



STANDING COMMITTEE ON ECONOMIC AFFAIRS

Consolidated Review Report of the Pacific Fishing Company Ltd. 2018/2019 Annual Reports



PARLIAMENT OF THE REPUBLIC OF FIJI
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Chairperson's Foreword

The Standing Committee on Economic Affairs is pleased to submit to Parliament, the Consolidated Review Report of the PAFCO 2018 and 2019 Annual Reports.

PAFCO is one of the largest fish processing companies in the Pacific Region. It is the largest employer in Levuka and immensely contributes to the economic activity on the Island. The years 2018 and 2019 were filled with its own unique opportunities and challenges for the company.

In 2018, PAFCO achieved a milestone when the Prime Minister of Fiji visited the factory to officially open the new cold storage facility. During the year, PAFCO continued its efforts to upgrade its infrastructure, plants and equipments.

However, the company faced significant challenges during 2018 and 2019 due to inconsistent supply of Albacore tuna. This led to the factory aligning its processing operations throughout to adjust to the incoming fish stock.

While deliberating on the report, the Committee noted that one of the causes of the \$3.2M loss in 2019 was due to the low supply of Tuna. Apart from the 20,000 MT of Albacore supplied by Bumblebee, the Committee recommended for PAFCO to explore engaging other suppliers under strict contractual terms to ensure consistency in supply of Tuna and to ultimately optimise the plant's productive capacity.

The Committee also noted the need for the company to have a comprehensively documented Risk Management Policy for high risk areas that are not covered.

Given the two (2) years of consecutive losses from 2018 - 19, the Committee recommended an overall organisation review be conducted to assess both short term and long term strategic issues and determine future directions.

The Committee noted that during the year 2019, the company recruited five Graduate Cadets in the Quality Control and Production Departments and an Accountant. It also celebrated the success of PAFCO's Apprenticeship program. Five apprentices successfully completed their 4-year programs and one was the runner up in the Apprentice of the Year Award given by the Fiji National University. The Committee commends such initiatives and encourages PAFCO to continue its effort in upgrading the skills of their workers.

I would like to thank the former Committee Members who were part of the team that produced this report. I also take this opportunity to acknowledge the current Members of the Committee, Hon. Sashi Kiran, Hon. Tomasi Tunabuna, Hon. Semi Koroilavesau and Hon. Premila Kumar for their contribution towards the report.

On behalf of the Standing Committee on Economic Affairs, I commend the consolidated review of the PAFCO 2018 and 2019 Annual Reports.

A handwritten signature in black ink, appearing to be 'S. Tubuna', with a stylized flourish at the end.

Hon. Sakiusa Tubuna (Chairperson)

Acronyms

FDA	Food and Drug Administration
MSC	Marine Stewardship Council
QAM	Quality Assurance Manual
SQF	Safe Quality Food

1.0 Introduction

1.1 Background

The principal activities of the Company during the period under review were processing loin and canning of fish and there has been no significant change in these activities. PAFCO is a limited liability company incorporated and domiciled in Fiji under the Companies Act 2015.

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 from 2017 for a period of 10 years.

PAFCO's strategic customer, Bumble Bee Seafood's Limited changed ownership to Fong Chin Formosa (FCF) of Taiwan, but continued to operate under the Bumble Bee Seafood Limited banner during 2019.

PAFCO works with the mission to:

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

Committee Remit and Composition

The Committee is made up of five (5) Members of Parliament, three (3) of which are Government members and two Opposition members. According to Section 109(2) (a) the Standing Committee is responsible to look into matters related to economic development, finance, banking and taxation.

2.0 Findings and Recommendations

1. The Committee noted that one of the causes of the \$3.2M loss in 2019 was due to the low supply of Tuna. Apart from the 20,000 MT of Albacore supplied by Bumblebee, the Committee recommends for PAFCO to explore engaging other suppliers under strict contractual terms to ensure consistency in supply of Tuna and to ultimately optimise the plant's productive capacity.
2. The Committee noted with concern the inability of PAFCO to secure cyclone insurance cover which leaves PAFCO highly vulnerable. It further noted that the company did not have a documented Risk Management Policy in place for the period under review and recommends that this be progressed with urgency to mitigate all risks.
3. The Committee noted the Operating Leases Commitments and recommends PAFCO to explore options such as consolidating Management and Operational locations for better oversee and cost reduction.
4. Given the 2 years of consecutive losses from 2018 - 19, the Committee recommends an overall Organisational Review be conducted to assess strategies to determine future directions.
5. The Committee noted that during the year 2019, the company recruited five Graduate Cadets in the Quality Control and Production Departments, and an Accountant. It also celebrated the success of PAFCO's Apprenticeship program. Five apprentices successfully completed their 4-year programs and one was the runner up in the Apprentice of the Year Award given by the Fiji National University. The Committee commends such initiatives and encourages PAFCO to continue its effort in upgrading the skills of their workers.
6. The Committee recommends PAFCO to pursue relevant authorities to improve the current infrastructure in Levuka to ensure that operations are not affected due to external factors.

3.0 Sustainable Development Goals Analysis

As part of its review the Committee is also mindful of the requirements of the Standing Orders of Parliament whereby all matters before the Committee are to be reviewed through a gender lens. This is supplemented by the Committee's appreciation of the Parliament's role in contributing towards the Global Agenda. A summary of the activities by PAFCO is stated below.

SDG 1 – No Poverty

The company is the mainstay of the economy of Lomaiviti Group and the largest employer on Ovalau with a workforce of just over 870 people, comprising of senior management, production line supervisors, team leaders and skilled and general workers. There are at least another 100 people indirectly employed as contractors for transport and other businesses as well as on a call basis when a major shipment of Tuna arrives at PAFCO port. Overall, the positive financial impact is spread across the entire populace of the Lomaiviti group.

PAFCO has helped to diversify sources of income and employment in the seven islands of Lomaiviti. It pays out approx. \$8 million annually in employment wages and salaries. The money circulates throughout the province.

The company has invested significantly in better amenities and conditions for its employees. PAFCO also supports the community with various sponsorships and assistance.

SDG 2 – Zero Hunger

PAFCO assists communities in various ways including provision of cases of Tuna FOC. PAFCO has prepared a fully-fledged plan for its CSR and is undertaking this accordingly. This action plan of CSR not only covers Lomaiviti but also other parts of the country as well.

SDG 3 – Good Health and Wellbeing

PAFCO also supports the local community in sports, schools visits as well as in building coastal walls to avoid coastal inundation and erosion.

SDG 4 – Quality Education

PAFCO is participating in the apprentice program, recruits graduate cadets and provides on job training. PAFCO also supports staff that undertake training and study to acquire more knowledge as well as improve their qualifications.

SDG 5 – Gender Equality

PAFCO is an equal opportunity employer. We have around 62% female staff working. In executive management team this is perfectly balanced at 50/50. PAFCO believes in empowering women and

some very critical roles are also held by females in PAFCO such as QAM, Inventory Supervisor, Head on Union representatives, Production Supervisors HR, Finance, Security, Laundry, to name a few.

SDG 6 – Clean Water and Sanitation

PAFCO fully promotes and provides this in their premises. Staff have full access to clean water and sanitation every day at work. PAFCO has appointed a Business Development Consultant in Singapore for its export works. This Gentleman operates from the SDG centre in Singapore and is also the head of World Toiled Organisation.

SDG 7 – Affordable and Clean Energy

PAFCO is currently in talks with relevant organisations that can handle a feasibility study to assess how PAFCO can become a 100% green company by 2030.

SDG 8 – Decent work and economic growth

As stated in SDG 1, PAFCO remains the mainstay of economic activity in Lomaiviti for 60 years now and we plan to remain and grow this. Indirectly, we contribute to 10,000 plus inhabitants of the Group.

SDG 9 – Industry, Innovation and Infrastructure

PAFCO is currently in the phase of major changes in its machinery, equipment as well as building and infrastructure. The main objective is to upgrade with latest technology and improve to the most resilient structures to avoid issue with the increased presence of cyclones in the region.

SDG 10 – Reduced inequality

PAFCO is an equal opportunity employer. There is no difference in pay for staff based on gender, etc. Equal pay for equal work. There is no gender disparity nor does the company believe in such practices.

SDG 11 – Goal 11: Sustainable cities and communities

As stated in SDG 3, PAFCO provides damaged aluminum fish bins that allows the villagers to build seawalls easily and no cost to them. We even deliver these bins to the villages.

SDG 12 – Responsible consumption and production

We are a fully MSC, US FDA and SQF accredited facility. We also have a Dolphin friendly certification. From catch to consumption our methods and practices are in a manner that promotes sustainability.

SDG 13 – Climate action

This has been answered in previous SDG responses as well.

SDG 14 – Life below water

PAFCO ensures that the environment around them is not affected by its operations. All the certifications mentioned in SDG 12 are only provided once we have satisfied all the requirements including land and ocean impacts. PAFCO has also applied for zero waste certification and is awaiting response from the relevant Ministry.

SDG 15 – Life on land

This is also in line with what we have stated for SDG 14 above.

SDG 16 – Peace, justice and strong institutions

PAFCO promotes an inclusive environment. The workers are treated exceptionally well and have a governing collective agreement. The relationship with the Union is also cordial and any and all issues are resolved amicably.

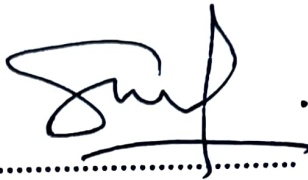
SDG 17 – Partnership for the goals

PAFCO deals with major countries like Taiwan, China, Australia, NZ, USA as well as Thailand for its work. We are more than happy to partner with relevant countries in achieving the SDGs.

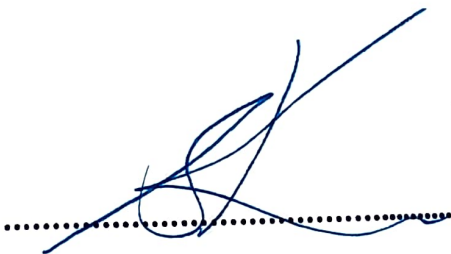
4.0 Conclusion

To conclude, the Committee recognizes the iconic significance that PAFCO has in Levuka and acknowledges the economic and social contribution the company makes towards enhancing the livelihood of the people of Lomaiviti. However, the Committee notes the need for a clear strategic direction to ensure the long term sustainability of the organization.

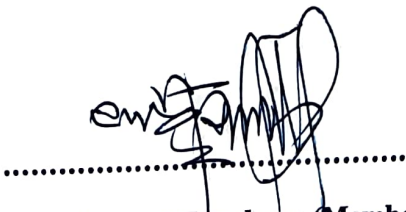
Members Signature



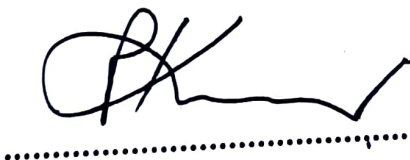
Hon. Sakiusa Tubuna (Chairperson)



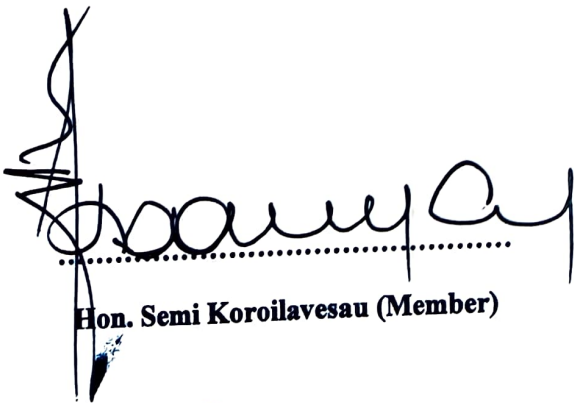
Hon. Sashi Kiran (Deputy Chairperson)



Hon. Tomasi Tunabuna (Member)



Hon. Premila Kumar (Member)



Hon. Semi Koroilavesau (Member)

ANNEXURE

[VERBATIM REPORT]

STANDING COMMITTEE ON ECONOMIC AFFAIRS

ANNUAL REPORT

PAFCO 2018 Annual Report

INSTITUTION: Pacific Fishing Company Pte Limited

VENUE: Small Committee Room (East Wing)

DATE: Wednesday, 24th August, 2022

VERBATIM NOTES OF THE MEETING OF THE STANDING COMMITTEE ON ECONOMIC AFFAIRS HELD AT THE COMMITTEE ROOM (EAST WING), PARLIAMENT PRECINCTS, GOVERNMENT BUILDINGS ON WEDNESDAY, 24TH AUGUST, 2022 AT 10.29 A.M.

Interviewee/Submittee: Pacific Fishing Company Pte Limited (PAFCO)

In Attendance:

- | | | |
|----------------------|---|------------------------------------|
| 1) Mr. Saiyad Raiyum | - | CEO |
| 2) Mr. Mahmmod Khan | - | Chairman of the Board of Directors |
| 30 Ms. Riteshni Devi | - | Accountant |

MR. CHAIRMAN.- Honourable Members, members of the media and the public, Secretariat, dear viewers, ladies and gentlemen, a very good morning to you all. It is a pleasure to welcome everyone, especially the viewers watching this session. For your information, pursuant to Standing Order 111 of the Standing Order of Parliament, all Committee Meetings are to be open to the public, therefore, please note that this submission is open to the public and the media and it is also being streamed live on the Parliament website and social media platforms. Any sensitive information concerning matters that cannot be disclosed in public, can be provided to the Committee either in private or in writing. However, please be advised that pursuant to Standing Order 111, there are few specific circumstances that allows for non-disclosure and these include:

1. National security matters;
2. Third party confidential information;
3. Personnel or human resource matters; and
4. Deliberation and development of Committees recommendation and reports.

At the outset, I wish to remind honourable Members and our guests that all questions are to be addressed through the Chair. This is a parliamentary meeting and all information gathered is covered under the Parliamentary Powers and Privileges Act, however, please bear in mind that we do not condone slander or libel of any sort and any information brought before this Committee should be based on facts.

In terms of protocol of this Committee meeting, please minimise the usage of mobile phones and all mobile phones are to be silent mode while the meeting is in progress. I would like to, at this point in time, introduce the Members of my Committee.

(Introduction of Committee Members of Parliament)

MR. CHAIRMAN.- Today, the Committee will be hearing a submission on the Pacific Fishing Company Pte Limited (PAFCO) 2018 Annual Report. Before us, we have representatives from PAFCO. I would like to thank the CEO, the Chairman and his team for accepting the Committee's invitation and now I would like to invite the representatives from PAFCO to introduce themselves and begin the submission, after which there will be a question and answer session. Please also note that if

there are any questions by the honourable Members of the Committee, they may interject or we wait until the end of the presentation to ask the questions.

(Introduction of Chairperson of the Committee)

MR. M. KHAN.- Mr. Chairman, my name is Mahmood Khan, the Chairman of the Board of Directors of the company and I was appointed on the 1st January, 2020.

MR. S. RAIYUM.- Good morning, Mr. Chairman and honourable Members, my name is Saiyad Raiyum, I am the CEO and I have been with PAFCO since December, 2021.

MS. R. DEVI.- Good morning honourable Members, my name is Riteshni Devi, I am the Accountant at PACFO and I joined the company in 2019.

MR. S. RAIYUM.- Honourable Members, I believe a copy of the report has been circulated and I will go through the particular report.

Sir, for the year ending 31st December, 2018, after audit a net loss after tax of \$2,800,898 was recorded. However, we would like to identify that this was after the cold storage was written off. The pre-write off loss was \$205,220. The new cold storage was commissioned in 2018 and the old cold storage at that point in time was deemed unfit to run, therefore, the balance of the value was written off. That caused the entire numbers at the bottom line to change significantly.

The Earnings Before Interest Taxes Depreciation and Amortisation (EBIDA), was \$2.533million, which is significant given the lower tonnage that was processed. Total tonnes of albacore tuna processed was 20,964 metric tonnes. The cases of cans of tuna that was produced during the year was 262,254 cases, each case consisting of 48 cans. On the compliance side, as alluded to in our 2018 Annual Report, we had achieved on target, an average of 95 percent and these are compliance audits conducted by the various institutions.

If I may proceed to the next particular page where we are showing the Bumble Bee Fish that has been processed versus loins produced. This particular graph illustrates from 2010 to 2018 showing (the blue graphs) the actual tonnage of fish and the total tuna loins that have been processed for Bumble Bee over those years. In 2018 as mentioned earlier, we had processed 20,964 tonnes. The recovery rates are around 55 percent to 56 percent. *(Refer to the bar graph in the PAFCO 2018 Annual Report, page no. 11)*

The next graph shows the canned tuna cases that have been produced for the same periods in question. We have again shown from the year 2010 till 2018. This consists of largely Sun Bell red tuna which has been produced and sold locally and a bit in the Pacific Island countries as well. At least 95 percent of the production would relate to Sun Bell red tuna. These can productions are also dependent on the albacore loins that are processed during the year. The year that we have lower tonnage being processed, the cases produced also reduces. *(Refer to the blue bar graph in the PAFCO 2018 Annual Report, page no. 11).*

The next particular page, the revenue breakdowns shows the major streams of revenue that we had in the organisation, of course starting with our loining, canning and fish meal, which is a by-product and other income. Other income consists of a building which we rent out, we have fish oil that is contracted out to a particular third party and we get commission based on that so the other income consists majority of those items. As you can see there is a trend developing over the last couple of years and it is continuing to show a slightly upward trend in terms of other income, as well as our canning and loining which are consistent in terms of the number of metric tonnes produced in a year and the cases that are produced.

The next graph shows our net profit after tax or loss margins. From 2010 to 2018 if you look at it after a real problematic year of 2011, we had improved significantly in 2012 and turned it positive from 2013 to 2017 and then we had another problem year in 2018 where the write-off caused a major downward trend. Having a net loss or a profit determines the return on assets and equity and you will notice on the very next slide, the page that we have got here on the graph shows a similar trend on the ROA and the ROE. The years that we were profitable the ROA and ROE were positive and similarly the years that we have a net loss the ROA and ROE dipped - that in a nutshell covers what we had provided in the Annual Report and we would like to open the floor for any discussions.

MR. M. KHAN.- Mr. Chairman, Sir, could I make some comments and observations before we give it to any questions and answers that you have.

MR. CHAIRMAN.- Go ahead, Mr. Khan.

MR. M. KHAN.- Thanks for the opportunity given to us to front up to this Committee. It is unfortunate that the year 2018 that this is being reviewed three, four years after. The reason why I am saying 'unfortunate' is because each one of us was not present in 2018. So the comments that we might make we might be hesitant in replying to your questions however we have come prepared relating to any questions that might be fired at us but since about 2020 things have completely changed at PAFCO.

It has become very positive and the years 2020-2021 and the year to date 2022 have been quite positive and in actual fact, the advent of COVID most probably helped us to a certain extent because we were protected away from the main centres and COVID did not affect Ovalau where our manufacturing plant is based. So we were able to in actual fact it might be the only factory in this country which was doing double shift right throughout the COVID period to satisfy our demands.

MR. M. KHAN.- Like I have mentioned our team here who were only employed after the period but because of the positive change we have had, each one of us has taken a new leaf and various management latter points that have been raised by the Auditor-General in the audit have been looked at as a challenge and we have actually attended to them as much as possible.

Our Year 2020-2021 accounts are already with the Auditor-General's office and in fact the audits are in progress at the moment. So hopefully that will be completed shortly and we should avail ourselves to present those reports. Thank you for the opportunity Mr. Chairman.

MR. CHAIRMAN.- Thank you Mr. Chairman and CEO. We thank you very much for coming on board today. The last time we met the group was in Levuka when my team made a visit to the factory where the hardworking Chairman, Mr. Iqbal Jannif toured us through the factory and we appreciate that. Thank you for your comprehensive presentation.

Before I open the floor for questions, I have one question. You have not touched on your Annual Corporate Plan. Your team mentioned in your 2018 Report about your 5 Year Strategic Planning. Would you want to elaborate more on that before I open the floor for questions?

MR. S. RAIYUM.- Thank you Mr. Chairman. The Strategic Plan that has been produced in 2018 over the years has been reviewed and the current one that we will be reviewing and rolling over for the next three years is ending in 2024. However, at that point in time when the strategic plan was done, there was a vision to improve, the strategies that have been employed was growth based to try and ensure that the 22,000 metric tonnes or thereabouts of albacore are processed and to ensure that we are able to achieve higher level of cases that have been produced.

And, if I may quickly just share with the team. Over the years, in terms of just looking at the canning side, last year alone we did 307,000 cases and that is a significant increase in comparison to the 262,000 that we had done. For that it meant that we had to purchase some of our own fish, which was skipjack and yellow fin, and ensure that the 10 brands that PAFCO has in terms of the canned products, is delivered into the local markets and improved. That has had a significant increase, once the numbers are available after the audit then it will be easily available to the honourable Members of Parliament.

You will see a significant increase, about a 30 percent increase in revenue in comparison to the 2018-2019 figures that are being seen in 2020-2021. For 2022 we are tracking along the similar levels as well. This year we expect to increase the canning by another 20,000-plus cases, by the time we end the year. Similarly we are looking at finishing this particular year around 21,000-plus tonnes of albacore to be processed. That will again ensure that we remain positive on the bottom line. So in terms of implementing, one of the key was, as I mentioned earlier – growth strategy.

The second was ensuring that this growth is sustained and we remain financially viable. Over the last three-four years we have reduced our exposure in terms of our financing facility that has been taken with our bankers as well and that has remained where it is. We have not gone asking for additional loans or anything. We are funding everything through our cash flow as much as possible. So our second strategy as part of what was in the strategic plan has also been achieved.

The third strategy that we are currently working very hard on is ensuring that our exports are also introduced and grown. Through our local distributor Punjas, we have been pushing a deal in the Pacific Island countries and now we are trying to push into Australia and New Zealand, far more than what it was ever before. Given that opportunity, once it starts, we should be able to achieve much better numbers as has been shared in our strategic plan.

The other implementation that we required was in terms of our products mix reviews. Therefore over these years we have been introducing and reviewing our products. Levuka Special was one of the new brands that was introduced in 2020 and there was a OB Chilly Garlic that was introduced as well. That did not take well to the market so we have removed it from the shelves at the moment.

We are remaining with our 10 products, as I mentioned Levuka Special being the latest one. Sun Bell Red remains one of the most well-known brands. It is one of the only brands locally we can claim has the highest customer loyalty and following in the country. We are also looking at increasing our market share as has been one of the strategies there and we will continue working hard to ensure we are able to achieve the targets that have been set in that particular plan. As we continue to roll it forward and change and improve as we move along year on year. Thank you.

HON. V.K. BHATNAGAR.- Thank you, Chair, through you and once again thank you to the Chairperson - Mr. Khan, CEO - Mr. Raiyum and Madam Riteshni Radhika Devi. Once again a very good morning and *vinaka vakalevu* for the presentation. It was brief but very enlightening and I am amazed at the growth, so congratulations on your achievements till until 2022 on the growth of your performance, you must be congratulated and commended on it.

Looking at the 2018 Annual Report, knowing for a fact that none of you were on board during those times, the Chairman's Report mentioned the lack of raw materials and inconsistent supply that has been a major challenge. I believe to some extent you are meeting the challenges but I would like you to elaborate more on your raw materials supply, is it still a problem? Like you mentioned you have ventured out into other products as well which are currently in the market. To let you know I think I have tried one, the yellow something, what is it called, Mr. Raiyum?

MR. S. RAIYUM.- If it is in olive oil than it is Levuka Special.

HON. V.K. BHATNAGAR.- Yes, it is nice. It has white chunks in it and I was actually amazed. I saw it on the shelf and said this is something new and I must try it so I have and it is good.

Going back to my question about the supply of your raw materials, can you elaborate on that please.

MR. S. RAIYUM.- In terms of raw materials I will elaborate in different sections first. In terms of fish supplies it has significantly improved over the last two and a half years. One of the major reasons for that has been the ability of our partners to supply albacore. As we speak we have got a large vessel docked at our premises and it is off loading around 2,000 metric tonnes. The consistency of supply of albacore has been very good and that is allowing the particular growth that we have been talking about earlier.

However, the forecast is positive but the fish, in terms of tuna, being that they are a migratory species and sometimes it is a little hard to predict whether they will be moving or remaining within those specific waters therefore the fish supply consistency at this stage is very good. However moving forward for the next 18 months it is looking positive but things do change

around the world pretty quickly so we are maintaining that. We are ensuring that we are not becoming over positive or over forecasting. We are remaining sustainable in that regard.

The ability for us to handle all of that - we are more as you would have seen and we have the capacity and the ability to handle more than 22,000 metric tonnes. So, should the supply increase beyond what has been told to us we are more than able and capable to handle that. However in terms of other shipments, recently we had a problem with delays as everyone else is facing around the world. The availability of the raw materials for canning whether it is labels, cans, et cetera, it is there but the shipping delays are affecting certain areas. However, to overcome that what we have done in the end of first quarter is we placed all the orders for the remainder of the year and we have also prepaid where necessary to ensure that our orders do get processed.

Sir, as we speak today we have about 20 footers by 20 containers that have arrived. There is another shipment that is coming next month and another one in October and that will see us throughout the year. So, for our canning side we will not face any difficulties - all raw materials have been purchased. All the fish that we require to ensure that we run throughout the season, even when we are going for our closure at the end of the year, has all been accounted for. Our products in the market should not have to suffer at any point in time throughout, even when we are ready to reopen in 2023. That is just briefly touching on that.

On fishmeal - it is totally dependent on our processing. At the moment we are running a single shifts which is 80 metric tonnes a day so that allows us to be able to produce enough fishmeal to export as well as provide the local market.

HON. V.K. BHATNAGAR.- Mr. Chairman, just a supplementary question.

Thank you, CEO for your clarifications. The Chairperson also mentioned that the company will have to source fish from elsewhere if the traditional supplies are unable to provide the required, so how did you remedy this inconsistent supply of raw materials. You still continue with that traditional suppliers or did you source it from somewhere else?

MR. CHAIRMAN.- Sir, we are discussing the 2018 Annual Report, so Madam Deputy Chairperson has just asked if you can base that question on 2018 and now.

Mr. S. RAIYUM.- Between the four and half years that have passed, we definitely sourced out where necessary and even our traditional suppliers have improved in terms of the consistency of supply and the availability to supply on demand. If we are talking in terms of our canning materials, we have not made any significant changes. We have maintained the same suppliers, however they have been provided forecasts for the next six to twelve months and they are operating along those lines to be able to supply that to us.

In terms of purchasing our own fish which our late Chairman had alluded in his report earlier as well, we do purchase and we continue to purchase. In terms of suppliers, it is dependent on who is available with what particular fish at that point in time that we require the supplies for and then we negotiate and undertake the purchase accordingly. We have got a range of suppliers for fish as well across the world.

MR. CHAIRMAN.- CEO, just a follow up question. Which species of fish (tuna) are you talking about? Are you talking about all species or are you talking about albacore?

MR. S. RAIYUM.- Thank you Mr. Chairman. Albacore predominantly is what we process for our strategic customer. The other species such as yellow fin, big eye and skipjack is what we normally purchase for our own selves in terms of canning, et cetera, and we also buy a bit of albacore for PAFCO fish as well.

HON. I. KURIDRANI.- Thank you Mr. CEO, just a question in regards to your production cost. According to the report it was one of the reasons why you made a loss in 2018 that increased by 8 percent. What changes have you done to try and reduce this production cost?

MR. S. RAIYUM.- Thank you Mr. Chairman and thank you for the question. In terms of production cost, yes given that we are geographically isolated it poses a bit of a challenge. Any particular item that would be sold in Suva for \$10, we would probably be paying a few extra dollars to get it across to Ovalau.

In terms of mitigating and ensuring that these costs are maintained, we have been going through our production cost line by line to understand how each of these items are affected. One of the ways that we are able to do things better is, if we are purchasing for example a particular fish, and for a 100 metric tonnes we are getting a particular price, we are asking them to reduce it by increasing our capacity to purchase. To increase our negotiating power where necessary, we are increasing the purchases that we are doing. That is one way, so in terms of one particular metric tonne of fish, negotiations that have happened earlier this year and last year as well has allowed us to purchase slightly more volumes but get the per metric tonne fish price reduced between US\$100 to at least US\$500 in certain circumstances. Now that is also dependent on who we are dealing with.

In terms of maintaining the cost return increasing the output, the efficiencies that we have been driving or once we are able to get that going, the cost per unit automatically reduces. We are also looking at certain purchases that we are doing in a much more strategic manner. We have been having discussions over these years with all our partners and as alluded earlier we have provided them with forecast and we put these productions in.

That allows us to be able to purchase - if we place an order now, the delivery would happen in March next year. That allows us to lock the prices in and at certain times we are able to provide a certain percentage of our pre-payment and this allows that particular item to be bought at the price that is prevalent now instead of the higher price that is prevalent at the delivery times.

These are some of the ways and means which we have been mitigating and as I mentioned earlier, we have been trying and pushing for efficiencies in terms of our canning operations as you have alluded to earlier. We have been increasing the amount of cases that have been producing on an annual basis. In that regards, just this year between May and July, we had a significant increase and the efficiency increases that we saw the reduced the unit cost per can by a significant 15

percent. So there are ways and means and these are some of the ways that we have been working on, to ensure that we are able to drive the cost of production to remain low.

Sir, certain items, when making payments, we have the assurance from our accounting team ensured that they are liaising with the banks regularly to ensure that they understand the rates are working in our favour, so some of the exchange rates are also helping us in that regard.

HON. I. KURIDRANI.- Sir, just a follow-up in regards to honourable Bhatnagar's question, regarding the consistency of supply - I have noticed that 80 percent of supplies are from foreign vessels from China and Taiwan. Is there any improvement on local vessels supplying fish to the factory?

MR. S. RAIYUM.- In terms of the fish that PAFCO buys directly, there is a bit of issue, there are local suppliers that are buying directly from these vessels and then they collect and providing us those container loads. There is a slight improvement in that regards. Sir, in terms of the majority of the other suppliers that are brought in by our strategic customer, we have no direct control over which particular places they are purchasing from and that is the strategic partnership that they have struck with their suppliers. So, for the fish that we directly buy, yes, we have seen over these years a slight improvement in terms of the number of vessels that are Fiji flagged and they are providing it as I have mentioned earlier to these local suppliers who collect and provide to us.

HON. S. NAND.- Mr. Chairman, through you, what would be the optimum of creating capacity of PAFCO in a given year or a whole year?

MR. S. RAIYUM.- Apology, Mr. Chairman, are you talking in terms of loining or canning?

HON. S. NAND.- I am talking about loining and canning.

MR. S. RAIYUM.- In terms of loining, if you are looking at our capacity we have the ability to do around 29,000 to 30,000 tonnes. For canning, provided the market is able to accept, we are able to do anything above 400,000 cases.

HON. S. NAND.- Mr. Chairman, a supplementary question. If I understand the process well, it is loining and then canning because after loining whatever is left goes into canning. Is it correct?

MR. S. RAIYUM.- Yes, loining is part of cleaning and gutting the fish to ensure that we have the prior quality meat available to can.

HON. S. NAND.- So, you supply loins and also canned products?

MR. S. RAIYUM.- Yes, Sir.

HON. S. NAND.- What is the recovery efficiency of meat after cleaning in terms of making loins and then canning?

MR. S. RAIYUM.- Sir, to clarify, considering a particular fish being loined and then canned or you are saying loining? If we consider PAFCO fish, the fish that we buy directly for our canning, it differs by species - each of the skipjack and yellowfin have a lower efficiency rate. The loining conversion - the recovery is what we call it - is much lower than what we get in terms of albacore and a lot depends on the sizes as well. So for various sizes of fish you get a lower recovery of 50 percent or so for albacore for example, if you are having a 10 kilogrammes lower sized fish, as the size of the fish grows, the recovery percentage improves. Then from the meat that is left over, the loins, the canning process is handled in each of every single bit of that every gram of that loin gets canned.

MR. CHAIRMAN.- I believe, CEO, there is no wastage in that. You have said that with the waste part you make fish meal and then you extract oil from it.

MR. S. RAIYUM.- Correct, Mr. Chairman.

MR. CHAIRMAN.- I will probably ask that question later so that you can elaborate for our viewers and they should know what happens, because I understand during our last visit we saw that the loin is the one that gets exported and the others we normally consume.

HON. V.K. BHATNAGAR.- Through you, Mr. Chairman. Our visit to PAFCO was amazing and I have seen almost 90 percent of staff were females, but amazingly there was no gender information in the report itself. So I hope that the upcoming reports will have some gender information and how you are managing the female staff. Having visited initially, I was amazed by the care taken by PAFCO for the women and the children of course, because these women come from different islands and they also bring along with them their children and they were looked after. The ease of doing work, these women felt comfortable because they had their children looked after. I do not know whether the facilities are still there or not for the care and protection of the children of the women who work in your company. Currently, I would like to know the percentage of female staff in PAFCO. Another question would be, there were plans to do some housing facilities for the staff as well, so I would like you to elaborate on those two aspects.

MR. S. RAIYUM.- Mr. Chairman, the last bit that you mentioned about the housing, this was for?

HON. V.K. BHATNAGAR.- There were plans to do the new housing for the working staffs.

MR. S. RAIYUM.- For the management staff and the cadets that are brought in, the apprentices et cetera, we do provide housing for them. Just to answer in terms of the question that you have asked. First of all the percentage of labour force in terms of demographics, if you look at the gender based, we have 65 percent females who are working with us.

HON. V.K. BHATNAGAR.- Which year was that Mr. Chairman, when we went there?

MR. CHAIRMAN.- In 2019.

HON. V.K. BHATNAGAR.- I do not know what the percentage was when we went. All we could see were female staff that is why I mentioned it. May be about 90 percent, but thank you for correcting me. It is 65 percent.

MR. S. RAIYUM.- Yes, 65 percent, even from 2018 it has been floating around that. How we operate is, we have got a set of pool workers as well and part of that is, as we need and require additional tonnage to be processed when we run double shifts, we require them to work for that particular week. That is why sometimes on certain days you will see a slightly higher percentage. It also depends on the absenteeism and we need to bring in people to replace, then the percentage might improve or reduce on a daily basis, but it usually floats around the 65 percent mark.

In terms of what you have noticed when you visited the place, yes the Day Care Centre - it has actually been shifted off our premises because the Day Care Centre that we had, unfortunately got battered by *TC Winston*. Post that, we have taken over one of the areas close to Nasau Park. It used to be called a bowling club area and we are renting it out from the Levuka Town Council in conjunction with our partner Bumble Bee. They are partnering with us in that particular scheme and the staff have their kids and the children are all there and they are looked after. They learn as they play and the moms and dads have the opportunity to be with us working throughout the day.

HON. V.K. BHATNAGAR.- So is this like your assistance for the women who work for you? The female staff.

MR. S. RAIYUM.- In one of the ways

HON. V.K. BHATNAGAR.- They do not pay anything for that?

MR. S. RAIYUM.- No

HON. V.K. BHATNAGAR.- Thank you.

HON. RO F. TUISAWAU.- Thank you through you Mr. Chairman, CEO *bula*, you mentioned the expansion of markets. You know we have the Regional Trade Agreements with the Melanesian Spearhead Group and the Pacific Island Countries Trade Agreements (PICTA). Could you explain how you maybe utilise that in terms with the Ministry of Trade to move into PNG, Solomon Islands and even the Pacific Island countries? So, the utilisation of Trade Agreements, I supposed it is in your Strategic Plan.

MR. M. KHAN.- Mr. Chairman, could I respond to that on behalf of the company. All our new markets that we are looking at actually involve the Ministry of Trade to guide us through and with what we have been given, that guidance through using whatever facility or trade agreements that might exist. At the moment most of the trading for export has been done through our distributor - Punjas. Since the last six-months when we have looked at new markets or put on a new product into these markets, we have tried to do it off our own back as much as possible, then hence ask for Ministry of Trade to help us.

HON. I. KURIDRANI.- Thank you Mr. Chairman, just another question Mr. CEO. We have noticed lately the influx of foreign tuna cans in the supermarket shelves probably regarding this Free Trade Agreements Fiji has with China and other countries. Do you not see that as a threat to the PAFCO? Or what are the strategies you have to protect your products?

MR. M. KHAN.- Mr. Chairman, thank you for that question honourable Member, we certainly find that as a threat. On that particular aspect about two weeks ago, we approached the Ministry of Trade relating to that matter because every time a new product comes onto the market we actually go, buy and bring it to our factory and test it, analyse it to see what the contents are, et cetera. We have found that some of the products that have hit our market recently are not fit for human consumption and hence we have gone to the Ministry to say, “look we want to trade under a level playing field”. In other words we do not want protection. I think protection is bad for any company operating in any country - the reason why we do not need protection is because it will make us more efficient if we actually compete in an open market.

But what we need is protection in terms of if these tuna products that are coming into our country – is it produced at a similar factory as ours; do they meet similar standards. To elaborate what I am saying - we go through five different food and health hygiene standards. Three of them are actually unannounced audits where food and hygiene are out of state for example, would come and knock on the security door and say, “we are here, we want to come through and inspect your factory.” So they are unannounced. So what we have asked the Ministry of Trade to do is – can you ensure to give us protection that any product, fresh canned product that comes into this country is produced at a similar factory like ours, that they meet the similar standards? That then will give us an equal and fair playing field. Thank you.

HON. S. NAND.- Mr. Chairman, I noticed and as you have just alluded to, one of your corporate social responsibility was providing the day care facilities for your workers which is an excellent thing. I hope other organisations follow suit and look into this. What are the other things you do within your locality to ensure that community growth is sustained and while the company grows, the community also grows? What other corporate social activities have you undertaken?

MR. S. RAIYUM.- Mr. Chairman, in terms of other than what you have already shared, one of the key things that we identified a couple of years back was the erosion that was happening on the coast. It was affecting quite a lot of the villages, so what we did, all those fish bins that we had, that were additional and they were pretty old and we no longer could use it in our system, we started providing that to the villages and they used that. They brought it in, they tied it to together, they filled it up with pebbles and with sand, et cetera, and that acted as a barrier from avoiding any erosion of those areas. So that was one.

And in particular we were involved heavily with some of the schools as well. We were more than happy to jump on board and assist. Even now this particular athletics games that happened over the last weekend, we were sponsoring them, assisting them with their food, et cetera, to ensure that they were able to travel. The Ovalau rugby team - we have also been involved in the past with them, trying to assist them to grow in terms of their sports. We even sponsored certain schools when they participate in rugby competitions, et cetera. We are also sponsoring

their annual functions such as the prize-giving ceremonies with respective trophies and other things.

There is also another initiative that we are currently working on, together with Board and once it has fruited, we definitely would like to share it with the Committee. Probably when we are here next, there is a major thing that we are trying to work on with them, with the staff and the people on the island. Our involvement together with the Levuka Town Council has always been there.

My predecessor was also the Special Administrator I believe for the Levuka Town Council, so he was also heavily involved in the activities that were carried out by the Council on the island. Other than that any other request that come our way from the community whether it is a visit by one of the dignitaries - recently we have had the Indian High Commissioner and we also had the French Ambassador - we are more than happy to pitch in and assist the Levuka Town Council, the people and the particular villages that are there.

We keep getting quite a lot of ad hoc requests to try and assist the particular villages. We have also been trying to get some financial literacy things organised so that these particular villages as well as the workers that we have, are able to understand how to do budgets, how to do savings and other things and grow so that eventually when they are ready to retire, they have some savings to guide them through the remainder of their life rather than relying on just during the employment years. So these are some of the ways and means we are trying to help them.

HON. S. NAND.- Just an acknowledgement. Thank you, CEO. It is quite nice to hear all those initiatives going on around or within Levuka and people should be aware that it is not only a company which is operating there but also helping develop the people and the locality where it operates.

HON. RO F. TUISAWAU.- I also support the honourable Member regarding the importance of PAFCO to the Lomaiviti Province. It is quite a critical part of the Lomaiviti economy. Just in relation to what the honourable Member mentioned, could you explain some staffing issues you have in terms of industrial relations, OHS issues raised by staff and maybe how you have addressed that.

MR. CHAIRMAN.- Honourable Ro Filipe Tuisawau is there anywhere in the Report we can refer to?

HON. RO F. TUISAWAU.- On the staffing....

MR. S. RAIYUM.- Thank you for the question. First of all we have our own policies and procedures like any other body corporate and we try to adhere to that at all times. In terms of having any major issues - we have not had any major employment-relations issues, et cetera, over these years. Whatever that has been there obviously there are times when the staff do not agree with us so we have our grievance procedure and we always alert them to ensure that they follow the grievance procedures. OHS - we have not had any major incidents of that nature. We have got a dedicated OHS Officer, given the large scale operation that we have - to ensure that they are

present on the field everyday reporting through Human Resources as well as the Operation Manager to ensure that everything is kept intact and we do not have any issues.

We do keep getting questions, queries and other things from the staff on a daily basis - there are multiple forums. We have got our Labour Management Consultation and Cooperation (LMCC) Committee, First Aid Committee, OHS Committee as well and the Management Committee. These are the operation teams that are available and plus the HR Team together with our Human Resources Manager that are able to look after all of these and handle them.

So far I mean one of the ways, if I may indicate, since I started in December till now, in the nine months I have not had to intervene or handle a particular issue that could not be handled at the level of my management team. So, that in itself gives us an indication of how well the collaboration is between the management as well as the staff on the ground.

HON. V.K. BHATNAGAR.- Thank you once again CEO and the team for your service to the community fulfilling your social obligations. I have got two questions. Firstly, I would like you to elaborate on your overall exports as in comparison to local consumption the difference – loins are mostly exported, but the canned tuna.

MR. S. RAIYUM.- In terms of how we operate at our revenue streams if I may take next few minutes to elaborate and clear the air. Loining is a process however in terms of albacore, the loining that is done on all the tonnage. that is processed is for our strategic customer of Bumble Bee. All of those loins get exported so the entire loining income is 100 percent export.

Now, when you look at the second portion which is canning that is right now our second core business and is equally important as loining at the moment. Canning is done purely for our own requirements to grow and it is mostly for local markets. In the Pacific Island countries compared to what we sell locally on an annual basis we could be looking at 95 percent plus being sold locally. So, the export portion of the actual cans that is produced in a year would be around five percent or less that is exported and that is why we are trying to grow that particular area.

In terms of fishmeal we will be looking at doing around six to seven twenty footers in a month. Out of that at least 50 to 60 percent gets exported and the balance is sold locally. Fish oil is extracted by a third party that we have agreement with and we are getting a commission based on what they are able to extract and sell overseas. That is 100 percent export.

HON. V.K. BHATNAGAR.- Mr. Chairman just a supplementary on that. You spoke about Bumble Bee as they have been there for quite some time with PAFCO. How is your relationship with Bumble Bee at the moment?

MR. S. RAIYUM.- Well, I think it has always been very cordial and wonderful and the fact that they have the confidence in us to be able to renew it for another ten years from 2017 speaks volumes of this.

MR. CHAIRMAN.- We congratulate and thank you for your good teamwork.

HON. I. KURIDRANI.- Thank you Sir, this is my final question to Mr. CEO. Just on page 5 of the Annual Report - the emphasis of the matter without qualifying the financial statements reference made to notify of these financial statements which place the financial risk, management objectives and policies of the company - and it says here that the company does not have documented risk management policies in place to ensure compliance. I just want to know whether this has been addressed?

MR. S. RAIYUM.- Yes I am pleased to report that the company has a fully-fledged Risk Management Policy. However, even at the time when this was being audited, if you will see in our Strategic Plan, over these years there has always been a particular portion and towards the end, on risk trigger event and analysis and that has always been monitored and conducted accordingly. However, previously as has been stated in that particular year's audit report as well as in the management letter, there was no specific policy document related to that. However, that has been developed and the Board has approved and it is in place.

MR. CHAIRMAN.- Thank you CEO, this can be easily managed if both parties sit down together and go through the questions and answers, I think this can be rectified easily.

HON. RO. F. TUISAWAU.- Just a supplementary question in terms of Risk Management. Can you explain the types of insurance cover you have in terms of cyclone, tsunami. Also, can you just elaborate on that Market Risk which is explained on page 21 in terms of foreign exchange for the information of the Committee - how do you manage that?

MR. S. RAIYUM.- Thank you Mr. Chairman. First in terms of the risks that you mentioned over the cyclone et cetera, we have an insurance broker that we have appointed some years back and we are utilising them to be able to place all respective cover that is available. We are also contractually obliged to even take certain insurance such as directors and officers, public liability as well as product liability other than the cover that you have mentioned.

As we move along, I think just last week the markets are getting tighter in terms of insuring, however we continue to push our way through and we are able to place all those respective covers that we have. Post *TC Winston*, getting a full scale cover has been pretty difficult as you would be aware however, our brokers have been able to get us good deals so far.

In terms of our foreign currency, one of the key things that I alluded earlier was that we try and see - we are monitoring the exchange rates of our major bankers on a daily basis. We are seeking the forecast and we are also keeping trends and track of what is happening in the global market and which particular respective currencies are going to be at play and how they are going to move upwards or downwards. We deal with US dollars a lot as well as Australian dollars and New Zealand dollars, but we are slightly to a lower extent.

In terms of trying to manage that we get paid and we remit using the USD account that allows to cover for a lot of those exchange losses plus where we see necessary, as I alluded earlier, we try and pre-purchase where necessary, even though the delivery might be later and that allows us to make certain savings in terms not only the price it allows us to have a better purchasing power, negotiating opportunity as well as holding a few rates with the banks.

Recently, the Accountant, I and the previous FC that we had, we had gone and visit some of these banks here as well, trying to understand and develop a better understanding of the markets. So some of them are also assisting us by keep tracking and alerting us in terms of when this particular movements will be in our favour or going unfavourable, things like they are able to monitor daily and tell us “Okay, you have got a particular payment and you have a major payment coming up, it seems that paying this rate is not feasible might be better to pay two weeks later”. So we try and negotiate around those things - some simple steps that we are taking in trying to stay ahead of the game.

MR. CHAIRMAN.- Thank you, honourable Ro Filipe Tuisawau for your question and CEO for your answer. Honourable Bhatnagar, Madam, you have got two questions. After your first question, I will give the floor to honourable Nand then we will come back to you.

HON. V.K. BHATNAGAR.- This is a final question. Thank you, I just like to thank the team for your hard work and your commitment to PAFCO and of course the community in Levuka, Ovalau. This is much appreciated and acknowledged. I just wanted to know if you are facing any challenges, apart from the few challenges like markets and all that but are there any major challenges if you would like to highlight?

MR. CHAIRMAN.- Thank you, honourable Bhatnagar for your question. We will have CEO to respond to that.

MR. S. RAIYUM.- In terms of these challenges, one of the key challenges that I have mentioned earlier is the consistency of the supply of tuna. Right now it is just good but once it starts boiling down and it goes a bit lower then we will obviously start facing operational challenges. However, in order to mitigate that, like I have mentioned earlier, while the supply is good, we will try and secure as much as possible so that even though days, times and months when we have difficulty in terms of supply we have our own stocks available in trying to mitigate those tonnes.

Secondly, in terms of challenges, we are trying really hard to grow our market share locally obviously and that is one of the key challenges. Like it was questioned earlier, we are trying our best to ensure that top grade, best quality canned meats, canned tuna and fish are brought into the country so that there is a level playing field. Some of these products that are sold in Fijian dollar pose the question on the quality and what processes they might have gone through and what particular quality of meat has been placed in those cans. Yes, that itself is a challenge for us to ensure that we are able to raise awareness in the public as well as the consumers to understand that what they get from a PAFCO canned tuna is way, way more premium quality then what is put in those \$1 cans that are imported.

In terms of challenges, Sir, the next one is of course trying to grow our export market that we are working very hard with our distributor at this stage to ensure that we are able to penetrate the respective markets and grow to the next level that we desire and gain more of the market share that we have locally.

The other challenge that we do not have immediately but we foresee the future would be the availability of workers on the island itself: that is one of the challenges that we have already started addressing, together with the Levuka Town Council. It is trying to ensure that the people remain on the island.

I believe as the first start if I may share there are lesser secondary schools in comparison to the primary schools; so the first stage in which people leave the island itself is to look for secondary schools and once they are out of the island getting them back is a bit of a challenge. So there are things and programmes that we are trying to get previously.

Last year it was not held but then prior to that, we have had the “Back to Levuka (Ovalau) Carnival or Festival” and there was a page associated with the festivals. For the last two years it was not held but prior to that we have had the “Back to Ovalau” and “Back to Levuka” festivals and there were pageant associated with that, so we are trying together with the Levuka Town Council and the Ovalau Events Committee, to get these things going to ensure that people do come back and understand that there is also an opportunity for them to build a career and a life within Ovalau and the Lomaiviti Provinces.

MR. CHAIRMAN.- In that regard that is why I see that the number of shipping services to and from Levuka has increased and almost every day a ship is going to and fro. Would you want to comment on that too?

MR. M. KHAN.- Mr. Chairman, could I just comment further and add to what the CEO has said. One of the major challenges as a Board we find, is that to replace that, particularly middle management or senior management that have left, that are based in Levuka - it is very difficult to attract someone who is qualified and married to come and work for us and be based in Levuka, because Suva, Viti Levu or one of the major towns is a better attraction to them. Even though we might be paying competitive salary, et cetera, still we are unable to attract qualified people that we need. I think in future we will find it harder and harder as we go along so that is a challenge that will actually take place.

MR. CHAIRMAN.- Do you have a remedy, Chairman?

MR. M. KHAN.- Do we have a remedy?

MR. CHAIRMAN.- Any suggestion?

MR. M. KHAN.- There is something like the CEO mentioned earlier, that we are trying to do – I do not wish to actually elaborate on at the moment, but hopefully that might be a pickup in terms of some loyal people coming back and serving, and recognise PAFCO as a benefactor in the long term.

MR. CHAIRMAN.- Great Chair, I really appreciate the work and you have just mentioned that people are coming back to assist PAFCO. So the tuna itself has a very high level of Omega cream which reduces Omega 6 and the low-density lipoprotein (LDL) cholesterol which takes a deposit to the arteries. Definitely more awareness into this health organisation and I would say

people would love to come back and support more of your product. Your product is doing very well at this point in time, but in terms of our lifestyle, it has changed. Before if I want to go to a shop I definitely would have walked but for myself, I will drive a car, so my lifestyle has changed. The consumption itself, the intake for myself, I have to find out what can improve my lifestyle so the consumption of tuna which you are producing is high in Omega 3 and probably more advertisement on that will definitely work out well for you. This is a suggestion. I can see honourable Nand has a final question.

HON. S. NAND.- Mr. Chairman, through you, we have not given the lady an opportunity to speak so I think I should give her a final say. I am just referring to page no.13 of the 2018 Annual Report, - 2018 Performance Framework. Firstly, I must congratulate you on your target as you are pretty close to what you have achieved - \$35 million, \$200,000 which is very close. If you go to line 4 EBIT, having the target and achieved statistics very similar, I fail to understand how the Target is a 5.4 percent positive and your Achieved is 6.7 percent negative, whilst all your top three figures are almost the same. Could you just explain that please?

MS. R. DEVI.- Thank you for the question. Mr. Chairman, Sir, if I am getting the question right - why have we achieved a negative EBIT margin? That is because of the write-off of the cold storage.

HON. S. NAND.- No, I totally understand that but what I am referring to...

MR. CHAIRMAN.- Honourable Member, I am here too, include me in the conversation.

HON. S. NAND.- Thank you Mr. Chairman, Sir. What I am referring to is the first, second and third rows are almost the same constant from the achieved and based on the target you had a 5.4 percent positive growth but what you achieved is a 6.78 percent negative. I believe that figure should have come down somewhere at the bottom where you had included the write-off.

MR. CHAIRMAN.- If you look at the top three rows there is not much difference, the figures remain almost close to each other but number four there is opposite. Would you want to comment on that? EBIT versus total revenue.

MS. R. DEVI.- Mr. Chairman, Sir, if you look into the fifth row, we have our target expenses at 93 percent but we have actually achieved an expense of 107 percent which has led to the achieved EBIT margin of -6.78 percent.

HON. RO F. TUISAWAU.- On page 31 there is a seawall mentioned there, it is work in progress. Could you explain the status of that and the second part is the challenges. The report mentions water supply and also port costs - how do you manage those challenges in terms of your cost?

MR. S. RAIYUM.- The seawall has been constructed and the purpose of that was obviously for protection to avoid erosion on our foreshore. In terms of the challenges that you have mentioned, the water supply has certainly improved and Water Authority has been able to provide us with a bit more consistent supply and that becomes easier. There is a challenge when there is

heavy rain (sometimes there is a little bit of challenge) but that can be rectified very quickly and our flats get affected but not the actual port. So, we have got consistency and we also use quite a lot of the water from the sea for some of our processors and that also assists. The other bit is in terms of the port - we have our own roll-on, roll-off port that has been utilised

Unfortunately post-*TC Winston* the port that has been there from FPCL was damaged and it is no longer able to carry anything above three tonnes therefore all our fish supplies, all our actual movement of containers everything happens right at the home port. That is helping us avoid any requirement of other areas so those costs are maintained.

MR. CHAIRMAN.- That is all from our team. I will give probably a minute each for you to sum up and if you have any message for the general viewers or the public because this is streamed live through the Parliament website and *Facebook* page too so the three of you have a minute each to probably ask the public or if you want to give information, the floor is yours, CEO. We give it to the Chair first.

MR. M. KHAN.- Thank you, Mr. Chairman. Just to carry on about the port which has been in the news quite a bit about the usage of the PAFCO port particularly. Unfortunately, we cannot open our port for public use. The reason is that we have to meet the health standard requirements and one of the requirements, particularly the American and the EU requirement is that we must restrict outside influences or outside the use of any of our facilities hence it is restricted.

But my general comment after being the Chairman for about a year now is to say that I am proud that Fiji has got a standard of production of fish canning which can match anyone in the world. I was very surprised when I first visited the PAFCO plant about three years ago when I became a Director as to the standard of the plant that we have existing in Levuka - of all the places. And the product that we actually produce is really first-class and you can pitch that against any product in the world of similar nature and I bet we will come up trumps. Overall, the way things are going and the way the company has turned its operations around, since particularly the last two years, I think we will be looking at healthy progress and advancement of the company for time to come. Thank you.

MR. CHAIRMAN.- Thank you, Chair. CEO, any special message or anything you want to tell our viewers.

MR. S. RAIYUM.- Yes, of course. There is a lot of advertising that has been done over the last two weeks. For everyone that is watching us – there is a cash-grab promotion that is on for Sun Bell Red and we are encouraging everybody around the country to participate in it for your opportunity to win and support us being the largest producer of these particular cans in the country.

If anyone of you have noticed in any of our advertisements, we very proudly say and we again say it here today proudly that it is Made by Fijians for Fijians and we stick by that. We will ensure that we produce and provide you with the best premium quality products that is available in the market and we are happy to put in the hard yards to ensure that the Lomaiviti Province is always looked after, like we have been over these years. So yes, my final bit to everybody that is

viewing us, it is ‘Please support the local products and look for our Sun Bell Red promotion and please participate so you have a chance to win’. Thank you.

MR. CHAIRMAN.- Thank you, CEO. Can I request Riteshni Radhika Devi, Madam, a young accountant what message you want to give to the youths.

MS. R.R. DEVI.- Just a request to the public that PAFCO is trying its best together with the Board, management and the staff, to be sustainable given the location that we are based in. So it will be great if the public can help us and support us through buying our products so that we can support the livelihood in the Lomaiviti Province.

MR. CHAIRMAN.- That is a great message to the youths. In fact as I had mentioned earlier, our lifestyle is contributing probably to the health problems in Fiji and everywhere so probably tuna Omega 3 is good. I have always mentioned and discussed with my friends that our lifestyle is important; what you consume is very important.

Ladies and gentlemen, that brings us to the end of this session. At this juncture I wish to sincerely thank you all for availing yourself for this meeting. We thank you for your time and hope that you will avail yourself for any further queries that the Committee may have on this matter.

Our secretariat, Ms. Komal Kushboo and Ms. Lia will probably communicate with you through email, should there be any questions while compiling our report but from the Standing Committee on Economic Affairs, I thank you Chairman and the team for coming to this meeting. In fact my team looks forward to visit PAFCO one day, should we get the time to visit Levuka again.

With those words a big *vinaka vakalevu* and thank you so much.

The Committee adjourned at 11.51 a.m.