and measurement of volume of wheat inventory included the following:</p> <ul style="list-style-type: none"> <li>• Understanding and evaluating the appropriateness of the Group's accounting policies, processes and controls over the measurement of volume of wheat inventory.</li> <li>• Attending the annual inventory measurement on all silos at balance date and observing the measurements of the silo's contents.</li> <li>• 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.</li> <li>• Reperforming volume calculations performed by management to ensure they were accurate.</li> <li>• Performing sensitivity analysis on the volume calculation models to ascertain whether sensitivities calculated are materially significant.</li> </ul>





### *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 2019 (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.





### **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**  
**Chartered Accountants**

  
**Kaushick Chandra**  
**Partner**

**18 September 2019**  
**Suva, Fiji**

**FMF FOODS LIMITED AND SUBSIDIARIES****STATEMENT OF PROFIT OR LOSS  
AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2019**

	<b>Notes</b>	<b>2019 \$'000</b>	<b>2018 \$'000</b>
Revenue	30(b)	190,195	184,939
Other operating income	6	1,467	1,715
Changes in inventories of finished goods and work in progress		1,296	(385)
Raw materials and consumables used		(128,863)	(120,025)
Staff costs		(17,779)	(17,573)
Depreciation		(8,116)	(7,766)
Reversal of impairment loss on trade receivables	4(b)	89	(108)
Other operating expenses		(29,165)	(29,788)
<b>Profit from operations</b>		<b>9,124</b>	<b>11,009</b>
Finance income	7	207	183
Finance cost	7	(847)	(738)
<b>Profit before tax</b>	10	<b>8,484</b>	<b>10,454</b>
Income tax expense	8	(1,658)	(1,964)
<b>Profit for the year from continuing operations</b>		<b>6,826</b>	<b>8,490</b>
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<b>6,826</b>	<b>8,490</b>
Attributable to:			
- Owners of the parent company		5,293	7,460
- Non-controlling interests		1,533	1,030
		<b>6,826</b>	<b>8,490</b>
<b>Basic and diluted earnings per share (cents)</b>	24	<b>3.53</b>	<b>4.97</b>

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 2019**

	Notes	2019 \$'000	2018 \$'000
<b>Current assets</b>			
Cash on hand and at bank	11(a)	27,436	21,976
Inventories	12	38,813	36,741
Trade receivables	13	27,039	20,101
Prepayments and other receivables	14	11,112	4,208
Other investments	15	8,591	9,730
Current income tax assets	8	1,514	2,300
		<u>114,505</u>	<u>95,056</u>
<b>Non-current assets</b>			
Property, plant and equipment	17	88,772	84,373
Other Investments	15	2,519	-
Deferred income tax assets	9(a)	797	758
		<u>92,088</u>	<u>85,131</u>
<b>Total assets</b>		<u>206,593</u>	<u>180,187</u>
<b>Current liabilities</b>			
Bank overdraft	11(a)	44,333	19,290
Trade and other payables	19	12,094	10,095
Current income tax liabilities	8	84	106
Borrowings	21	1,000	3,220
Amounts owing to related companies	26(c)	223	445
		<u>57,734</u>	<u>33,156</u>
<b>Non-current liabilities</b>			
Borrowings	21	7,000	8,000
Deferred income tax liabilities	9(b)	5,268	5,022
		<u>12,268</u>	<u>13,022</u>
<b>Total liabilities</b>		<u>70,002</u>	<u>46,178</u>
<b>Net assets</b>		<u>136,591</u>	<u>134,009</u>
<b>Equity</b>			
Share capital	22	6,000	6,000
Retained earnings		123,911	122,090
Foreign currency translation reserve		(6)	-
		<u>129,905</u>	<u>128,090</u>
Non-controlling interests		6,686	5,919
<b>Total equity</b>		<u>136,591</u>	<u>134,009</u>

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 18th day of September 2019.

Director

Director



**FMF FOODS LIMITED AND SUBSIDIARIES****STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2019**

Note	Attributable to owners of the parent company			Totals \$'000	Non - controlling interests \$'000	Total equity \$'000
	Share capital \$'000	Retained earnings \$'000	Foreign currency translation reserve			
<b>Balance at 1 July 2017</b>	6,000	117,230	-	123,230	5,542	128,772
<b>Comprehensive income</b>						
Profit for the year	-	7,460	-	7,460	1,030	8,490
Total comprehensive income	-	7,460	-	7,460	1,030	8,490
<b>Transactions with owners</b>						
Dividends	23 -	(2,600)	-	(2,600)	(653)	(3,253)
<b>Balance at 30 June 2018</b>	6,000	122,090	-	128,090	5,919	134,009
<b>Balance at 1 July 2018 as previously reported</b>	6,000	122,090	-	128,090	5,919	134,009
Opening adjustment due to IFRS 9 adoption (net of tax) (Note 2.1)		(472)	-	(472)	(65)	(537)
<b>Balance at 1 July 2018 as restated</b>	6,000	121,618	-	127,618	5,854	133,472
<b>Comprehensive income</b>						
Profit for the year	-	5,293	-	5,293	1,533	6,826
Other comprehensive income	-		(6)	(6)	-	(6)
Total comprehensive income	6,000	126,911	(6)	132,905	7,387	140,292
<b>Transactions with owners</b>						
Dividends	23 -	(3,000)	-	(3,000)	(701)	(3,701)
<b>Balance at 30 June 2019</b>	6,000	123,911	(6)	129,905	6,686	136,591

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 2019**

	<b>Note</b>	<b>2019 \$'000</b>	<b>2018 \$'000</b>
<b>Cash flows from operating activities</b>			
Receipts from customers		176,933	187,857
Payments to suppliers and employees		(174,388)	(159,124)
<b>Cash generated from operations</b>		<b>2,545</b>	<b>28,733</b>
1% transitional tax paid		-	(246)
Income taxes paid		(649)	(1,916)
Interest paid		(847)	(738)
<b>Net cash generated from operating activities</b>		<b>1,049</b>	<b>25,833</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of property, plant and equipment		81	20
Acquisition of property, plant and equipment		(12,619)	(9,164)
Interest received		207	183
Acquisition of other investments		(1,380)	(2,000)
<b>Net cash used in investing activities</b>		<b>(13,711)</b>	<b>(10,961)</b>
<b>Cash flows from financing activities</b>			
Repayment of borrowings		(3,220)	(6,197)
Dividends paid		(3,701)	(3,253)
<b>Net cash used in financing activities</b>		<b>(6,921)</b>	<b>(9,450)</b>
<b>Net (decrease)/ increase in cash and cash equivalents</b>		<b>(19,583)</b>	<b>5,422</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>2,686</b>	<b>(2,736)</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>11</b>	<b>(16,897)</b>	<b>2,686</b>

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

**FMF FOODS LIMITED AND SUBSIDIARIES****NOTES TO AND FORMING PART OF  
THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019****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 18 September 2019.

**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 standards adopted by the Group**IFRS 9 'Financial Instruments'*

The Group has applied IFRS 9 for the first time for its annual reporting period commencing 1 July 2018. IFRS 9 replaces the provisions of IAS 39 'Financial Instruments: Recognition and Measurement' that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

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

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

Management has assessed which business models apply to the financial assets held by the Group and has classified its financial assets into appropriate IFRS 9 categories. Refer to Note 2.5(i) for details on how the Group classifies and measures its financial assets.

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets as at 1 July 2018:

Financial assets	Measurement category		Carrying amount		Difference*
	Original (IAS 39)	New (IFRS 9)	Original	New	
Cash on hand and at bank	Loans and receivables	Amortised cost	21,976	21,976	-
Trade receivables	Loans and receivables	Amortised cost	20,101	19,519	582
Other receivables	Loans and receivables	Amortised cost	422	422	-
Other investments	Loans and receivables	Amortised cost	9,730	9,730	-
Total			52,229	51,647	582

\* The difference noted in this column is the result of applying the new expected credit loss model. The reclassification of the financial assets on adoption of IFRS 9 did not result in any changes to measurements.

**FMF FOODS LIMITED AND SUBSIDIARIES****NOTES TO AND FORMING PART OF  
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The adoption of IFRS 9 had no significant impact on the classification and measurement of the Group's financial liabilities.

**(ii) Impairment of financial assets**

The Group was required to revise its impairment methodology from an 'incurred loss' model in IAS 39 to an 'expected credit loss' model in IFRS 9. The new impairment model applies to financial assets measured at amortised cost.

The following table reconciles the Group's prior period's closing impairment provision measured in accordance with the IAS 39 incurred loss model to the new impairment provision measured in accordance with the IFRS 9 expected loss model at 1 July 2018:

<b>Measurement category</b>	<b>Impairment provision under IAS 39</b>	<b>Re- measurement</b>	<b>Impairment provision under IFRS 9</b>
Cash on hand and at bank	-	-	-
Trade receivables	(1,900)	(582)	(2,482)
Other receivables	-	-	-
Term deposits	-	-	-
<b>Total</b>	<b>(1,900)</b>	<b>(582)</b>	<b>(2,482)</b>
Less tax effect		45	
<b>Net of tax</b>		<b>(537)</b>	

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

***IFRS 15 'Revenue from Contracts with Customers'***

The Group has adopted IFRS 15 from 1 July 2018. Previously under IAS 18, the Group recognised revenue when the amount of revenue could be reliably measured, it was probable that future economic benefits would flow to the Group and when specific criteria have been met for each of the Group's activities. Revenue comprised the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Such recognition continues to be the same under IFRS 15, as the Group recognises revenue when (at a point in time) or as (over time) it satisfies a performance obligation by transferring the goods or services to its customer.

Accordingly, management has assessed that such adoption did not result in changes in the timing of recognition and the quantification of revenue, and there are no significant adjustments to the amounts recognised in the financial statements. However, the Group has expanded its disclosures in accordance with IFRS 15 as detailed in Note 2.18.

**FMF FOODS LIMITED AND SUBSIDIARIES****NOTES TO AND FORMING PART OF  
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*(b) New standard issued but not effective for the financial year beginning 1 July 2018 and not early adopted*

*IFRS 16 'Leases'*

This standard replaces the current guidance in IAS 17 and has a far-reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. 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.

The Group has reviewed all of its leasing arrangements over the last year in light of the new lease accounting rules in IFRS 16. The standard will affect primarily the accounting for the Group's operating leases. At balance date the Group has non-cancellable operating lease commitments of \$14m (2018: \$14.1m) (Note 27). As a result of adopting the new rules, the Group expects that profit after tax will decrease by approximately \$0.64 for the fiscal year 2020 and recognise right-of-use assets of approximately \$3.3m and lease liabilities of approximately \$3.3m on 1 July 2019.

The Group will apply the new standard from its mandatory adoption date of 1 July 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to its first adoption.

**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.

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.

**FMF FOODS LIMITED AND SUBSIDIARIES****NOTES TO AND FORMING PART OF  
THE FINANCIAL STATEMENTS (Cont'd)  
FOR THE YEAR ENDED 30 JUNE 2019****2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)****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.

The assets and liabilities of foreign subsidiaries are translated to Fijian dollars using the exchange rate at the year end. The income and expenses are translated to Fijian dollars at average exchange rates. Foreign currency differences are recognised directly in equity in the foreign currency translation reserve. For the current year, the amount is not significant.

**2.5 Financial assets*****Accounting policies applied from 1 July 2018****(i) Classification*

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through profit or loss or through OCI), and
- those to be measured at amortised cost.

Management determines the classification of its financial assets at initial recognition. The classification depends on the Group's business model for managing the financial statements and the contractual terms of the cash flows. The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

The Group's financial assets measured at cost consist of cash and cash equivalents, trade receivables, other receivables and other investments.

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)****2.5 Financial assets (Cont'd)***(ii) 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 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.

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

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

Financial assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by any impairment losses. Finance income, gains/(losses) arising from derecognition, foreign exchange gains/(losses) and impairment losses are recognised in profit or loss.

*(iii) Impairment of financial assets*

The Group assesses on a forward looking basis the expected credit losses (ECLs) associated with its financial assets measured at amortised cost. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For credit exposures where there has not been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses that are possible within the next 12 months (a 12-month ECL). For credit exposures where there has been a significant increase in credit risk since initial recognition, a provision for impairment is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL). A financial asset is written off when there is a no reasonable expectation of recovering the contractual cash flows.

Provision for impairment for trade receivables are recognised based on the simplified approach permitted by IFRS 9 which requires lifetime ECL to be recognised from the initial recognition of the receivables. The Group establishes a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to its customers and the economic environment. Refer to Note 4(b) for the application of impairment methodology.

Provision for impairment for amounts owing by related parties are assessed individually.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

The Group considers a financial instrument to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Group considers this to be Baa3 or higher per rating agency Moody's or BBB- or higher per rating agency Standards & Poor's.

Provision for impairment on financial assets carried at amortised cost are presented as net impairment provision within operating profit. For presentation in the statement of financial position, the related provision allowance are deducted from the gross carrying amount of the financial asset.

**FMF FOODS LIMITED AND SUBSIDIARIES****NOTES TO AND FORMING PART OF  
THE FINANCIAL STATEMENTS (Cont'd)  
FOR THE YEAR ENDED 30 JUNE 2019****2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)****2.5 Financial assets (Cont'd)***(iv) Write-off*

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. For individual customers, the Group makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

***Accounting policies applied before 1 July 2018***

The Group has applied IFRS 9 retrospectively, but has elected not to restate comparative information. As a result the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policies. There is a financial impact on the amount of the impairment as at 1 July 2018 from the change in policy in 2018 as detailed in Note 4(b).

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.

*(i) 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.

*(ii) 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.

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.

**2.6 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.

**2.7 Trade receivables**

Trade receivables are recognised initially at fair value of the underlying transaction and subsequently measured at amortised cost using the effective interest method less any provision of impairment. Refer to Note 2.5 for accounting policy in relation to impairment.



**FMF FOODS LIMITED AND SUBSIDIARIES****NOTES TO AND FORMING PART OF  
THE FINANCIAL STATEMENTS (Cont'd)  
FOR THE YEAR ENDED 30 JUNE 2019****2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)****2.8 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.

**2.9 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.

**2.9 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.

**2.10 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. Non financial assets, except inventories, 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).

**FMF FOODS LIMITED AND SUBSIDIARIES****NOTES TO AND FORMING PART OF  
THE FINANCIAL STATEMENTS (Cont'd)  
FOR THE YEAR ENDED 30 JUNE 2019****2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)****2.11 Financial liabilities***(i) Classification and subsequent measurement*

In both the current and prior periods, financial liabilities are classified as subsequently measured at amortised costs, except for:

- Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition, whereby a financial liability is recognised for the consideration received for the transfer. In subsequent periods, the Group recognises any expense incurred on the financial liability; and
- Financial guarantee contracts and loan commitments.

*(ii) Derecognition*

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expired). The Group also derecognises as financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value. On de-recognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

**2.12 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.

**2.13 Borrowings**

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

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.

**2.14 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.

**2.15 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 are 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 substantively 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.

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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.

**2.17 Share capital**

Ordinary shares are classified as equity.

**2.18 Revenue recognition*****Accounting policies applied from 1 July 2018***

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a product or service to a customer. Revenue is presented net of value-added tax and discounts.

The Group's revenues consist mainly of sale of a variety of food products and packaging materials. There are three type of accounts:

- a. Cash on delivery - Customers are mostly counter customers who come to buy the goods from the Group's premises by themselves and are not bonded by any contract apart from the requirement to pay before taking possession of the goods and to take those goods on the same day before close of business.
- b. Advance paying customers - similar treatment to cash on delivery customers.
- c. Credit customers - Customers purchase goods on credit account and shall pay in full at the approved credit period which is normally 30 to 60 days. The maximum credit limit is mutually agreed between the Group and the customer at the time of application for credit account, however the Group reserves the right to vary the credit limit at its discretion.

For local sales, revenue is recognised when invoicing takes place as it is assumed that the deliveries are received by the customer on the same invoice date. For export sales, revenue is recognised in accordance with freight terms with the customer.

All revenue transactions are recognised at a point in time.

***Accounting policies applied before 1 July 2018***

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.

**2.19 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.

**FMF FOODS LIMITED AND SUBSIDIARIES****NOTES TO AND FORMING PART OF  
THE FINANCIAL STATEMENTS (Cont'd)  
FOR THE YEAR ENDED 30 JUNE 2019****2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)****2.19 Leases (Cont'd)**

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.

**2.23 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 JUDGEMENTS**

The preparation of the financial statements requires management to make judgements, 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 provision for impairment of financial assets carried at amortised cost (Note 2.5), depreciation/amortisation of property, plant and equipment (Note 2.9) and inventory valuation (Note 2.8), 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.

**FMF FOODS LIMITED AND SUBSIDIARIES****NOTES TO AND FORMING PART OF  
THE FINANCIAL STATEMENTS (Cont'd)  
FOR THE YEAR ENDED 30 JUNE 2019****4 FINANCIAL RISK MANAGEMENT (Cont'd)****(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 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.

*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 2019, if interest rates on borrowings and bank overdrafts had been 1,000 basis points higher/lower with all other variables held constant, post-tax profit and equity for the year would have been \$212k (2018: \$99k) 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.

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.

The credit quality of cash and cash equivalents and other investments is as follows:

	2019 \$'000	2018 \$'000
<b>Cash</b>		
Bank A	27,436	21,976

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 (2018: Aa3).

**4 FINANCIAL RISK MANAGEMENT (Cont'd)**

**(b) Credit risk (Cont'd)**

	<b>2019 \$'000</b>	<b>2018 \$'000</b>
<b>Other investments</b>		
Bank B	9,890	9,730
Bank C	1,220	-
	<u>11,110</u>	<u>9,730</u>

Bank B - The Group has other investments with the Fiji branch of an international bank which has a Moody's credit rating of Baa3 (2018: Baa3).

Bank C - The Group has other investments with Papua New Guinea branch of an international bank which has a Standard and Poor's credit rating of B+.

***Expected credit loss assessment starting from 1 July 2018***

The Group applies the IFRS 9 simplified approach to measure expected credit losses for trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared risk characteristics and the days overdue. The Group uses the 'roll rate' model based on the probability of trade receivables following the movement of cash outstanding from payment status of current through all delinquency buckets until write-off. Loss rates are based on historical credit losses experienced over the past two years. These rates are then adjusted to reflect current and forward looking information based on macroeconomic factors (i.e. GDP growth rates and inflation rates) and the Group's internal evaluation of trade receivables over their expected lives.

The following table provides analysis about the exposure to credit risk and expected credit losses for trade receivables collectively assessed as at 30 June 2019:

	<b>Expected weighted average loss rate</b>	<b>Gross carrying amount \$'000</b>	<b>Provision for impairment \$'000</b>
Current	1.69%	19,658	332
31 to 60 days overdue	3.48%	4,172	145
61 to 90 days overdue	10.86%	3,242	352
91 to 120 days overdue	42.21%	199	84
Over 120 days overdue	63.99%	1,891	1,210
		<u>29,162</u>	<u>2,123</u>

Movements in the provision for impairment of trade receivables are as follows:

	<b>2019 \$'000</b>
At 1 July 2018	
As previously reported	1,900
Opening adjustment due to IFRS 9 adoption	582
As restated	<u>2,482</u>
Provision reversed during the year	(89)
Bad debts written-off	<u>(270)</u>
At 30 June 2019	<u>2,123</u>

Impairments on cash and cash equivalents and other investments have been measured on the 12-month ECL basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents and other investments have low credit risk based on the external credit ratings of the counterparties.

Impairments on other receivables are assessed on an individual counterparty basis. Any provision for impairment is deemed immaterial due to their short term maturities and historical lack of default.

**4 FINANCIAL RISK MANAGEMENT (Cont'd)**

**(b) Credit risk (Cont'd)**

**Comparative information under IAS 39**

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:

	<b>2018 \$'000</b>
Up to 2 months	4,885
Over 2 months	858
	<u>5,743</u>

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:

Over 1 month	169
Over 2 months	1,606
	<u>1,775</u>

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

At 1 July	1,976
Provision recognised in current year	108
Bad debts written-off	(184)
	<u>1,900</u>
At 30 June	<u>1,900</u>

**(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).

	<b>Contractual Undiscounted Cash Flows</b>				<b>Carrying amount</b>
	<b>Up to 1 year \$'000</b>	<b>1 to 2 years \$'000</b>	<b>2 to 5 years \$'000</b>	<b>Total \$'000</b>	<b>\$'000</b>
<b>As at 30 June 2019</b>					
Bank overdraft	44,333	-	-	44,333	44,333
Borrowings	3,199	3,075	1,758	8,032	8,000
Trade and other payables	12,094	-	-	12,094	12,094
Owing to related companies	223	-	-	223	223
<b>Total</b>	<b>59,849</b>	<b>3,075</b>	<b>1,758</b>	<b>64,682</b>	<b>64,650</b>
<b>As at 30 June 2018</b>					
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
<b>Total</b>	<b>37,127</b>	<b>7,034</b>	<b>3,346</b>	<b>47,507</b>	<b>41,050</b>

Letters of credit and guarantees are disclosed in the Note 25.

**FMF FOODS LIMITED AND SUBSIDIARIES****NOTES TO AND FORMING PART OF  
THE FINANCIAL STATEMENTS (Cont'd)  
FOR THE YEAR ENDED 30 JUNE 2019****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. The Group's strategy was to maintain a gearing ratio of up to 30%.

The gearing ratio for the Group was as follows:

	<b>2019</b> <b>\$'000</b>	<b>2018</b> <b>\$'000</b>
Total borrowings (Note 21)	8,000	11,220
Cash and cash equivalents (Note 11)	16,897	(2,686)
Net debt	24,897	8,534
Equity	136,591	134,009
Total capital	161,488	142,543
Gearing ratio	15%	6%

**6 OTHER OPERATING INCOME**

	<b>2019</b> <b>\$'000</b>	<b>2018</b> <b>\$'000</b>
Gain on disposal of property, plant and equipment	81	20
Exchange gains	1,271	1,601
Other income	115	94
	1,467	1,715

**7 NET FINANCE INCOME AND COST**

	<b>2019</b> <b>\$'000</b>	<b>2018</b> <b>\$'000</b>
<b>Finance income</b>		
Interest income on term deposits	207	129
Interest income on Customer Overdue Accounts	-	54
<b>Finance costs</b>		
Interest expense on overdraft and borrowings	(847)	(738)
Net finance cost	(640)	(555)

**8 INCOME TAX EXPENSE**

	<b>2019</b> <b>\$'000</b>	<b>2018</b> <b>\$'000</b>
Current tax:		
Current tax on profits for the year	1,415	1,603
Adjustments in respect of prior year	(1)	(4)
Total current tax	1,414	1,599



**FMF FOODS LIMITED AND SUBSIDIARIES****NOTES TO AND FORMING PART OF  
THE FINANCIAL STATEMENTS (Cont'd)  
FOR THE YEAR ENDED 30 JUNE 2019****8 INCOME TAX EXPENSE (Cont'd)**

Deferred tax:		
Origination and reversal of temporary differences	268	320
Adjustments in respect of prior year	(24)	45
	<hr/>	<hr/>
Total deferred tax	244	365
	<hr/>	<hr/>
Income tax expense	1,658	1,964
	<hr/>	<hr/>

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

Profit before tax	8,484	10,454
	<hr/>	<hr/>
Prima facie income tax expense at 10%/ 20%	1,190	1,578
Tax effects of:		
- Non-deductible and items not subject to tax (net)	46	(6)
Tax losses not recognised	451	378
Prior year adjustments	(29)	14
	<hr/>	<hr/>
<b>Income tax expense</b>	1,658	1,964
	<hr/>	<hr/>
Temporary differences	(245)	(365)
	<hr/>	<hr/>
	1,413	1,599
	<hr/>	<hr/>
Add: Opening current tax liabilities	(2,194)	(1,871)
Less: Taxes (paid) / refunded	(649)	(1,922)
	<hr/>	<hr/>
Current income tax liabilities / (assets)	(1,430)	(2,194)
	<hr/>	<hr/>

Unused tax losses for which no deferred income tax asset has been recognised amounted to \$0.7m as at 30 June 2019 (2018: \$0.7m), 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**

	<b>Tax losses \$'000</b>	<b>Other \$'000</b>	<b>Total \$'000</b>
At 30 June 2017	706	377	1,083
Charged/ (credited) to profit or loss	(334)	9	(325)
At 30 June 2018	372	386	758
Charged/ (credited) to profit or loss	55	(16)	39
	<hr/>	<hr/>	<hr/>
At 30 June 2019	427	370	797
	<hr/>	<hr/>	<hr/>

**(b) Deferred income tax liabilities**

	<b>Property, plant &amp; equipment \$'000</b>	<b>Other \$'000</b>	<b>Total \$'000</b>
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
Charged/ (credited) to profit or loss	211	35	246
	<hr/>	<hr/>	<hr/>
At 30 June 2019	4,311	957	5,268
	<hr/>	<hr/>	<hr/>

**NOTES TO AND FORMING PART OF  
THE FINANCIAL STATEMENTS (Cont'd)  
FOR THE YEAR ENDED 30 JUNE 2019**

**FMF FOODS LIMITED AND SUBSIDIARIES**

**10 PROFIT BEFORE TAX**

	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>

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

**Expenses**

Auditors' remuneration		
- PricewaterhouseCoopers (Principal auditors)	102	89
- Other auditors	30	28
Directors' emoluments		
- Directors' fees	39	40

**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:

	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>

Cash on hand and at bank	27,436	21,976
Bank overdraft	(44,333)	(19,290)
Cash and cash equivalents	(16,897)	2,686

(b) Financing facilities

Bank overdraft facility from ANZ totalling \$ 20m (2018: \$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 (2018: \$6.75m). Refer to Note 20 for securities provided.

**12 INVENTORIES**

	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>

Finished products	8,193	7,279
Raw and packaging materials	24,713	24,803
Spares	3,583	3,288
Work in progress	296	119
Goods in transit	2,799	1,813
	39,584	37,302
Provision for inventory obsolescence	(771)	(561)
	38,813	36,741

**13 TRADE RECEIVABLES**

	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>

Gross carrying amount	29,162	22,001
Less: Provision for impairment	(2,123)	(1,900)
Trade receivables - net	27,039	20,101

**14 PREPAYMENTS AND OTHER RECEIVABLES**

	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>

Deposits	427	422
Prepayments	3,827	1,944
VAT receivable	6,858	1,842
Prepayments and other receivables	11,112	4,208

**FMF FOODS LIMITED AND SUBSIDIARIES****NOTES TO AND FORMING PART OF  
THE FINANCIAL STATEMENTS (Cont'd)  
FOR THE YEAR ENDED 30 JUNE 2019****15 OTHER INVESTMENTS**

	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Current</b>		
Other investments	8,591	9,730

The above investment are short term in nature but more than 90 days. \$7.13m (2018: \$7.13m) of the group term deposits are held as lien for the \$6.75m (2018: \$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.

**Non-current**

Other investments	2,519	-
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The above investment are for period of two years

**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.

	<b>Country of incorporation</b>	<b>% Interest</b>		<b>Principal activities</b>
		<b>2019</b>	<b>2018</b>	
Pea Industries Pte Limited	Fiji	100	100	Pea milling
Biscuit Company of (Fiji) Pte Limited	Fiji	100	100	Biscuit manufacture
DHF Pte Limited	Fiji	100	100	Wheat and bakery ingredients sale
FMF Investment Company Pte Limited	Fiji	100	100	Property management
FMF Snax Pte Limited	Fiji	100	100	Snacks manufacture
Bakery Company (Fiji) Pte Limited	Fiji	100	100	Biscuit manufacture
The Rice Company of Fiji Limited	Fiji	75	75	Rice sale
Atlantic & Pacific Packaging Company	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 Pte Limited and FMF Investment Company Pte 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 \$6.68m (2018: \$5.92m), of which \$3.64m (2018: \$3.47m) was for RCF and \$3.04m (2018: \$2.45m) was attributed to ATPACK.

The profit/(loss) allocated to non-controlling interest for the year was \$1.53m (2018: \$1.03m), of which \$0.72m (2018: \$0.64m) was for RCF and \$0.81m (2018: \$0.39m) was attributed to ATPACK.

The dividends paid to non-controlling interest during the year was \$0.71m (2018: \$0.65m), of which \$0.53m (2018: \$0.53m) was paid by RCF and \$0.18m (2018: \$0.13m) was paid by ATPACK.

**FMF FOODS LIMITED AND SUBSIDIARIES****NOTES TO AND FORMING PART OF  
THE FINANCIAL STATEMENTS (Cont'd)  
FOR THE YEAR ENDED 30 JUNE 2019****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	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
<u>Current</u>				
Assets	16,457	14,364	4,284	3,851
Liabilities	1,923	503	1,051	2,536
Current net assets	14,534	13,861	3,233	1,315
<u>Non-current</u>				
Assets	43	22	4,608	5,050
Liabilities	-	-	238	246
Non-current net assets	43	22	4,370	4,804
Net assets	14,577	13,883	7,603	6,119

**Summarised statements of profit or loss and other comprehensive income**

	RCF		ATPACK	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Revenue	30,299	27,825	14,996	14,560
Profit before income tax	3,212	2,827	2,249	1,084
Income tax expense	(323)	(283)	(222)	(99)
Net profit	2,889	2,544	2,027	985
Other comprehensive income	-	-	-	-
Total comprehensive income	2,889	2,544	2,027	985

**Summarised cash flows**

	RCF		ATPACK	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Cash flows from operating activities	1,288	2,399	1,952	2,078
Cash flows from investing activities	248	-	(300)	(1,474)
Cash flows from financing activities	(2,100)	(2,100)	(440)	(320)
Net increase / (decrease) in cash and cash equivalents	(564)	299	1,212	284

**FMF FOODS LIMITED AND SUBSIDIARIES****NOTES TO AND FORMING PART OF  
THE FINANCIAL STATEMENTS (Cont'd)  
FOR THE YEAR ENDED 30 JUNE 2019****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
<b>At 30 June 2017</b>						
Cost	51,155	861	5,381	108,626	2,109	168,132
Accumulated depreciation	(8,403)	(291)	(3,841)	(72,603)	-	(85,138)
<b>Net book amount</b>	<b>42,752</b>	<b>570</b>	<b>1,540</b>	<b>36,023</b>	<b>2,109</b>	<b>82,994</b>
<b>For the year ended 30 June 2018</b>						
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)
<b>Closing net book amount</b>	<b>45,269</b>	<b>548</b>	<b>1,284</b>	<b>36,184</b>	<b>1,088</b>	<b>84,373</b>
<b>At 30 June 2018</b>						
Cost	54,761	862	5,738	114,766	1,088	177,215
Accumulated depreciation	(9,492)	(314)	(4,454)	(78,582)	-	(92,842)
<b>Net book amount</b>	<b>45,269</b>	<b>548</b>	<b>1,284</b>	<b>36,184</b>	<b>1,088</b>	<b>84,373</b>
<b>For the year ended 30 June 2019</b>						
Opening net book amount	45,269	548	1,284	36,184	1,088	84,373
Additions	553	-	458	7,587	4,021	12,619
Disposals	(68)	-	(36)	-	-	(104)
Transfers	-	-	-	388	(388)	-
Depreciation charge	(1,138)	(21)	(536)	(6,421)	-	(8,116)
<b>Closing net book amount</b>	<b>44,616</b>	<b>527</b>	<b>1,170</b>	<b>37,738</b>	<b>4,721</b>	<b>88,772</b>
<b>At 30 June 2019</b>						
Cost	55,246	862	6,059	122,741	4,721	189,629
Accumulated depreciation	(10,630)	(335)	(4,889)	(85,003)	-	(100,857)
<b>Net book amount</b>	<b>44,616</b>	<b>527</b>	<b>1,170</b>	<b>37,738</b>	<b>4,721</b>	<b>88,772</b>

**NOTES TO AND FORMING PART OF  
THE FINANCIAL STATEMENTS (Cont'd)  
FOR THE YEAR ENDED 30 JUNE 2019**

**FMF FOODS LIMITED AND SUBSIDIARIES**

**18 INTANGIBLE ASSETS**

	<b>2019 \$'000</b>	<b>2018 \$'000</b>
F1 Audio Visual production	1,458	1,458
Provision for impairment	(1,458)	(1,458)
	<u>-</u>	<u>-</u>

**19 TRADE AND OTHER PAYABLES**

	<b>2019 \$'000</b>	<b>2018 \$'000</b>
Trade payables	7,688	4,648
Other payables and accruals	3,087	3,768
Staff leave accruals	1,319	1,679
	<u>12,094</u>	<u>10,095</u>

**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 other investments (Note 15).

**21 BORROWINGS**

	<b>2019 \$'000</b>	<b>2018 \$'000</b>
<b>Current</b>		
Secured borrowings	1,000	3,220
<b>Non-Current</b>		
Secured borrowings	7,000	8,000
	<u>8,000</u>	<u>11,220</u>

The carrying amounts of borrowings approximate their fair values.

The security details on borrowings are disclosed in Note 20.

**22 SHARE CAPITAL**

	<b>2019 \$'000</b>	<b>2018 \$'000</b>
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.

**23 DIVIDENDS**

	<b>2019 \$'000</b>	<b>2018 \$'000</b>
Dividends declared (Dividend per share 2019:\$2.00/ 2018: \$1.73)	3,701	3,253

**NOTES TO AND FORMING PART OF  
THE FINANCIAL STATEMENTS (Cont'd)  
FOR THE YEAR ENDED 30 JUNE 2019**

**FMF FOODS LIMITED AND SUBSIDIARIES**

**24 EARNINGS PER SHARE**

	<b>2019 \$'000</b>	<b>2018 \$'000</b>
Profit after tax attributable to the owners of the Company	5,293	7,460
Number of ordinary shares issued ('000)	150,000	150,000
Basic and diluted earnings per share (cents)	<u>3.53</u>	<u>4.97</u>

**25 CONTINGENCIES AND COMMITMENTS**

	<b>2019 \$'000</b>	<b>2018 \$'000</b>
a. Letters of credit	<u>2,744</u>	<u>1,708</u>
b. Guarantees and bonds	<u>321</u>	<u>715</u>
c. Capital commitments		
Capital commitments - contracted	4,025	6,000
Capital commitments - budgeted but not contracted	<u>-</u>	<u>24,000</u>

**26 RELATED PARTIES**

	<b>2019 \$'000</b>	<b>2018 \$'000</b>
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**(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 to related companies**

Holding company	-	64
Fellow subsidiaries	<u>223</u>	<u>381</u>
	<u>223</u>	<u>445</u>

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

**FMF FOODS LIMITED AND SUBSIDIARIES****NOTES TO AND FORMING PART OF  
THE FINANCIAL STATEMENTS (Cont'd)  
FOR THE YEAR ENDED 30 JUNE 2019****26 RELATED PARTIES (Cont'd)**

	2019	2018
	\$'000	\$'000

**(d) Related party transactions**

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

	2019	2018
	\$'000	\$'000

**Income**

Sales	4	4
Administration fees	-	23

**Expenses**

Management fee	782	1,532
Administrative expenses	26	-
Purchase of consumables	3,920	4,017

**Dividends**

Dividend paid	2,170	1,883
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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.

**(e) 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:

	2019	2018
	\$'000	\$'000

Salaries and other short term benefits	635	635
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**NOTES TO AND FORMING PART OF  
THE FINANCIAL STATEMENTS (Cont'd)  
FOR THE YEAR ENDED 30 JUNE 2019**

**FMF FOODS LIMITED AND SUBSIDIARIES**

**27 OPERATING LEASES**

**2019                      2018**  
**\$'000                      \$'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:

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	13,189	13,345
	<hr/>	<hr/>
	13,975	14,131

**28 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.

**29 REGISTERED OFFICE AND SHARE REGISTER**

**Registered Office**

2 Leonidas Street  
Walu Bay  
Suva  
Republic of Fiji

**Share Register**

Central Share Registry Pte Limited  
Shop 1 and 11  
Sabrina Building  
Victoria Parade, Suva.  
Republic of Fiji

**30 SEGMENT INFORMATION**

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

The Group operates in the geographical segments of Fiji and Papua New Guinea. The subsidiary in New Zealand was not operational during the year.

**NOTES TO AND FORMING PART OF  
THE FINANCIAL STATEMENTS (Cont'd)  
FOR THE YEAR ENDED 30 JUNE 2019**

**FMF FOODS LIMITED AND SUBSIDIARIES**

**30 SEGMENT INFORMATION - continued**

**(b) Primary reporting - business segments 2019**

	<b>Food products \$'000</b>	<b>Packaging materials \$'000</b>	<b>Properties \$'000</b>	<b>Inter- segment elimination \$'000</b>	<b>Total \$'000</b>
External sales	184,362	5,833	-	-	190,195
Intersegment sales	23,678	9,163		(32,841)	-
Sales	208,040	14,996	-	(32,841)	190,195
Other operating income	10,647	154	3,015	(12,349)	1,467
	218,687	15,150	3,015	(45,190)	191,662
Segment result before income tax and finance costs	8,184	2,297	2,003	(3,360)	9,124
Net finance costs	(479)	(48)	(113)	-	(640)
<b>Profit before income tax expense</b>	7,705	2,249	1,890	(3,360)	8,484
Income tax expense	(1,058)	(222)	(378)	-	(1,658)
<b>Net profit / (loss)</b>	6,647	2,027	1,512	(3,360)	6,826
Segment assets	194,641	8,868	29,244	(26,957)	205,796
Deferred income tax assets	773	24	-	-	797
<b>Total assets</b>	195,414	8,892	29,244	(26,957)	206,593
Segment liabilities	20,775	657	85	(9,116)	12,401
Deferred income tax liabilities	3,011	238	2,019	-	5,268
Borrowings	8,000	-	-	-	8,000
Bank overdraft	36,524	394	7,415	-	44,333
<b>Total liabilities</b>	68,310	1,289	9,519	(9,116)	70,002
Acquisition of property, plant and equipment	8,310	407	3,902	-	12,619
Depreciation expense	6,752	819	545	-	8,116
Net cash flows from operating activities	(3,956)	1,952	2,043	1,010	1,049

**FMF FOODS LIMITED AND SUBSIDIARIES****NOTES TO AND FORMING PART OF  
THE FINANCIAL STATEMENTS (Cont'd)  
FOR THE YEAR ENDED 30 JUNE 2019****30 SEGMENT INFORMATION - continued****(b) Primary reporting - business segments 2018**

	<b>Food products \$'000</b>	<b>Packaging materials \$'000</b>	<b>Properties \$'000</b>	<b>Inter- segment elimination \$'000</b>	<b>Total \$'000</b>
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)
<b>Profit before income tax expense</b>	12,111	1,084	1,743	(4,484)	10,454
Income tax expense	(1,516)	(99)	(349)	-	(1,964)
<b>Net profit / (loss)</b>	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
<b>Total assets</b>	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
<b>Total liabilities</b>	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

**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 under 51.2 (v):**

<b>NAME</b>	<b>Number of Shares</b>	<b>%</b>
HARI PUNJA & SONS LIMITED	106,124,847	70.75
FIJI NATIONAL PROVIDENT FUND	6,715,975	4.48
BSP LIFE (FIJI) LIMITED	5,669,597	3.78
UNIT TRUST OF FIJI (TRUSTEE COMPANY) LTD	5,187,006	3.46
FHL TRUSTEES LTD ATF FIJIAN HOLDINGS UNIT TRUST	2,905,855	1.94
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
HARIGANGA RATANJI	707,775	0.47
VENILAL MAGANLAL NARSEY	675,950	0.45
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 under 51.2 (vi):**

Distribution of ordinary shareholders:

<b>No. of Holders</b>	<b>Holding</b>	<b>Total % Holding</b>
15	1 to 500 shares	0.00
108	501 to 5,000 shares	0.24
67	5,001 to 10,000 shares	0.38
73	10,001 to 20,000 shares	0.78
40	20,001 to 30,000 shares	0.67
16	30,001 to 40,000 shares	0.41
23	40,001 to 50,000 shares	0.75
33	50,001 to 100,000 shares	1.82
44	100,001 to 1,000,000 shares	6.82
9	Over 1,000,000 shares	88.13
<b>428</b>	<b>Total</b>	<b>100.00</b>

**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 51.2 (xiv):**

<b>Subsidiaries information:</b>		
Names of the subsidiaries dealing in food products	1	Biscuit Company of (Fiji) Pte Limited
	2	Pea Industries Pte Limited
	3	DHF Pte Limited
	4	FMF Snax Pte Limited
	5	The Rice Company of Fiji Limited
	6	Bakery Company (Fiji) Pte 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 Pte 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

	<b>Food products \$'000</b>	<b>Packaging materials \$'000</b>	<b>Properties \$'000</b>
Turnover	119,358	14,996	-
Other income	3,071	215	3,084
	<u>122,429</u>	<u>15,211</u>	<u>3,084</u>
Depreciation	(1,964)	(819)	(545)
Interest expense	(765)	(109)	(182)
Other expenses	(115,695)	(12,034)	(467)
Profit before tax	4,005	2,249	1,890
Income tax expense	(1,005)	(222)	(378)
Net profit after tax	<u>3,000</u>	<u>2,027</u>	<u>1,512</u>
Total assets	<u>84,477</u>	<u>8,892</u>	<u>29,244</u>
Total liabilities	<u>30,374</u>	<u>1,289</u>	<u>9,519</u>
Shareholders' equity	<u>54,103</u>	<u>7,603</u>	<u>19,725</u>

**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 51.2 (xiv):**

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

	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Net Profit after Tax	6,826	8,490	16,893	17,586	17,456	15,998
Current Assets	114,505	95,056	106,712	107,490	103,696	88,490
Non - Current Assets	92,088	85,131	84,077	70,907	56,669	52,371
Total Assets	206,593	180,187	190,789	178,397	160,365	140,861
Current Liabilities	57,734	33,156	45,898	52,378	43,400	34,266
Non -Current Liabilities	12,268	13,022	16,119	11,181	17,407	22,191
Total Liabilities	70,002	46,178	62,017	63,559	60,808	56,457
Shareholders' Equity	136,591	134,009	128,772	114,838	99,557	84,405

**(e) Disclosure under Section 51.2 (xv) (a):**

**Dividend declared per share:**

	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Cents per share</b>	2.00	1.73	1.40	1.20	1.20	1.20

**(f) Disclosure under Section 51.2 (xv) (b):**

**Group earnings per share:**

	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Cents per share</b>	3.53	4.97	10.45	11.30	11.01	10.21

**(g) Disclosure under Section 51.2 (xv) (c):**

**Group net tangible assets per share:**

	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Cents per share</b>	91.06	89.34	85.85	76.56	66.37	56.27

**(h) Disclosure under Section 51.2 (xv) (d):**

<b>Share price during the year</b>	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Highest	2.13	1.36
Lowest	1.35	0.85
On 30th June	2.13	1.36