PACIFIC FISHING COMPANY PTE LTD

The Home of Sunbell

Annual Report 2017

FIJIAN PRODUCT

Parliamentary Paper Number 87 of 2018

CHAIRMAN'S REPORT

Dear Shareholders

I am pleased to present our Annual Report for the year ended 31st December 2017.

This year, there have been a number of changes, upgrades and additions that have happened within the operational aspects of PAFCO.
What has not changed however, is the unique ability of PAFCO to continue to adapt to an environment that remains volatile in terms of its vulnerability to natural disasters, raw material supply etc. The challenging environment keeps the management team on an alert at all times and the response to the adversities reflects our qualities and experiences.

PAFCO has always been committed to grow revenue and provide employment to locals around Lomaiviti Group.

The company has been reasonably successful in the past few years and the trend is showing that we can do better. Doing well doesn't mean that we can sit back and do the same things and be as successful because when we reach a level we start competing and we try and reach a higher level. At PAFCO, we have a team that can take the company to a higher level.

Our friends and associates (Bumble Bee Foods) have showed their support and I am happy to announce that the new processing agreement has been signed on 23/10/2017 and we are targeting to process around 22 000 MT of Albacore Tuna next year. After months of intense negotiations, a new ten-year agreement was signed with Bumble Bee Sea Foods. Notable changes from the old agreement are:

- Processing volume for BB increased from 20,000 MT to 22,000 MT with provisions for additional volume of 1,500-2,000 MT if certain impediments are removed.
- Processing fee increased from USD650 per MT to USD680 per MT
- Provision to review processing fee when PAFCO's costs increase by more than 2.5%

The substantial capital Investment in the construction of the new 4000MT cold storage facility is finally taking shape and will be completed by April 2018. This will be an indication of the Company's commitment to progress and to ensure continued growth in its business prospects.

We will continue to develop and maintain our plant, infrastructure and equipment and we will commit to ensure safety, reliability and efficiency, prosper to growth and ensure continued support to the livelihoods of the people we employ directly and indirectly.

Vinaka.

Chairman

CHIEF EXECUTIVE OFFICER'S REPORT

Dear Shareholders

"Great things in business are never done by one person. They are done by a team of people". – *Steve Jobs*

It's remarkable the difference one year can make. The impact of Cyclone Winston in early 2016 had costed us millions of dollars to repair and bring the plant to standard. This was all possible within 8 weeks and I appreciate the team work of PAFCO employees.

2017 has been a striving year for PAFCO. The Company grew its sales by 3%. The expenses increased by 8% reducing the profit margin. Cost of operations, maintenance and particularly items such as fuel for boilers, cans and packaging material for loins added to the increased cost of production.

The evolving global dynamics in food safety requirements is an ongoing challenge and the factory personnel have continued to prove their level of excellence by achieving high standards in all the audit processes.

We aim to continuously enhance and progress our organisation in order to improve the operational excellence, increase efficiency and create a competitive advantage. The factory has been continually upgraded with emphasis on food safety requirements, employee safety and requirements for international standards. The new 4000MT cold storage is near completion and will be operational by April 2018. The new and additional capacity will give us an opportunity to secure and store raw materials for the "*needy days*".

PAFCO had to go through some challenges during the year. These were:

- Unannounced SQF Audit
- Decommissioning of TOTAL (Fiji) fuel tank
- Low fish supply

Tuna prices, certifications exports

The negotiations with Bumble Bee Seafoods have completed and a new processing agreement has been endorsed for another ten (10) years.

During 2017, some notable visits were made to PAFCO. These were:

- The Minister for Public Enterprises – to announce 2016 bonus payout to employees
- The Minister for Fisheries – to see PAFCO Operations
- Flying Doctors of America – free medical consultation for the people of Ovalau.
- Parliamentary Committee on Economic Affairs – to see operations of PAFCO
- FICAC- provide training and assess PAFCO's Anti-Corruption measures.

PAFCO is a strong manufacturing industry with excellent opportunities for growth. Our strategy is clear and well understood and our customers appreciate the knowledge, expertise and commitment of our people. There has been a growth in the sales of the Sunbell Products in the market.

Tuna is one of the best natural protein that is rich in lot of nutrients and Tuna is a good and healthy product for alternative protein. Markets for Tuna evolve with the supply and demand functions and are also altered by the changes in the lifestyle of the consumers, there are new consumption trends emerging and the consumer preference mostly follows the trends. It is anticipated that the demand for canned Tuna products will continue to grow.

The company holds great pride in being the "**home of Sunbell**"

Bhan P Singh

PAFCO History

Pacific Fishing Company has been in existence for over 52 years. PAFCO's operations began in the mid-1950s as a joint venture between the Fiji Government and the Japan Ministry of Trade and Commerce. It was incorporated in 1963 as a private company and continued as such until the Government of Fiji acquired almost full ownership in 1987 from the Japanese company C. Itoh. The Government of Fiji now holds 99.6% of issued capital with 0.4% held by private shareholders.

The principal activities of the company are loin processing for export, and Tuna canning for local and overseas markets. The processing plant is based in Levuka, Ovalau with the executive headquarters located in Suva. PAFCO signed a 7-year tuna loining processing agreement in 2002 with Bumble Bee Foods, following the successful operation of the initial loin processing agreement with Bumble Bee Foods from 1998. The agreement has since been extended three times, with the current extension effective 2017 for a period of 10 years.

PAFCO Operations

PAFCO processes whole round tuna into cooked frozen tuna loins and produces canned products. The cooked Tuna loins are vacuum-packed, frozen and palletized for shipment. The process involves initial receipt of raw fish into cold storage that operates at around -22 degrees Centigrade. The whole round fish are dispatched to the thawing area to be thawed evenly. This process takes between 8 to 10 hours depending on the size of the fish. The fish is then gutted and washed before being cooked using steam. The fish is cooled before being moved to the cleaning tables.

At the cleaning table the fish is skinned, de-boned and carefully loined for further packaging and refrigeration prior to shipment. Fish-flakes are collected and further processed for local canning. Loin processing is labour intensive and most often carried out in low labour-cost areas. Loin cleaning and throughput per cleaner is critical and is highly dependent on the quality objective and the productivity of the cleaners as well as the species of tuna, size of Tuna and experience of the cleaners. Percentage yield is based on the amount of usable tuna meat recovered from the processing. The wastage from the processing operation (guts, skin, bones, heads, tails) are sent to the fish meal plant where fish oil is first extracted before the remains are dried and converted to fish meal.

PAFCO is a relatively large organization by Fijian standards. The production process is complicated and a lot of manual work is required. Accordingly, a number of key employees are required. Ovalau and the surrounding islands have a population of about 9,000 and the majority of the workforce come from this area.

Corporate Statements

These have been developed after extensive consultation with management and staff representatives

Core Business

PAFCO's Core Business:

PAFCO's core business is loining of Tuna for Bumble Bee Foods.

The secondary components of PAFCO's operations are canning, fishmeal production, and fish oil extraction by a third party.

PAFCO Core Business in 5 years:

PAFCO's core business will continue to be "loining of tuna".

However, the client base will be broadened. The expanded/broadened operations could also include more value adding, increased canning, expanded product range, and canning for Bumble Bee Foods. The fishmeal production and fish oil extraction will continue

PAFCO Vision

A competitive producer and growing exporter of quality tuna products

Mission

To achieve our vision, we will:

- Become the most efficient producer of quality tuna products,
- Provide a safe and healthy workplace and comply with local & international regulatory standards,
- Ensure that our activities are environmentally friendly and sustainable,
- Remain an equal opportunity employer in Ovalau and the Lomaiviti province.

Slogan

'PAFCO, the home of Sunbell'

Values

1. Accountability and Transparency
2. Integrity and Fairness
3. Customer Focused
4. People Focused
5. Safety and Security Conscious
6. Doing the Right Thing
7. Consideration of all stakeholders

Corporate Social Responsibility

PAFCO, being the premier industry on the island of Ovalau, recognizes and accepts that our social, environmental and ethical conduct has an important impact on the community. The company is relied upon by the local populace to assist and contribute to socio economic development beyond its statutory role and obligations. PAFCO therefore, takes a serious approach on its social responsibilities to the employees, the local communities and the environment whilst maintaining clear focus on its strategic business objectives and statutory obligations.

In 2017, PAFCO partnered with the Flying Doctors of America (FDOA) and supported a medical visit to the Island. The medical team consisted of expert medical professionals in various fields. The visit was facilitated by the Ministry of Health and the Levuka Hospital doctors and staff contributed immensely to ensure the visit was successful. Other community personnel and well-wishers also assisted. Venu Haulage and Shipping Services provided free transport to and from Levuka for the Team.

During the 3-day medical consultation, the team examined a total of 2,316 patients, issued 480 eye glasses and carried out 732 tooth extractions. The services rendered was very much appreciated by the community.

Capital Based Growth

PAFCO will invest substantially in the development and maintenance of its infrastructure, plant and equipment. This will not only allow PAFCO to increase capacity but also to improve efficiency. Some of the capital developments include:

- New Equipment
- Plant upgrade
- Upgrade seawall in the vicinity of the new cold storage
- Solar lights for the perimeter
- There are plans to develop new housing facilities for staff

Capacity Based Growth

The local demand for PAFCO canned products and in particular the Sunbell Red brand is in excess of the current level of supply. There is substantial amount of additional cans that PAFCO can produce which can easily be sold within Fiji.

Hence, PAFCO on an annual basis intends to invest more funds into purchasing more Tuna that will be used for the production of canned Tuna products for local sales. There are also opportunities being explored for export markets for canned Tuna products.

Financial Strategies

PAFCO has secured the required funding for some of the capital works.

PAFCO has effectively managed its relationship with the major customers - Bumble Bee Foods, its largest shareholder, the Fiji Government - and this is reflected by the assistance received by PAFCO from both parties for their capital works funding. When issues do arise, they are openly discussed and amicably resolved.

Board of Directors

Chairperson

Mr. Ikbal Jannif

Director

Ratu Etonia Seru

Director

Bhupendra Kumar

Senior Management

Chief Executive Officer

Bhan Pratap Singh

Finacial Controller & Company Secretary

Arveen Chand

Human Resource Manager

Kelera Ratinaisiwa

Automotive Manager

Jagbir Singh

Production Manager

Ashok Kumar

Raw Material & Logistic Manager

Thomas McGoon

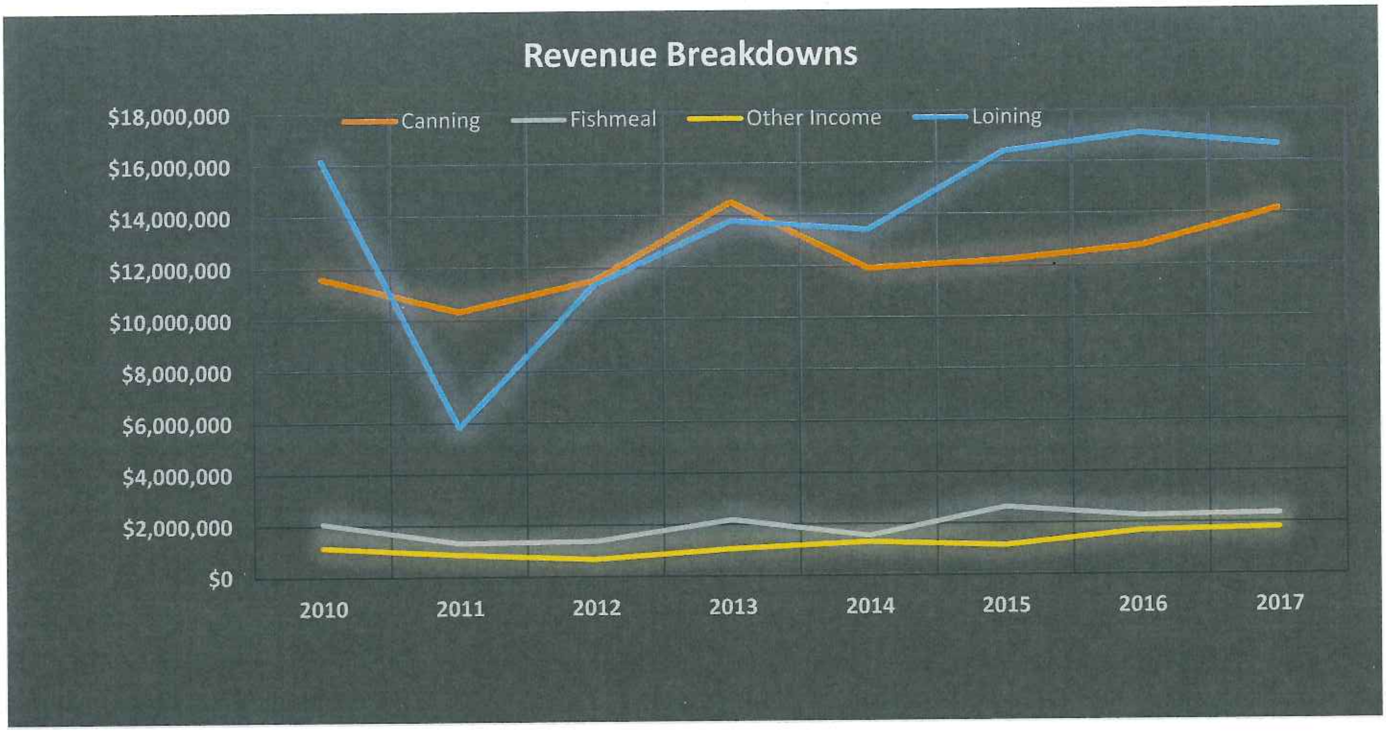
Assistant Quality Control Manager

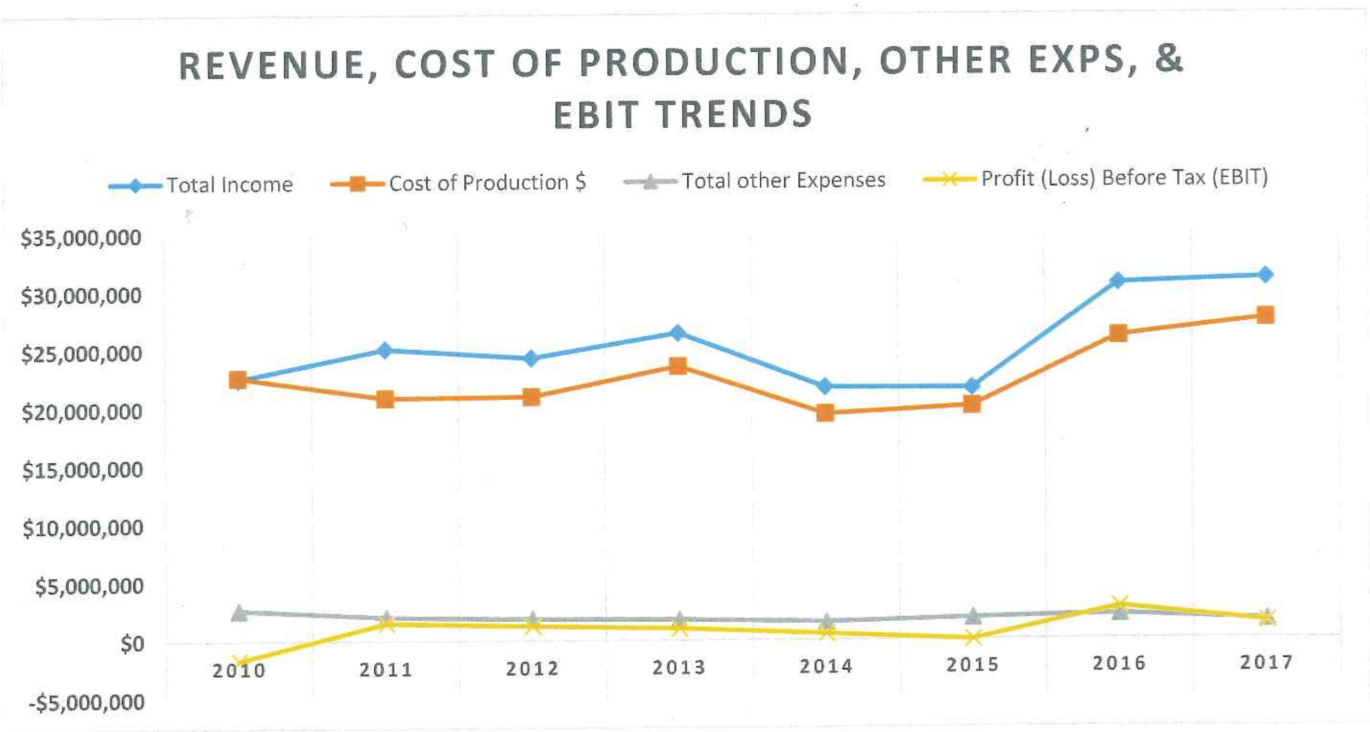
Vasiti Komainalovo

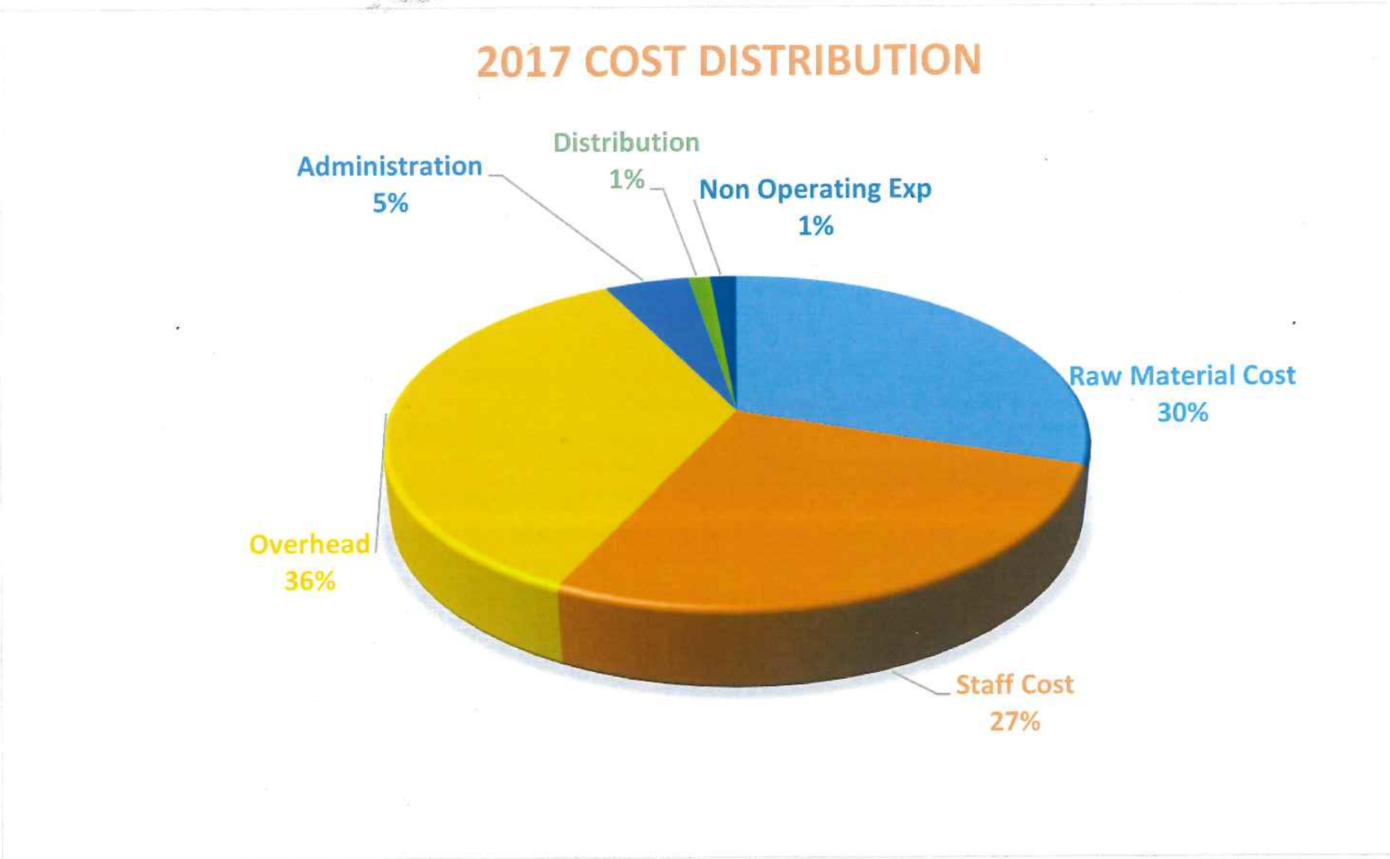
Maintenance Manager

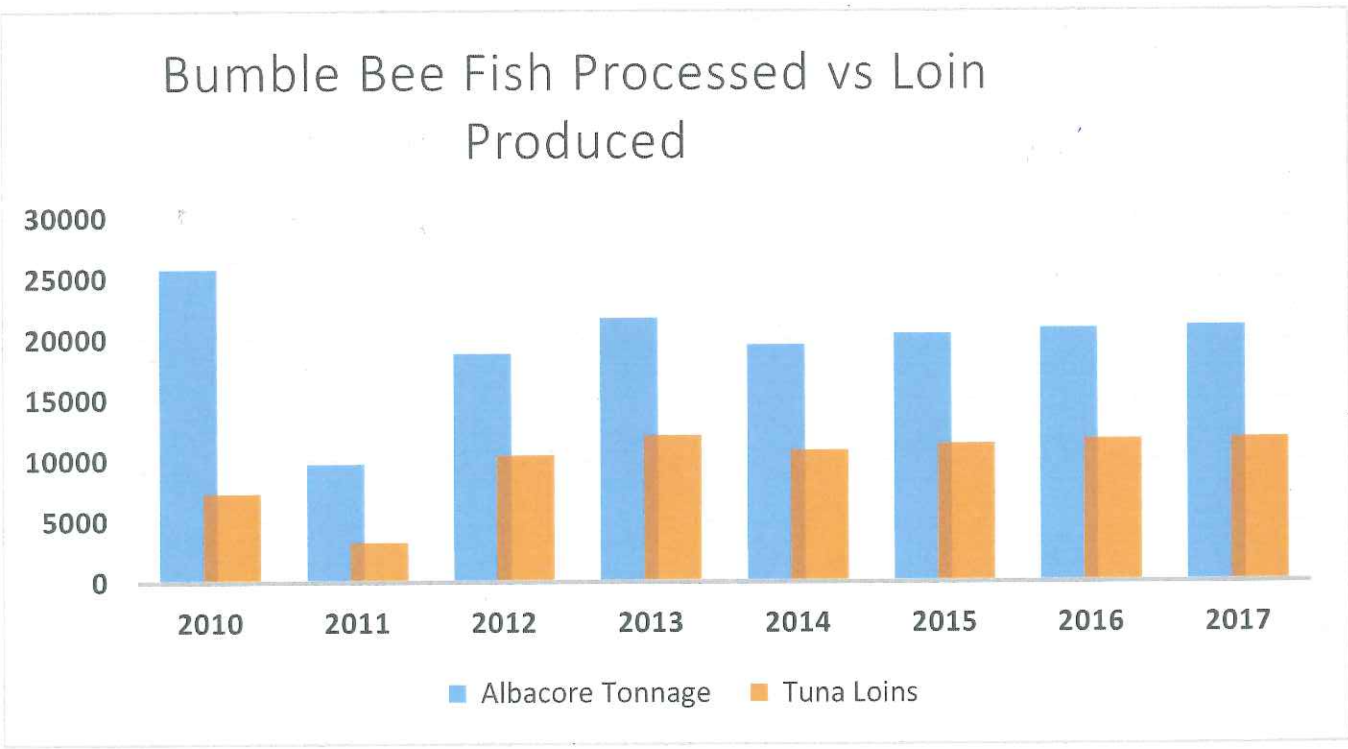
Rolando Yambao

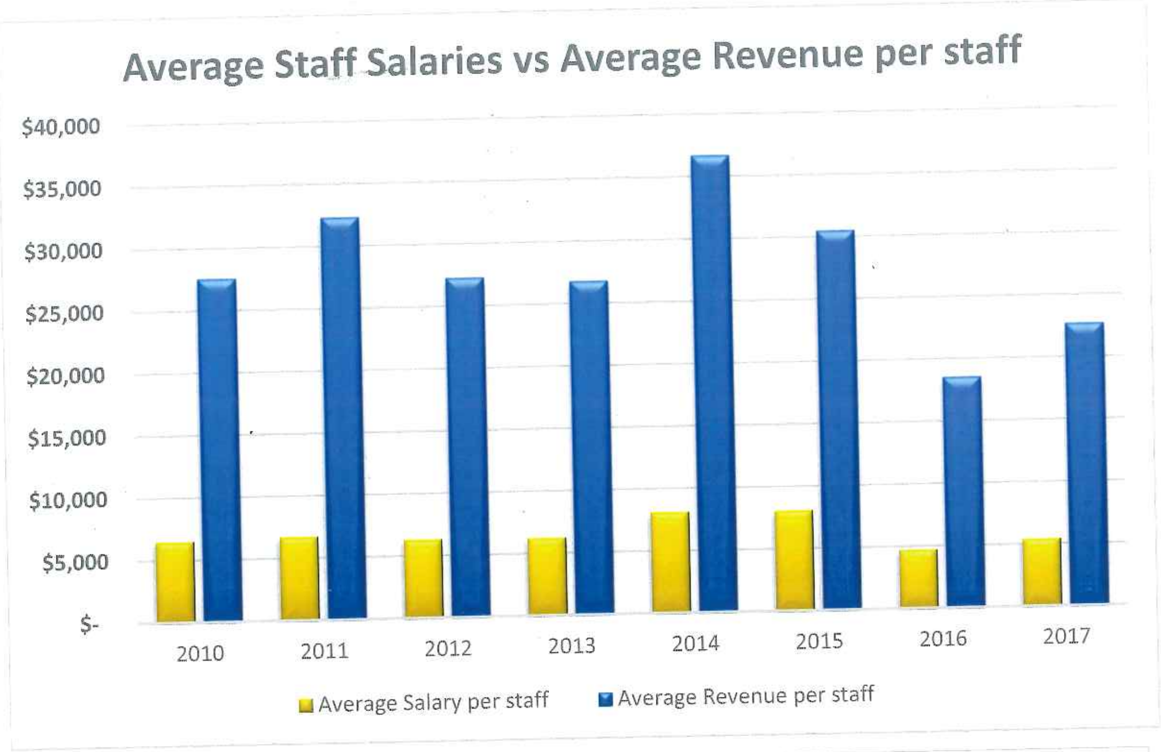
Current Trends

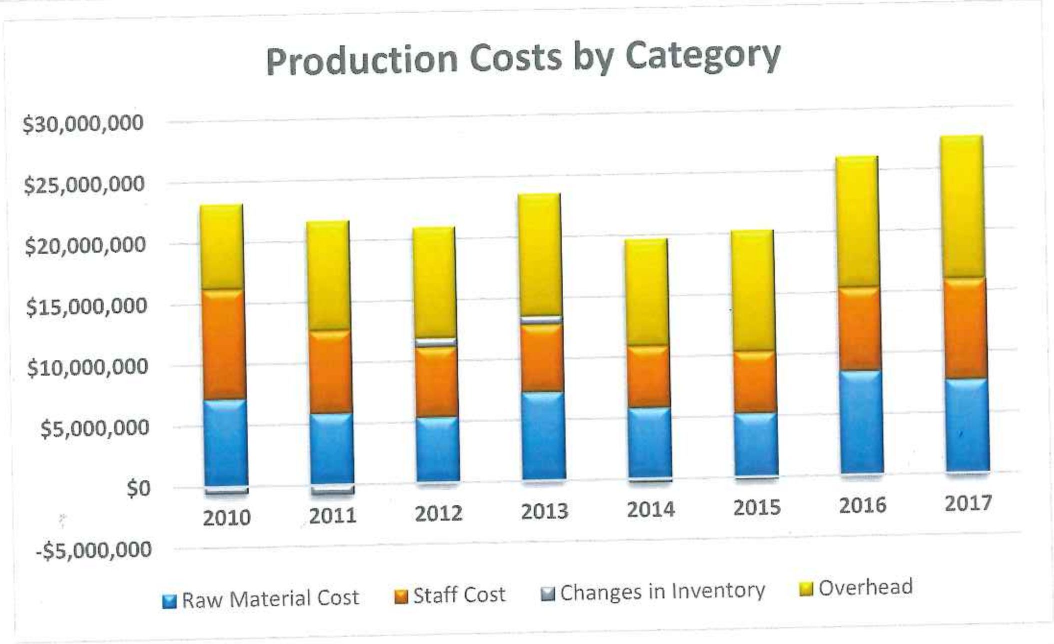


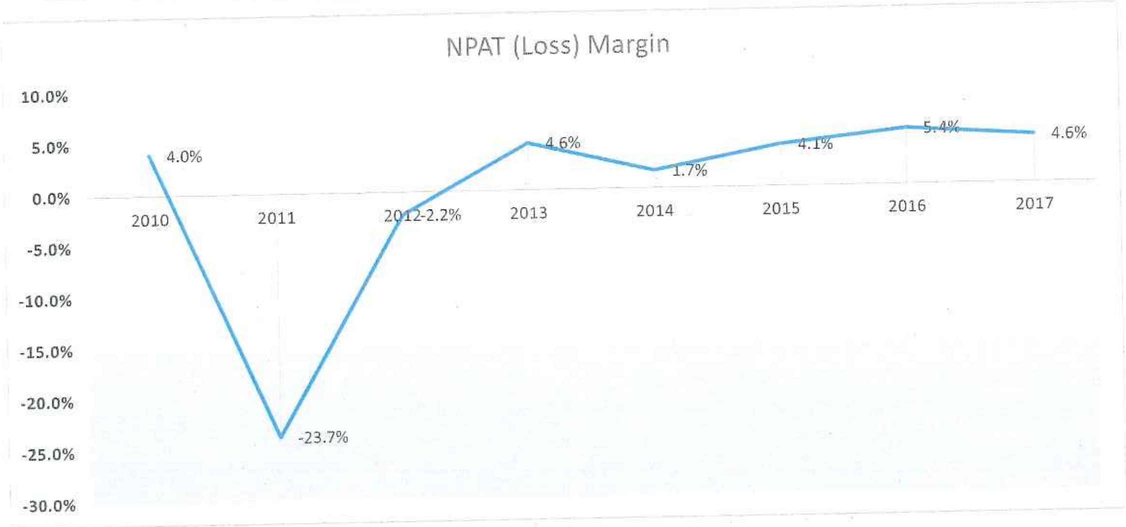



2017 COST DISTRIBUTION
Administration 5%
Distribution 1%
Non Operating Exp 1%
Raw Material Cost 30%
Overhead 36%
Staff Cost 27%


Bumble Bee Fish Processed vs Loin Produced
30000
25000
20000
15000
10000
5000
0
2010
2011
2012
2013
2014
2015
2016
2017
Albacore Tonnage
Tuna Loins


Average Staff Salaries vs Average Revenue per staff
$40,000
$35,000
$30,000
$25,000
$20,000
$15,000
$10,000
$5,000
$-
2010
2011
2012
2013
2014
2015
2016
2017
Average Salary per staff
Average Revenue per staff


Production Costs by Category
$30,000,000
$25,000,000
$20,000,000
$15,000,000
$10,000,000
$5,000,000
$0
-$5,000,000
2010
2011
2012
2013
2014
2015
2016
2017
Raw Material Cost
Staff Cost
Changes in Inventory
Overhead


NPAT (Loss) Margin
10.0%
5.0%
0.0%
-5.0%
-10.0%
-15.0%
-20.0%
-25.0%
-30.0%
4.0%
-23.7%
-2.2%
4.6%
1.7%
4.1%
5.4%
4.6%
2010
2011
2012
2013
2014
2015
2016
2017

2017 Performance Framework

Measure	Definition	Target	Achieved
Sales	Total $ value of sales	$35,051,064	$34,978,588
Loin Processing Fee	$ Value	$17,629,322	$16,659,231
Canned Product (Cases)	$ Value	$13,829,200	$14,173,522
EBIT Margin	EBIT / Total Revenue	5.4%	5.2%
Expense to revenue	Exps / Revenue	93.0%	95.00%
Net Profit(NPAT)	Revenue less expenses	$188,422	$1,619,257
NPAT Margin	NPAT/Total Revenue	5.4%	4.6%
Return on Assets	Net Profit / Total Average Assets	4.1%	3.4%
Return on Equity	Net Profit/Total Equity	8.2%	7.1%
Cost of Production (COP)	All production exps	$30,696,247	$29,218,361
COP Margin	COP/ Total Revenue	87.5%	91.31%
Operational			
Throughput	Overall Tonnes Processed	22,677	21,785
Albacore	Tonnes Processed	21,427	21,082
Cases	Cases Produced	280,000	285,565
Compliance	Audits	95%	98%
Plant reliability (Uptime)	Possible vs actual	98.0%	99.0%
Operational audits	Ratings or scores from Audits	96.50%	94%

OFFICE OF THE AUDITOR GENERAL
Excellence in Public Sector Auditing

6-8TH Floor, Ratu Sukuna House
2-10 McArthur St
P. O. Box 2214, Government Buildings
Suva, Fiji

Telephone: (679) 330 9032
Fax: (679) 330 3812
E-mail: info@auditorgeneral.gov.fj
Website: http://www.oag.gov.fj

File: 1272

8th May 2018

Bhan Pratap Singh
Chief Executive Officer
11 Baka Place
Laucala Beach Estate
NASINU

Dear Mr. Singh

AUDITED FINANCIAL STATEMENTS
PACIFIC FISHING COMPANY LIMITED
FOR THE YEAR ENDED 31 DECEMBER 2017

Audited financial statements for Pacific Fishing Company Limited for the year ended 31 December 2017 together with my audit report on them are enclosed.

Particulars of the errors and omissions arising from the audit have been forwarded to the Management for necessary actions.

Yours sincerely

Ajay Nand
AUDITOR-GENERAL

Encl.

PACIFIC FISHING COMPANY LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

PACIFIC FISHING COMPANY LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

CONTENTS

DIRECTORS' REPORT

The Directors herewith submit the statement of financial position of the Pacific Fishing Company Limited as at 31 December 2017, the related statement of comprehensive income, statement of changes in equity and statement of cash flow for the year ended on that date and report as follows:

Directors

The Directors of the company during the financial year and up and until the date of this report are:

Directors
Ikbal Jannif (Chairman)
Bhupendra Kumar - Member
Ratu Etonia Seru - Member

Principal Activities

The principal activities of the company in the course of the year were processing, loining and canning of fish for local and overseas markets and there has been no significant change in these activities during the year.

Results

The profit for the year was $1,619,257 (2016: Profit of $1,833,865) after providing for income tax expense of $197,990 (2016: income tax expense of $730,474)

Dividends

The Directors did not declare or propose any dividends to be paid for the year ended 31 December 2017.

Non-Current Assets

Prior to the completion of the financial statements of the company, the Directors took reasonable steps to ascertain whether any non-current assets were unlikely to realise in the ordinary course of business their values as shown in the accounting records of the company. Where necessary, these assets have been written down or adequate allowance has been made to bring the values of such assets to an amount that they might be expected to realise.

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

Basis of Accounting

The Directors consider the Company to be a going concern. The directors believe that the basis of preparation of the financial statement is appropriate and the Company will be able to continue in operation for at least 12 months from the date of this report.

Unusual Transactions

In the opinion of the Directors, the results of the operations of the company during the financial year were not affected substantially by any item, transaction or event of a material and unusual nature (apart from those already disclosed) likely, in the opinion of the Directors, to affect substantially the results of the operations of the company in the current financial year, other than those reflected in the financial statements.

DIRECTORS' REPORT [CONT'D]

Events Subsequent to Balance Date

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

Other Circumstances

As at the date of this report:

a) no charge on the assets of the company has been given since the end of the year to secure the liabilities of any other person;

b) no contingent liabilities have arisen since the end of the year for which the company could become liable; and

c) no contingent liabilities or other liabilities of the company has become or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the company to meet its obligations as and when they fall due.

As at the date of this report, the Directors are not aware of any circumstances that have arisen, not otherwise dealt with in this report which would make adherence to the existing method of valuation of assets or liabilities of the company misleading or inappropriate.

Directors' Benefits

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than those disclosed in the financial statements as emoluments) by reason of a contract made by the company or by a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

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

Dated this 7th day of May 2018.

....
Director

....
Director

PACIFIC FISHING COMPANY LIMITED
DIRECTORS DECLARATION

The declaration by the 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 company for the financial year ended 31 December 2017:

   i comply with International Financial reporting Standards and give a true and fair view of the financial position of the company as at 31 December 2017 and of the performance and cash flows of the company for the year ended 31 December 2017; and

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

b) 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 of Directors and in accordance with a resolution of the Directors.

Dated this 7th day of May 2018.

....
Director

....
Director

OFFICE OF THE AUDITOR GENERAL

Excellence in Public Sector Auditing

6-8TH Floor, Ratu Sukuna House
2-10 McArthur St
P. O. Box 2214, Government Buildings
Suva, Fiji

Telephone: (679) 330 9032
Fax: (679) 330 3812
E-mail: info@auditorgeneral.gov.fj
Website: http://www.oag.gov.fj

INDEPENDENT AUDITOR'S REPORT

PACIFIC FISHING COMPANY LIMITED

Opinion

I have audited the financial statements of Pacific Fishing Company Limited, which comprise the statement of financial position as at 31 December 2017, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of Pacific Fishing Company Limited as at 31 December 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

I conducted my audit in accordance with International Standards on Auditing (ISA). My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Company in accordance with the International Ethics Standards Board for Accountant's Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to my audit of the financial statements in Fiji and I have fulfilled other ethical responsibilities in accordance with these requirements and the IESBA Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the Management and Directors for the Financial Statements

The management is responsible for the preparation and fair presentation of these financial statements in accordance with IFRSs, Companies Act, 2015 and the Public Enterprise Act, 1996 and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company'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 management intend to cease operations, or have no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud 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 the financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my 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 Company's internal control.

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

- Conclude on the appropriateness of the management's and directors' use of going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures, are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 2015 and the Public Enterprise Act, 1996, in my opinion:

a) proper books of account have been kept by the Company, so far as it appears from my examination of those books,

b) the accompanying financial statements:

   a. are in agreement with the books of account; and

   b. to the best of my information and according to the explanations given to me, give the information required by the Fiji Companies Act, 2015 and the Public Enterprise Act, 1996 in the manner so required.

Ajay Nand
AUDITOR-GENERAL

AUDITOR-GENERAL FIJI

Suva, Fiji
8 May, 2018

PACIFIC FISHING COMPANY LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017	2016
		$	$
Revenue	6.1	33,183,538	32,170,087
Operating Costs:			
Raw materials and consumables used		(9,562,519)	(8,262,988)
Changes in inventories of raw materials and finished goods		1,031,896	110,110
Distribution costs		(373,453)	(350,152)
Staff and employee benefits		(8,737,381)	(9,093,428)
Other operating expenses		(12,574,257)	(12,104,035)
Finance costs	6.2(b)	(88,237)	(103,576)
Total Operating Expenses		(30,303,951)	(29,804,069)
Total Operating Profit		**2,879,587**	**2,366,018**
Add **Other Income**	6.1	**1,795,050**	**3,162,826**
Less **Non-Operating Expense**			
Depreciation and Amortization Expense		(2,848,952)	(2,765,934)
Loss on Disposal of Fixed Asset		(8,438)	(198,571)
Total Non-Operating Expense		**(2,857,390**	**(2,964,505)**
Profit before income tax		**1,817,247**	**2,564,339**
Income tax expense	7(a)	(197,990)	(730,474)
Profit for the year after tax		**1,619,257**	**1,833,865**
Other comprehensive income		-	-
Total comprehensive income for the year		**1,619,257**	**1,833,865**

The accompanying notes form an integral part of the statement of comprehensive income.

PACIFIC FISHING COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	Share Capital	Retained Earnings	Total
	$	$	$
Balance as at 31 December 2015	14,800,000	4,507,507	19,307,507
Profit for the year	-	1,833,865	1,833,865
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	1,833,865	1,833,865
Balance as at 31 December 2016	14,800,000	6,341,373	21,141,373
Profit for the year	-	1,619,257	1,619,257
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	1,619,257	1,619,257
Balance as at 31 December 2017	**14,800,000**	**7,960,630**	**22,760,630**

PACIFIC FISHING COMPANY LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Notes	2017	2016
		$	$
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	9	36,545,104	35,388,074
Deferred tax assets	7(b)	214,074	37,267
Total non-current assets		36,759,178	35,425,341
CURRENT ASSETS			
Inventories	11	5,951,803	2,042,050
Trade receivables	8	2,554,867	1,718,910
Prepayments and other receivables	10	1,061,527	1,845,139
Cash on hand and at bank		907,679	1,932,341
Total current assets		10,475,876	7,538,440
TOTAL ASSETS		**47,235,054**	**42,963,781**
EQUITY AND LIABILITIES			
Equity attributable to equity holders			
Share capital	17	14,800,000	14,800,000
Retained earnings		7,960,630	6,341,372
Total shareholders' equity		22,760,630	21,141,372
NON CURRENT LIABILITIES			
Deferred income	15	4,224,436	4,491,232
Borrowings	13(a)	14,198,569	14,358,350
Total non-current liabilities		18,423,005	18,849,582
CURRENT LIABILITIES			
Trade and other payables	12	3,396,332	2,187,366
Borrowings	13(b)	2,202,929	616,661
Income Tax Payable	7(a)	374,796	107,563
Provisions	14	77,362	61,237
Total current liabilities		6,051,419	2,972,827
Total liabilities		24,474,424	21,822,409
TOTAL EQUITY AND LIABILITIES		**47,235,054**	**42,963,781**

The accompanying notes form an integral part of the statement of financial position.

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

.... Director

.... Director

PACIFIC FISHING COMPANY LIMITED
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 Inflows/ (Outflows)	2016 Inflows/ (Outflows)
		$	$
Cash flows from operating activities			
Receipts from customers		32,283,398	34,638,740
Insurance Proceed		458,716	1,467,890
Payments to suppliers and employees		(31,399,790)	(31,478,007)
Net cash provided by operating activities		1,342,324	4,628,623
Cash flows from investing activities			
Payments for property, plant and equipment		(4,045,659)	(4,924,074)
Proceed from sale of fixed asset		31,239	-
Net cash used in investing activities		(4,014,420)	(4,924,074)
Cash flows from financing activities			
Proceeds of borrowings		209,989	1,022,016
Net cash provided in financing activities		209,989	1,022,016
Net increase in cash and cash equivalents		(2,462,107)	726,565
Cash equivalents and overdraft at the beginning of the year		1,932,341	1,205,776
Cash equivalents and overdraft at the end of the year	16 (a)	**(529,766)**	**1,932,341**

The accompanying notes form an integral part of the statement of cash flow.

NOTE 1. GENERAL INFORMATION

Pacific Fishing Company Limited ("the Company") is a limited liability company incorporated and domiciled in Fiji under the Companies Act, 2015. Its principal activities, registered office and principal place of business are disclosed in note 25 and note 26 to the financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 7th May 2018.

NOTE 2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

Standards and Amendments issued but not yet effective

The following standards and amendments to existing standards have been published and are not yet mandatory effective as at 31 December, 2017 and the company has not early adopted them. The company intends to adopt these standards, interpretations and amendments, if applicable, when they become effective.

- IFRS 15, Revenue from contracts with customers (effective from 1 January 2018).
- IFRS 9, Financial Instruments- Classification and Measurement (effective from 1 January, 2018)

NOTE 3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

a) Statement of Compliance

The financial statements of Pacific Fishing Company Limited have been prepared in accordance with the provisions of the Companies Act 2015 and International Financial Reporting Standards ("IFRS").

b) Basis of preparation

The financial statements have been prepared in accordance with the historical cost convention using the accounting policies described below and except where stated do not take into account current valuations of non-current assets.

In the application of IFRS, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. Judgments made by management in the application of IFRS that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

b) Basis of preparation (cont'd)

The areas involving higher degree of judgment or complexity, or areas where assumptions and estimates are critical to the financial statements are disclosed in note 5.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

c) Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost using the effective interest method.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

d) Borrowing Costs

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 use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised as an expense in the year in which they are incurred.

e) Cash and cash equivalents

For the purpose of Statement of Cash Flow, cash and cash equivalents comprise of cash on hand, cash in banks and other short term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Cash and cash equivalents are stated net of bank overdraft. Bank overdrafts are shown within interest bearing borrowing in current liabilities in the statement of financial position.

f) Comparatives

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

g) Deferred Income

Government grants are recognized where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income over the period necessary to match them with the related costs which the grants are intended to compensate.

Where the grant relates to an asset, it is recognized as deferred income and released to income in equal amounts over the expected useful life of the related asset.

NOTE 3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

h) Employee benefits

Wages and salaries

Liabilities for wages and salaries expected to be settled within 12 months of the reporting date are accrued up to the reporting date.

Annual leave

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

Defined contribution plans

Contributions to Fiji National Provident Fund are expensed when incurred.

i) Financial Assets

The company classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. The company currently holds the following categories of financial assets:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance date, which are classified as non-current assets. The company's loans and receivables comprise 'trade and other receivables' disclosed in the statement of financial position (note 8 and note 10).

j) Foreign Currency Transactions

Functional and presentation currency

The company operates in Fiji and hence its financial statements are presented in Fiji dollars, which is the company's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the measurement currency using the exchange rates prevailing at the dates of the transactions. Amount payable and receivable in foreign currencies at balance date are converted at rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the profit or loss in the period in which they arise.

NOTE 3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

k) Impairment

At each reporting date, the company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where the asset does not generate cash flows that are independent from other assets, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

l) Income Tax

Current Tax

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

Deferred Tax

Deferred tax is provided in full on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred 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 either accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the temporary differences and the eligible tax losses can be utilized.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the profit or loss, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity.

m) Inventories

Inventories comprising of raw fish, semi-processed and canned fish and spares are valued at the lower of cost or net realizable values. Cost is based on the weighted average cost method. Cost includes expenditure incurred in acquiring the inventories and bringing them to their existing condition and location. Allowance for inventory obsolescence is raised based on a review of inventories. Inventories considered obsolete or un-saleable are provided for in the year in which they are identified.

NOTE 3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

n) Leased assets

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Company as lessor

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease.

Company as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Lease incentives

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefits of incentives are recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

o) Property, plant and equipment

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

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

Cost of leasehold land includes initial premium payment or price paid to acquire leasehold land including acquisition costs.

Freehold land is not depreciated.

Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Leasehold land	1.25% - 2.5%
Leasehold land and improvements	1.25%
Building	2.5%
Plant, machinery and equipment	10% - 20%
Motor vehicles	18%

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

NOTE 3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

o) Property, plant and equipment (Cont'd)

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 taken into account in determining the results for the year.

p) Provisions

Provisions are recognised when the company 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 can be reliably estimated. Provisions are not recognized 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 recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

q) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of products in the ordinary course of the company's activities. Revenue is shown net of value added tax, returns, rebates and discounts.

Revenue from the sale of products is recognised when the company has transferred to the buyer the significant risks and rewards of ownership of the goods.

r) Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

s) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortized cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables. Allowance is raised on a specific debtor level as well as on a collective basis. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial re-organization, and default or delinquency in payments are considered indicators that a specific debtor balance is impaired. Impairment assessed at a collective level is based on past experience and data in relation to actual write-offs. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the profit or loss. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables.

Subsequent recoveries of amounts previously written off are credited in the profit or loss.

NOTE 3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

t) Trade and Other Payables

Trade payables and other accounts payable are recognized when the company becomes obliged to make future payments resulting from the purchase of goods and services.

u) Value Added Tax

Revenues, expenses and assets are recognized net of the amount of Value Added Tax (VAT), except:

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

ii) for receivables and payables which are recognized inclusive of VAT.

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

v) Government Grant

All government grant or assistance received will be capitalized accordingly.

NOTE 4. FINANCIAL RISK MANAGEMENT

The company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk, price risk and regulatory risk), credit risk, liquidity risk and capital risk. The company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance.

Risk management is carried out by management committee under policies approved by the Board of Directors. The committee identifies and evaluates financial risks in close co-operation with the company's operating units. The Board provides written policies for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity.

(a) Market risk
(i) Foreign exchange risk

The company undertakes transactions denominated in foreign currencies, consequently, exposures to exchange rate fluctuation arise. Exchange rate exposures are managed within approved policy parameters.

The carrying amount of the company's foreign currency denominated monetary assets and monetary liabilities at the end of reporting period are as follows:

	Liabilities		Assets	
	2017	2016	2017	2016
	F$	F$	F$	F$
US Dollar	248,786	61,858	1,013,218	1,355,589
Australian Dollar	319,205	190,568	38,791	-
New Zealand Dollar	295,909	290,071	42,409	29,010

NOTE 4. FINANCIAL RISK MANAGEMENT (CONT'D)

Foreign currency sensitivity analysis

The company is mainly exposed to the currency of USA, Australia and New Zealand.

The following table details the company's sensitivity to a 10% increase and decrease in Fiji dollar against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. If the FJD strengthen/weaken by 10% against the USD, AUD and NZD with all other variables held constant, pre- tax profit impact is as follows:

	USD currency impact		AUD currency impact		NZD currency impact	
	2017	2016	2017	2016	2017	2016
	F$	F$	F$	F$	F$	F$
Profit or (loss)						
- Strengthen	(27,643)	(6,873)	(35,467)	(21,174)	(32,879)	(32,230)
- Weaken	22,617	5,623	29,019	17,324	26,901	26,370

(ii) Cash flow and fair value interest rate risk

As the company has no significant interest-bearing assets, the company's income and operating cash flows are substantially independent of changes in market interest rates.

The company is exposed to interest rate risk as it borrows funds at floating interest rates. The risk is managed closely by the executive management within the approved policy parameters.

(iii) Price risk

The company does not have investments in equity securities and hence is not exposed to equity securities price risk.

(iv) Regulatory risk

The salaries and wages payable to workers are subject to Wages Regulations issued by Manufacturing Industry Wages Council.

(b) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the company. The company has adopted a policy of dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The company's exposure and the credit ratings of its counterparties are continuously monitored. Credit exposure is controlled by counterparty limits that are reviewed and approved by the management on a regular basis. Ongoing credit evaluation is performed on the financial condition of accounts receivables.

The company has significant credit risk exposure to its largest customers, Punja& Sons Limited and Bumble Bee (note 8). To mitigate risk exposure with these two counterparties, company has entered into trading agreements for timely settlement of credit. The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the company's minimum exposure to credit risk.

NOTE 4. FINANCIAL RISK MANAGEMENT (CONT'D)

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash to meet its present obligations.

The company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows.

The table below analyses the company's financial liabilities into relevant maturity groupings based on the remaining period at the balance date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year	Between 1 and 2 years	Between 3 and 5 years	Over 5 years
At 31 December 2017	$	$	$	$
Borrowings	1,502,029	2,500,000	3,399,469	9,000,000
Trade and other payables	3,396,182	-	-	-
At 31 December 2016				
Borrowings	970,684	2,001,501	3,002,826	9,000,000
Trade and other payables	2,187,366	-	-	-

(d) Capital risk

The company's objectives when managing capital are to safeguard the company'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 company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the statement of financial position) less cash and cash equivalents and short term deposits. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

The gearing ratios at 31 December 2017 and 2016 were as follows:

	2017	2016
	$	$
Total borrowings including bank overdraft (note 13)	16,401,498	14,975,011
Less: Cash on hand and at bank	(907,679)	(1,932,341)
Net debt	15,493,819	13,042,670
Redeemable preference shares	3,000,000	3,000,000
Ordinary shares	11,800,000	11,800,000
Total equity	14,800,000	14,800,000
Total capital (total equity plus net debt)	**30,293,819**	**27,842,670**
-Gearing ratio (net debt / total capital x 100)	51%	47%

NOTE 5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

In application of the company's accounting policies, which are described in note 3, the Directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year and in future are discussed below.

(a) Estimated Impairment of Property, Plant and Equipment

The company assesses whether there are any indicators of impairment of property, plant and equipment at each reporting date. Property, plant and equipment are tested for impairment and when there are indicators that the carrying amount may not be recoverable, a reasonable provision for impairment is created. For the year ended 31 December 2017, no provision for impairment has been made in the company's books as the company reasonably believes that no indicators for impairment exist.

(b) Allowance for stock obsolescence

Allowance for stock obsolescence is assessed and raised on a specific basis based on a review of inventories. Inventories considered obsolete or un-serviceable are written off in the year in which they are identified.

(c) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses and benefits arising from temporary differences to the extent that taxable profits will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely and level of future taxable profits together with future planning strategies. Further details are contained in Note 7(b).

NOTE 6. REVENUE AND EXPENSES

6.1 Revenue and other income

	2017	2016
	$	$
Revenue	33,183,538	32,170,087
Other income		
Realised and Unrealised exchange gain	568,538	592,006
Amortisation of capital grant (note 15)	266,796	267,120
Rent income	71,922	51,412
Insurance Proceed	458,716	1,467,890
Service income	310,560	213,107
Miscellaneous income	118,518	571,291
Total other income	1,795,050	3,162,826
Total revenue	**34,978,588**	**35,332,913**

Government grants have been received for the purchase of certain items of property, plant and equipment. There are no unfulfilled conditions or contingencies attaching to the grant.

6.2 Other Expenses

(a) Charging as expenses

	2017	2016
Auditors' remuneration for		
- Audit fees - external	15,000	15,000
- Audit fees - internal	15,475	24,496
Depreciation and amortisation of plant, machinery and equipment	2,8,48,952	2,765,934
Directors fees	25,000	25,000
Donations	-	73,703
Fiji National Provident Fund contribution	741,592	742,089
Loss on sale of fixed asset	8,438	198,571
Operating lease	54,000	54,000
Salaries, wages, TPAF and other allowances	8,577,660	8,351,339

(b) Finance cost

	2017	2016
Interest on overdraft	32,421	77,212
Interest on loans	55,816	26,364
	88,237	**103,576**

NOTE 7. INCOME TAX (EXPENSE) / BENEFIT	2017	2016
	$	$
a) The prima facie tax payable on profit is reconciled to the income tax expense as follows:		
Profit before income tax	1,817,247	2,564,339
Prima facie tax expense thereon at 20% (2016: 20%):	(363,449)	(512,868)
Tax effect of permanent differences:		
Income and expense not deductible for tax	23,290	75,392
Tax effect of temporary differences relating to prior years	142,169	(292,998)
Effect on deferred tax balances due to the change in income tax rate	-	-
Over provision from prior year	-	-
Income tax expense	(197,990)	(730,474)
Income tax expense comprises movements in:		
Deferred tax assets	176,806	(622,911)
Deferred tax Liability	(374,796)	(107,563)
	(197,990)	**(730,474)**

b) Deferred tax assets

Deferred tax assets comprise of the estimated future tax benefit at future income tax rate of the following items:

	2017	2016
Provision for employee entitlements	15,472	12,248
Provision for doubtful debt	12,837	-
Unrealised Exchange in Loss (Prior Year)	180	(8,360)
Unrealised exchange loss	-	-
Unrealsed Exchange Gain	(491)	(180)
Difference in cost base of property, plant and equipment for accounting and tax purpose	186,076	33,559
Deferred tax assets	**214,074**	**37,267**

	2017	2016
NOTE 8. TRADE RECEIVABLES	$	$
Trade receivables	**2,554,867**	**1,718,910**

Trade receivables are non-interest bearing and are generally on 30-90 days term. As at 31 December 2017, trade receivable amounting to $64,183 was impaired and provided for. Trade receivable amounting to $41,459 was recovered in 2018.

Trade receivable amounting $2,360,820 (2016:$1,364,837) at year end was due from Punjas & Sons Limited and Bumble Bee being Pacific Fishing Company Limited's largest customer (note 4 (b). There are no other customers who represent more than 5% of the total balance of the trade receivables.

As at 31 December, the ageing analysis of trade receivables for the company is as follows:

Past due but not impaired					
	Total	Current	30 – 60 days	60 – 90 days	>90 days
	$	$	$	$	$
2017	2,554,867	2,287,738	108,965	116,705	41,459
2016	1,718,910	1,354,568	202,984	80,322	81,036

NOTE 9. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment were shown at valuation as per the company's Board of Directors in prior years. With the adoption of IFRS, property, plant and equipment are recorded at deemed cost.

	2017	2016
PAFCO land		
Cost:		
At 1 January	111,445	111,445
Addition	196,014	
At 31 December	**307,459**	**111,445**
Leasehold land and improvements		
Cost:		
At 1 January	27,525,932	27,784,413
Additions	3,486	183,216
Disposal	(116,966)	(441,697)
At 31 December	27,412,452	27,525,932
Depreciation and impairment:		
At 1 January	14,429,069	14,203,136
Depreciation charge for the year	630,168	632,852
Disposal	(116,966)	(406,919)
At 31 December	14,942,271	14,429,069
Net written down value - leasehold land and improvements	**12,470,181**	**13,096,863**

NOTE 9. PROPERTY, PLANT AND EQUIPMENT (CONT'D)	2017	2016
	$	$
Plant, machinery and equipment		
Cost:		
At 1 January	26,439,082	27,989,471
Additions	1,344,441	870,169
Disposals	(285,399)	(2,420,558)
At 31 December	27,498,124	26,439,082
Depreciation and impairment:		
At 1 January	18,893,027	19,095,044
Depreciation charge for the year	2,090,899	2,054,748
Disposals	(245,723)	(2,256,765)
At 31 December	20,738,203	18,893,027
Net written down value - Plant, machinery and equipment	**6,759,921**	**7,546,055**
Motor vehicles		
Cost:		
At 1 January	901,957	1,290,322
Additions	153,199	173,276
Disposals	-	(561,641)
At 31 December	1,055,156	901,957
Depreciation and impairment:		
At 1 January	607,502	1,090,809
Depreciation charge for the year	127,886	78,334
Disposals	-	(561,641)
At 31 December	735,388	607,502
Net written down value - Motor vehicles	**319,768**	**294,455**
Work In Progress		
Cost:		
At 1 January	14,339,256	10,641,873
Additions	2,348,519	3,697,383
At 31 December	**16,687,775**	**14,339,256**
Total property, plant and equipment		
Cost:		
At 1 January	69,317,672	67,817,524
Additions	4,045,659	4,924,044
Disposals	(402,365)	(3,423,896)
At 31 December	72,960,966	69,317,672
Depreciation and impairment:		
At 1 January	33,929,598	34,388,989
Depreciation charge for the year	2,848,953	2,765,934
Disposals	(362,689)	(3,225,325)
At 31 December	36,415,862	33,929,598
Net written down value – total property, plant and equipment	**36,545,104**	**35,388,074**

NOTE 10. PREPAYMENTS AND OTHER RECEIVABLES	2017	2016
	$	$
Prepayments	403,787	501,711
Staff debtors	6,202	7,270
Deposits	23,942	23,942
VAT receivable	99,515	1,291,995
Work in progress - loin fees receivable	528,081	20,221
Total prepayment and other receivables	**1,061,527**	**1,845,139**

NOTE 11. INVENTORIES

Stores	763,562	633,434
Finished goods	1,436,872	404,975
Raw materials	3,751,369	1,003,641
Total inventories at the lower of cost and net realizable value	**5,951,803**	**2,042,050**

The amount of write-down of inventories recognised as an expense is nil (2016: nil).

NOTE 12. TRADE AND OTHER PAYABLES

Trade creditors	3,157,984	1,879,820
Other accruals	238,348	307,546
Total trade and other payables	**3,396,332**	**2,187,366**

Trade payables principally comprise amounts outstanding for trade purchases and on-going costs. Trade payables are non-interest bearing and are normally settled on 30 – 60 days term.

NOTE 13. BORROWINGS

	Effective interest rate		
<u>13(a) - Non-Current Liabilities</u>			
Interest Bearing Borrowing	4.5%	1,003,005	1,001,501
Bumble Bee Loan		4,195,564	4,356,849
Government Loan	4%	9,000,000	9,000,000
		14,198,569	**14,358,350**

(i) In 2015, PAFCO took a loan from Government of Fiji for the new 4,000MT cold storage which will be completed in early 2018.

(ii) Bumble Bee gave an interest free loan to PAFCO to upgrade PAFCO's plant facility.

<u>13(b) Current Liabilities</u>			
Bumble Bee Loan		700,900	548,720
Bank overdraft	4.5%	1,437,445	-
Insurance Loan – ANZ		64,584	67,941
Bank overdraft		**2,202,929**	**616,661**

The bank overdraft facility and borrowings from ANZ are subject to interest at the rate of 4.5%. Bank overdraft and borrowings are secured by:

(i) a registered equitable mortgage by company over all the assets and including uncalled capital; and

13(b) Current Liabilities (con't)

(ii) a letter of charge and undertaking by the company over certain native and crown lease land (approximately 4 acres of land including reclaimed section with sea wall on one boundary with a large building of block construction comprising ground floor and first floor)

13(c) Capitalization of Borrowing Costs		2017	2016
		$	$
Amount of Borrowing Cost Capitalized	4%	360,000	358,251

NOTE 14. PROVISIONS

Annual leave	77,362	61,237
Total provisions	77,362	61,237

NOTE 15. DEFERRED INCOME

The company received a grant from AIDAB in 1992 amounting to $13,374,380, $200,000 from Ministry of Finance in 2015 and from Ministry of Industry and Trade in 2014 amounting to $190,690 for the acquisition of fixed assets, which has been depreciated and amortised as follows during the years:

Grants received	13,765,070	13,765,070
Amortisation:		
At 1 January	(9,273,838)	(9,006,718)
Released to profit or loss	(266,796)	(267,120)
At 31 December	(9,540,634)	(9,273,838
Net deferred income	**4,224,436**	**4,491,232**

NOTE 16. NOTES TO THE STATEMENT OF CASH LOW

a) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and balance with banks. Cash and cash equivalents included in the statement of cash flow comprise of the following amounts:

Cash on hand and at bank	907,679	1,932,341
Bank overdraft (note 13)	(1,437,445)	-
Total cash and cash equivalents	**(529,766)**	**1,932,341**

b) Financial Facilities

The company has bank overdraft facilities of $3,000,000. The excess amounts are subject to excess fee charges by the bank.

NOTE 17. SHARE CAPITAL

	2017	2016
	$	$
Authorised capital		
8,000,000 ordinary shares of $2 each	16,000,000	16,000,000
2,000,000 5% redeemable preference shares of $2 each	4,000,000	4,000,000
	20,000,000	20,000,000
Issued and Paid-up Capital		
5,900,000 ordinary shares of $2 each	11,800,000	11,800,000
1,500,000 5% redeemable preference shares of $2 each	3,000,000	3,000,000
	14,800,000	**14,800,000**

On 29 November 2002 the authorised capital was increased by 6,500,000 ordinary shares of $2 each and the paid up capital was increased by 5,000,000 ordinary shares of $2 each.

On 29 November 2002, at the company annual general meeting, shareholders resolved that:

- redeemable preference shares do not have voting rights;
- redeemable preference shares are not cumulative; and
- redeemable preference shares will be redeemed at cost plus 5%.

NOTE 18. CONTINGENT LIABILITIES

Bank guarantee and others at year-end: $ 558,051 (2016: $605,402).

NOTE 19. EXPENDITURE COMMITMENTS

(a) Capital commitments

	2017	2016
Capital commitments approved by the Board but not committed	11,260,344	12,537,830
	11,260,334	**12,537,830**

b) Operating lease commitments

The company has entered into commercial lease for Luthi Machinery and Suva office. The lease for Suva office has an average life of 10 years with renewal option included in the contract. The lease for Luthi Machinery is an open lease. There are no restrictions placed upon the company by entering into these leases:

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

	2017	2016
Not later than one year	96,648	155,029
Later than one year and not later than two years	66,900	42,648
Later than two years and not later than five years	66,900	38,700
Later than five years	1,431,137	985,560
	1,661,585	**1,221,937**

NOTE 20. OPERATING LEASE INCOME

The company has given its properties under operating leases to the customers on normal commercial terms and conditions on monthly rentals.

Future operating lease income not provided for in the financial statements and receivable:

	2017	2016
	$	$
Not later than one year	71,922	51,412
Later than one year and not later than two years	-	-
	71,922	**51,412**

NOTE 21. RELATED PARTY TRANSACTIONS

(a) Shareholding

For the financial year ended as at 31 December 2017, the shareholding of PAFCO is as follows:

Name	Ordinary Shares held in trust for	2017 ($)	2016 ($)
Permanent Secretary	Ministry of Agriculture & Fisheries (864,478 Shares) and Ministry of Economy (6,500,000 Shares)	11,743,360	11,728,956
Others	Others (35,522 Shares)	56,640	71,044
		11,800,000	11,800,000

(b) Directors

The names of persons who were Directors of the company at any time during the financial year are as follows:

Ikbal Jannif - Chairman
Bhupendra Kumar
Ratu Etonia Seru

(c) Transactions with Related parties

Transactions with related parties during the year ended 31 December 2017 with approximate transaction value are summarized as follows:

Transaction type	2017 ($)	2016 ($)
Directors fees	25,000	25,000

NOTE 21. RELATED PARTY TRANSACTIONS (CONT'D)

(d) Key management personnel remuneration

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

The remuneration of the key management personnel (CEO, FC, RML Manager, HRM, Assistant QC Manager, Production Manager, and Project Manager) during the year was as follows:

	2017	2016
	$	$
Short term employee benefits	400,023	373,157
Post-employment benefits	27,900	27,900
	427,923	**401,057**
Number of employees	1,045	1,055

NOTE 22. SIGNIFICANT EVENTS

Tropical Cyclone Winston caused significant damage to the company when it hit Fiji in February 2016. Capital works, and repairs to reinstate the company's properties and plant to operating condition have been included as work in progress in the 2017 accounts. Insurance proceeds received to date ($2.1 million) for the damages have also been included as work in progress. Total outstanding claims to be paid out relating to cyclone Winston is $2.42 million.

NOTE 23. EVENTS SUBSEQUENT TO BALANCE DATE

There were no events subsequent to balance date.

NOTE 24. INSURANCE

Property, plant and equipment at the company's factory building and processing plant situated in Levuka are adequately insured for risk of losses.

NOTE 25. PRINCIPAL ACTIVITIES

The principal activities of the company during the year were processing loin and canning of fish and there has been no significant change in these activities during the year.

NOTE 26. COMPANY DETAILS

Company Incorporation

The company was incorporated in Fiji under the Companies Act, 2015.

Registered Office and Principal Place of Business

The registered office and principal place of business of the company is located at:

Beach Street
Levuka

NOTE 27. COMPARATIVES

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

PACIFIC FISHING COMPANY LIMITED
DETAILED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

	2017	2016
	$	$
Revenue		
Loining	16,659,231	17,140,790
Canning	14,173,552	12,757,654
Others	2,350,755	2,271,643
	33,183,538	32,170,087
Less: Cost of distribution		
Distribution cost	373,453	350,152
Less: Cost of production		
Direct materials	9,562,519	8,262,988
Direct labor	8,439,735	8,813,851
Overheads	13,798,264	12,298,569
	31,800,518	29,375,408
(Less)/Add movement in stock	(1031,896)	(110,110)
Net cost of sales	**31,142,075**	**29,615,450**
Gross profit	**2,041,463**	**2,554,637**
Gross profit %	6.2%	8.0%
Total Operating income	**2,041,463**	**2,554,637**
Add: Non-operating income		
Amortisation of capital grant	266,796	267,120
Loss on Sale of Fixed Asset	(8,438)	(198,571)
Miscellaneous income	501,000	835,810
Realised Exchange Gain	566,081	591,106
Unrealised Exchange Gain/(Loss)	2,457	900
Insurance Proceed	458,716	1,467,890
	1,786,612	2,964,255
Less: Non-operating expense		
Repair & Maintenance - Cyclone damages	458,716	1,467,890
Net trading and operating result	**3,369,359**	**4,051,002**
Less		
Administration expenses - (Transfer from page 30)	1,463,875	1,383,087
Finance costs - (Transfer from page 30)	88,237	103,576
	1,552,112	1,486,663
Profit before income tax	**1,817,247**	**2,564,339**

PACIFIC FISHING COMPANY LIMITED
DETAILED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

		2017	2016
		$	$
Administration Expenses			
Accounting fees		-	4,000
Advertisement		10,964	4,632
Audit fees - external		15,000	15,000
Audit fees - internal		15,475	20,496
Bank charges		46,652	69,491
Board meetings		7,096	6,092
Computer expenses		46,660	23,999
Consulting fees		100,834	87,611
Depreciation		129,108	124,941
Directors fees		25,000	25,000
Donation		-	73,703
Electricity		127,814	126,854
Entertainment		21,400	24,756
FNPF contributions		37,080	37,104
General		20,998	29,177
Insurance		28,778	28,773
Legal		19,699	6,239
Postage, stationery and supplies		19,572	18,775
Provision for doubtful debts		64,183	-
Rent		54,000	54,000
Repairs and maintenance		98,330	97,271
Research and development		53,024	43,295
Subscription		89,760	87,029
Telephone and fax		14,995	16,457
Fringe Benefit Tax		2,419	1,814
Travelling and accommodation		142,921	93,371
Wages and salaries		258,147	240,658
Water rates		13,966	22,549
Total Administration Expenses	(Transfer to page 29)	**1,463,875**	**1,383,087**
Finance Costs			
Interest on overdraft		32,421	77,212
Interest on loans		55,816	26,364
Total Finance Costs	(Transfer to page 29)	**88,237**	**103,576**