2019 ANNUAL REPORT

FIJI SUGAR CORPORATION


ISUZU

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CORPORATE PROFILE

Our Organisation

The Fiji Sugar Corporation Limited was incorporated in Fiji by an Act of Parliament in 1972 to take over the milling activities with effect from 1st April 1973. It is successor to SPSM Limited and CSR Limited. In 2006, the Fiji Sugar Corporation Act was repealed allowing the Corpoartion to be governed solely under the Companies Act.

Our Shareholders

The Government of Fiji is a major shareholder which owns 68% of shares while statutory bodies, local companies and individuals own the rest of the shares.

Our Business

The Corporation owns and operates three sugar mills located at Lautoka, Ba and Labasa. The mills are strategically located on the drier side of the two main islands where conditions are more suited to growing cane.

The Corporation is responsible for the manufacture and sale of raw sugar together with molasses as a by-product. The Corporation owns and maintains a railway network which transports sugarcane to the mills. The Corporation is one of the largest sector employers with a workforce of around 2000 individuals during the peak crushing season.

The Sugar Industry is important to Fiji's economy as it contributes about 1.2% of GDP, generated about 4.3% of total exports in 2018 based on the provisional data from the Reserve Bank of Fiji. Unlike many other export oriented businesses, most production inputs are domestic and have a high regional impact and cross-sectoral linkages.

CORPORATE HIGHLIGHTS

Financial Results

- Corporation's share of proceeds was $38.8 million compared to $54.2 million in the previous year.
- Consolidated trading loss was $23.1 million, compared to a profit of $0.8 million in the previous year.
- Loss from operations was $62.7 million, compared to $10.3 million in the previous year.
- Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) was negative $49.1 million compared to positive $0.5 million in the previous year.
- Operating loss for the year was $80.1 million, compared to a loss of $24.6 million in the previous year.
- A total of $26.7 million was invested in Property Plant and Equipment, compared to $13.3 million in the previous year.

Operations

- A total of 1.70 million tonnes of sugarcane was crushed from an area of 37,105 hectares compared to 1.63 million tonnes from 38,040 hectares in the previous year.
- Sugar production was 160,204 tonnes compared to 180,388 tonnes in the previous year.
- Tonnes Cane to Tonnes Sugar (TCTS) ratio was 10.6 compared to 9.0 in the previous year.
- Cane Quality (POCS) was 10.6 compared to 11.5 in the previous season.
- The total sugar exported was 111,844 tonnes compared to 144,398 tonnes in the previous year.

FINANCIAL SUMMARY

	2019	2018
Sales and Profit ($'000)		
Total sales	132,776	182,113
Trading profit/(loss)	(23,116)	844
Unrealised exchange gain/(loss)	(3,492)	(1,679)
Allowance for impairment loss on CWIP	-	(5,009)
Loss due to flooding	(1,031)	(1,030)
Operating Profit/(loss) for the year	(80,070)	(24,626)
Cash Flow ($'000)		
Operating activities	(56,215)	(6,153)
Investing activities	4,707	(14,231)
Financing activities	49,534	(2,186)
Net increase/(decrease) in cash	(1,974)	(22,570)
Financial Position ($'000)		
Working capital	(165,426)	(76,803)
Current assets	44,361	46,449
Total assets	203,943	204,084
Non-current liabilities	315,999	322,605
Current liabilities	209,787	123,252
Shareholders' equity	(321,843)	(241,773)
Additional Information		
Ratio of current assets to current liabilities	0.2	0.4
Ratio of debt to shareholders' equity	(1.63)	(1.84)

CORPORATE GOVERNANCE

FSC views corporate governance in widest sense, almost like a trusteeship; it is a philosophy to be professed, a value to be imbibed and an ideology to be ingrained in our corporate culture.

Corporate governance goes much beyond mere compliance; it is not a simple matter of creating checks and balances. It is in fact a continuous process of realizing the Corporation's objectives with a view to make of every opportunity. It involves leveraging its resources and aligning its activities to consumer need, shareholder benefit and employee growth. Thereby the Corporation succeeds in delighting its stakeholders whilst minimizing risks.

The primary objective is to create and adhere to a corporate culture of conscientiousness and consciousness, transparency and openness. The Corporation aims to develop capabilities and identify opportunities that serve goals of value creation, thereby creating an outstanding organization.

BOARD RESPONSIBILITIES

The Board remains committed to upholding the highest standards of integrity and transparency in its governance of the Corporation. The importance and the value of a balanced interplay between management, board and shareholders within the company remain a major principle governing the conduct of the Corporation.

The Corporation aims to be at the forefront of internationally recognized best governance practice. The Corporation complies in all material respects with the generally accepted governance principles. Corporate governance, as a dynamic interplay of forces, has its own sets of challenges and continues to evolve, especially in a small country like Fiji.

Central to the Corporation's sound governance practices is the management of relationships and interests of its stakeholders. The Corporation embraces these challenges through its strategy, people, teamwork, leadership, experience and skills, relationships and proper identification and control of business risk. In doing so, the Board is required to determine sound management information and reporting system to the shareholders.

The Board supports a strong disclosure regime acknowledging transparency as a key element of an effective corporate governance system. This includes timely and accurate information to be disclosed on matters such as the Corporation's financial and operating results, its objectives, major share ownership and voting rights, remuneration for directors and material foreseeable risk factors.

In addition to disclosure on commercial objectives, the Board encourages disclosure of policies relating to the environment and the communities in which the Corporation operates. The Board meets regularly and receives full information in advance to help it discharge its duties. A Director's Package comprising pertinent background information and critical information on major risks, global industry trends and future direction of the Corporation is made available to all new directors.

Th e Board also supports the policies, principles and standards set out in the Companies Act, the accountancy profession and relevant statutory reporting requirements. While these do not determine the detailed course of conduct by directors, they support the need for the highest standards of behavior and accountability.

COMPOSITION OF THE BOARD

The Board aims to bring people of the right caliber with a wide and diverse range of business experience and expertise. There are eight directors on the Board, appointed by the shareholders. Board representation also includes key stakeholders.

CORPORATE GOVERNANCE (CONT'D)

ROLE OF SHAREHOLDERS

The Board ensures that shareholders are fully informed of all major developments affecting the Corporation's business. Information is communicated to shareholders in the Annual Report, special reports and forum. The Board encourages full participation of shareholders to ensure a high level of accountability in determination of the Corporation's direction, strategies and goals.

MANAGEMENT RESPONSIBILITY

The information presented in this report is prepared by the Corporation's Management which maintains systems of internal accounting controls, policies and procedures to provide reasonable assurance as to the reliability of the financial records and the safeguarding of its assets. Management regularly seeks independent assessment and reviews of its internal accounting controls, policies and procedures.

BOARD COMMITTEES

The Board appoints board subcommittees to undertake specific functions as required under internationally accepted governance practices and on the needs of the Corporation. Each Board Committee operates under a Charter.

The Finance & Audit Committee, which is a significant committee of the Board reviews the financial reporting process, the system of internal control and management of financial risks, the audit process and the company's process for monitoring compliance with the laws and regulations. The members of the Finance & Audit Committee are Mr. Pradeep Lal (Chairman), Mr. Viliame Gucake and Mr. Tevita Kuruvakadua.

The Remuneration & Nomination Committee is tasked with assisting the Board discharge its responsibilities by providing an oversight of the Human Resource strategy of the Company including organization structure, remuneration policies, performance management, succession planning and development and monitoring all matters relating to terms and conditions of employment of staff and staff remuneration. Its members are Mr. Ariff Ali (Chairman), Mr. Vishnu Mohan and Mr. Hari Raniga.

The Governance & Risk Committee has been set up to assist the Board discharge its responsibilities through oversight of the enterprise risk management, control and compliance framework established by the Board and management, formulation and review of the company's policies and insurance, formulation and review of the governance policies, framework and compliance of the Company, development and monitoring of codes of conduct and any reported breaches of the code of conduct. Its members are Mr. Hari Raniga (Chairman), Mr. Viliame Gucake and Mr. Vishnu Mohan.

BOARD OF DIRECTORS

VISHNU MOHAN
Chairman
Appointed as Chairman of the Board in July 2016. Mr Mohan is a career Banker and the former Australia and New Zealand (ANZ) Banking Group Chief Executive Officer (CEO) for the Pacific and Fiji. He is also the Chairman of Fiji's Public Service Commission.

VILIAME GUCAKE
Appointed to the Board on 26 November 2008. Mr Gucake was previously the Director Sugar at the Ministry of Sugar Industry, until 30 June 2017. Now retired.

RATU WILIAME KATONIVERE
Appointed to the Board on 27 May 2015. Ratu Wiliame is a former Civil Servant. He is now a businessman and a Director of Fiji Pine Limited and Airports Fiji Limited.

TEVITA KURUVAKADUA
Appointed to the Board on 27 May 2015. A career Accountant, Mr Kuruvakadua is the General Manager for the iTaukei Land Trust Board.

HARI RANIGA
Appointed to the Board in January 2017. Mr Raniga is the Director of famous sweets company out of Ba, Maganlal Jiwa and Sons.

ARVIND SINGH
Appointed to the Board on 27 May 2015. Mr Singh is a businessman and sugar cane farmer.

PRADEEP LAL
Appointed to the Board in November 2016. Mr Lal is the Regional Chief Executive Officer for Vodafone and a Chartered Accountant by profession.

ARIFF ALI
Appointed to the Board in January 2017. An Economist by profession, Mr Ali is the Governor of the Reserve Bank of Fiji.

EXECUTIVE MANAGEMENT TEAM

GRAHAM CLARK
Chief Executive Officer

MANOJ RAM
Chief Financial Officer/ Company Secretary

KAMELI BATIWETI
General Manager Corporate services

SACHIN DEO
Head Of Business Intergration

CHAIRMAN'S REPORT

> "I have said before that our age-old mills are always a cause for concern and considerable time and efforts are spent not only in keeping them in good working conditions but also in making sure that the sugar extraction is maintained to the maximum."

In the financial year ended 31st May 2019, Fiji Sugar Corporation (FSC) faced some unexpected challenges. Firstly, it was the oversupply in the global sugar market caused mainly by India's record output followed by heavy stockpiling thus suppressing the price of sugar in the global markets. I am sure most of you are aware of the recent World Trade Organization (WTO) appointment of an independent panel to look into the Government's pricing policies, which the other major sugar producing countries such as Brazil, Australia and Guatemala allege are in violation of global trade rules. Additionally, they are also alleging that India provides trade-distorting production subsidies to the sugar industry which not only is impacting global supply but notably also the global prices. WTO involvement now to address the issue therefore is a welcome development. Fiji can only benefit from this exercise if the WTO rules against what is considered India's unreasonable Government minimum guaranteed prices and subsidy programs.

Secondly our own natural disasters and varying weather conditions. Our sugar cane crop was negatively impacted by the damage brought about by the two successive tropical cyclones Josie and Keni in April 2018 which significantly impacted the sugar cane quality, thus resulting in lower sugar output for the year. This situation was further exasperated by reduced mill efficiency especially the old boiler at the Rarawai Mill. If you recall the Rarawai mill was totally submerged in water when the Ba river burst its banks following the cyclones and the related floods. I have said before that our age-old mills are always a cause for concern and considerable time and efforts are spent not only in keeping them in good working conditions but also in making sure that the sugar extraction is maintained to the maximum.

The Board in November 2018 approved a capital budget of FJD 30 million for major equipment upgrades and refurbishment at all three mills. In the ensuing period Rarawai Mill completed a project whereby the boiler was refurbished at a cost of FJD9.3 million. The Mill's 5 Mega Watt Generator was also repaired, thereby opening the opportunity for Rarawai to export power to the grid. The boiler refurbishment work was carried by the Indian engineering firm Avant Guarde who were awarded the contract following an open tender process that elicited a lot of interests.

Lautoka mill received an upgrade in controls and instrumentation to improve efficiency. Lautoka' s 12 Mega Watt Generator was also refurbished enabling the Mill to start exporting power to the grid in 2019. The total cost of these upgrades was FJD6.25 million. Similar upgrades were carried out at the Labasa Mill where the mill's shredder was re-installed. The total capital spend in Labasa was FJD7.96 million.

Mechanization and consolidation of the transport fleet is a part FSC's ongoing management agenda. At the time of writing, the industry had 71 mechanical

CHAIRMAN'S REPORT (CONT'D)

harvesters operating across the country. FSC also took delivery of the first set of 11 Isuzu six-wheeler trucks in June 2019. The FSC haulage fleet will comprise 117 6-wheeler trucks. The total investment in these trucks is FJD 15.55 million of which FJD 5.9 million will be borne by the Government. We are expecting theses trucks to be actively deployed during the 2019 harvesting season and to be used in distributing fertilizers and weedicides during the off season. I am pleased to say that all the trucks are compliant with the new Land Transport Authority Weight and Loading Guidelines.

While we are obviously disappointed with the output for the financial year under review we are however very encouraged by FSC's -performance thus far this year and are quietly confident that the negative impact of the past year will have been significantly reversed when the current financial year's performance is announced. Cane production close to 2.0 million tonnes and a sugar output in excess of 200 tonnes are envisaged for the current year.

Meanwhile I do want to emphasize that the Board is actively addressing the impact of past legacy issues especially the Indian EXIM Bank loan and how the loan proceeds were grossly mis managed. The value destruction to the business has been significant while servicing of the loan remains a drain on FSC's cash flow. The current Board and Management which have inherited this legacy issue are actively working on a balance sheet restructuring programme including debt/equity conversion and capital optimization, details of which will be revealed at the appropriate time. The Government of Fiji as the major shareholder of FSC is actively involved in these discussions.

On behalf of the Board, I take this opportunity to thank our stakeholders for their patience and support while also appreciating the immense dedication and commitment of our staff. It is no secret that the challenges at FSC are multi fold, but the Board and Management are increasingly determined to steer FSC on a viable footing for the future, noting the importance of the sugar industry for Fiji's continuing economic prosperity.

In concluding, I want to thank the Hon. Prime Minister and the Government of Fiji for their confidence in the Board of FSC and their ongoing financial and moral support to the Sugar Industry.

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Vishnu Mohan
Chairman

CHIEF EXECUTIVE OFFICER'S REPORT

"I firmly believe in obtaining results, and will do my utmost to combine resolute leadership with sound Corporate Governance to meet the quantitative targets agreed with our stakeholders and our Board of directors".

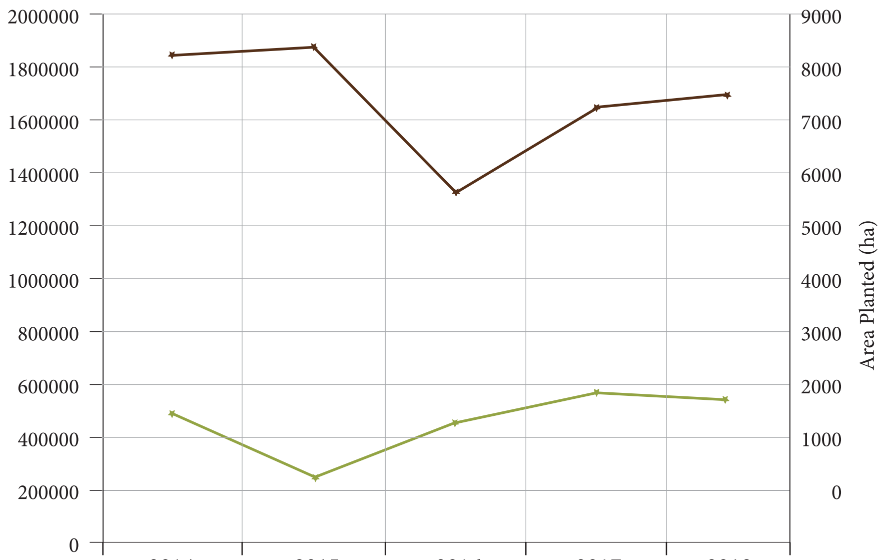
CANE PRODUCTION

In the year ended May 31, 2019, FSC was affected negatively by the damage caused by Tropical Cyclones Josie and Keni. This led to consequences for our cane development resulting in a crop harvest of 1,697,370 tonnes against a pre-crush estimate of 1,863,700 tonnes. Another attributing factor towards the decline in harvest was the substantial drop in total area harvested which stood at 37105 ha, a decrease of 1875 ha from 2017 actual area harvested.

However, despite the uncontrollable setback, the Agricultural Service Division accomplished a planting target of 5078 ha, during the year.

"However, despite the uncontrollable setback, the Agricultural Service Division accomplished a planting target of 5078 ha, during the year."

The bulk of the cane planting activities took place in the period September to December, recording 65% of 2018 actual planting.



	2014	2015	2016	2017	2018
Production	1,832,181	1,844,559	1,387,248	1,631,392	1,697,369
Planting	4,529	2,379	4,180	5,802	5,078

Figure 1.0 Graph of 5 years actual planting against annual production

The Corporation recorded a 9% improvement in crop yield in 2018, which amounted to 46 tonnes cane per hectare. The increase was as a result of concerted efforts by growers' in improving their fertilizer ratios, specifically the NPK ratio of 25%, 21% and 23% respectively. Growers continued to take good advantage of the Government subsidy on fertilizers.

CHIEF EXECUTIVE OFFICER'S REPORT (CONT'D)

A total of 24,830 tonnes of Blended Fertilizer was delivered by South Pacific Fertilizers. An improvement in the weedicide application was clearly evident for the three major types, being Diuron, Glyphosate and Amine where improvements were 82%, 134% and 78% respectively as compared to 2017.

Through consolidated efforts to enhance crop yield in Plant and Ratoon cane, the government funded Cane Planting Grant was deployed in all cane areas to assist cane farmers re plant fi elds and improve cane yields.

HARVESTING AND TRANSPORTATION

The Fiji Sugar Industry has been able to address critical questions about productive, profitable and sustainable sugarcane growing and milling. A notable example was the introduction of Mechanical Harvesters in our bid to improve harvesting efficiencies through a collaborative approach, and looking at innovations in technology

MECHANICAL HARVESTING

Harvesting Progress by Mechanical Harvesters
Mechanical Harvesters greatly aided the growers and the Corporation by improving harvesting efficiencies and this was through the introduction of 7 new Mechanical Harvesters in the year under review.

Summary of the Mechanically Harvested Cane for 2018 Season

Mill Region	Harvesters Available	Green Tonnes Harvested	Burnt Cane Harvested (t)	Total Cane Harvested (t)	Average Harvest/ Harvester	% Burnt Cane Harvested
Lautoka	16	64,674	86,260	150,934	9,433	57.2
Rarawai	15	16,394	87,286	103,359	6,890	84.5
Labasa	25	134,594	80,957	215,551	8,622	37.6
Penang	3	8,317	17,720	26,036	8678	68.1
All Mill Area	**59**	**223,979**	**272,223**	**496,202**	**8,410**	**54.9**

Mechanically Harvested Cane contributed to around 29.23% of total cane harvested during the season. Lautoka/ Rarawai Mill crushed a total of 1,076,966 tonnes of which 280,329 tonnes was harvested by Mechanical Harvesters, constituting 26.02% of total cane harvested. Labasa Mill crushed 620,330 tonnes of cane with 215,551 tonnes being supplied by mechanical harvesters, representing 34.7 % of cane crushed.

Mechanical Harvester Trend (2015-2018)

Year	No. of Harvesters	Tonnes Harvested	% of Total Cane Harvested
2015	14	94,474	5.12
2016	20	123,519	8.9
2017	44	307,013	18.9
2018	59	496,202	29.2

In 2019 the total number of mechanical harvesters increased further to 71 machines capable of harvesting nearly 40% of the expected cane crop.

Harvesting Summary

Mill Region	Total Cane Crushed	Total Rail Tonnes Crushed			Total Lorry Tonnes Crushed			Cane Crushed Green Cane		Cane Crushed Burnt Cane	
	Tonnes	Tonnes	%	Av. Trx Weight	Tonnes	%	Av. Lorry Weight	Tonnes	%	Tonnes	%
Lautoka	610,513	66,665	10.92	2.55	544,055	89.08	11.86	240,940	33.56	405,780	66.44
Rarawai	466,233	57,104	12.25	2.27	409,129	87.75	10.95	128,371	27.53	338,059	72.47
Labasa	620,314	106,441	17.16	2.39	513,889	82.84	10.39	417,709	67.34	202,261	32.66
Penang							12.55				
All Mill	**1,697,120**	**230,210**	**13.56**	**2.29**	**1,466,910**	**86.44**	**11.19**	**751,020**	**44.25**	**946,100**	**55.75**

FACTORY OPERATIONS

The start of the season was impacted by the damage caused by Tropical Cyclone Josie in early April and whilst the Industry was still recovering from the aftermath the damage was further compounded by TC Keni on the 10th of April. There was severe flooding at both the Rarawai and Labasa Mills, affecting maintenance of plant and equipment. Rarawai Mill was the most unfortunate with flood waters entering the factory on both occasions. Close to 5-6 weeks was spent on cleaning and repeating maintenance work at Rarawai.

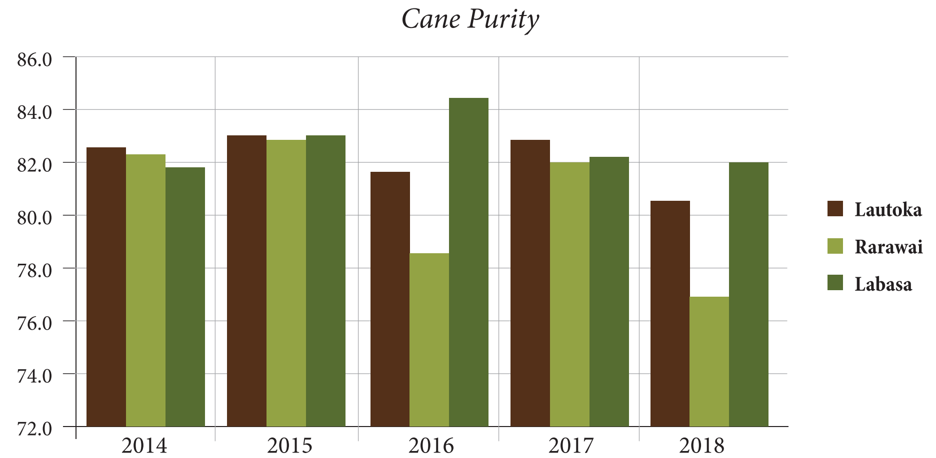
2018 Key Operating Data for the Mills

	Lautoka	Rarawai	Labasa	Total
Tonnes Cane Crushed	610,573	466,233	620,314	1,697,120
Tonnes Sugar Made	57,857	38,017	64,332	160,206
Tonnes Molasses	32,449	25,010	27,740	85,199
Molasses% Cane	5.31	5.36	4.47	5.02
TCTS	10.55	12.26	9.64	10.59
Inside Stops(hrs/wk)	28.3	46.9	18.3	93.5
Outside Stops(hrs/wk)	14.0	9.2	32.3	55.5
Cleaning & Maintenance(hrs/wk)	16.2	17.1	4.6	37.9
Actual Crushing Time(hrs per wk)	109.5	94.8	112.8	317.1
Crushing Rate(tcph)	234.5	215.0	218.6	668.1
Season Length(calendar weeks)	23.8	22.9	25.2	-

The 2018 crushing season commenced in June with Labasa Mill starting operations on 19th June, Lautoka on 3rd July and Rarawai on 17th July. The 2018 crushing season concluded in December, with Labasa Mill closing down on 17th December, Lautoka Mill on 12th December and Rarawai finishing on 24th December.

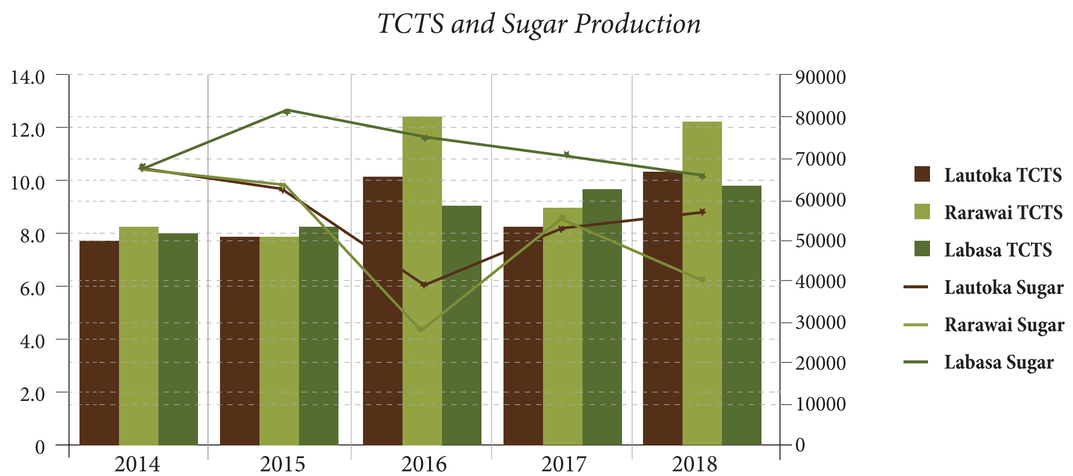
The floods on the flat lands of the Western Division that followed the natural disasters stalled sugar cane growth and maturity trends – this directly impacted cane quality received at the factories. Poor husbandry coupled with the influx of weeds and debris brought by the Tropical Cyclones gave rise to indiscriminate burning of cane. High volumes of burnt cane led to a decline in quality of sugar cane being processed, thus negatively influencing our sugar recovery efforts for the year.

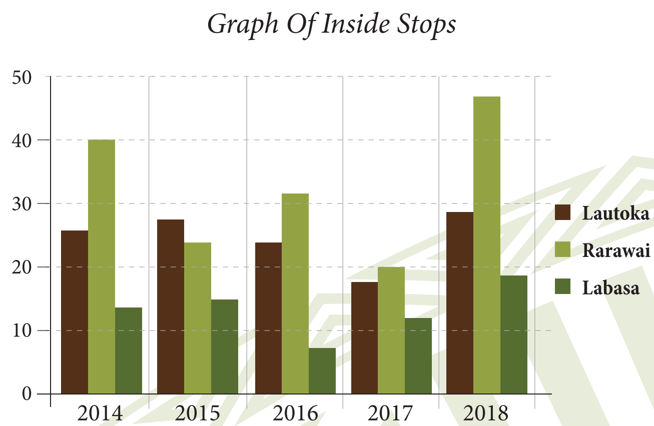
CHIEF EXECUTIVE OFFICER'S REPORT (CONT'D)

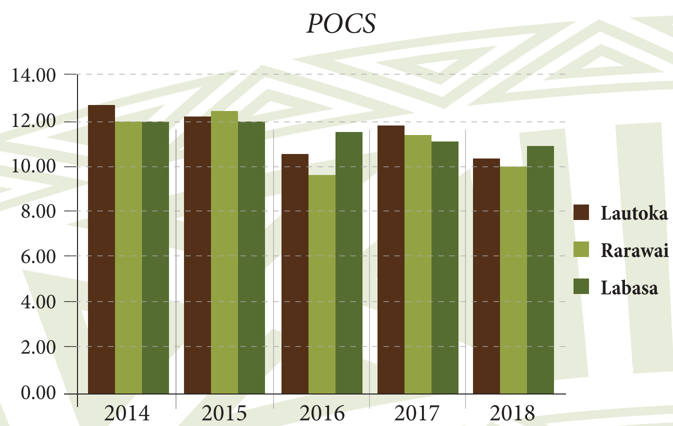


2018 Key Operating Data for the Mills – Sugar Cane Quality

	Lautoka	Rarawai	Labasa
POCS	10.59	10.10	11.05
Cane Purity	80.6	77.3	82.0
Fibre in Cane	11.82	12.54	12.49
Burnt Cane Received (%)	63.7	76.7	32.9







Technical Capacity Building

In our efforts to bridge competency gaps in the Mills and reinforce capacity building, several strategies were employed to ensure the development of the right skillsets for the future;

a) Engineers in Training (EIT's)

Considering the exodus of engineers leaving for greener pastures, there was a seemingly huge competency gap created in the engineering ranks. And with current changes in the engineering/technological arena, it became prudent to attract Engineering Graduates with aptitude on analytical and technical skills. As such, we on-boarded 4 EIT's in the latter part of 2018 who will undergo a rigorous training program which would involve structured on-the-job training and a well outlined mentoring program. Two EIT's were deployed to Labasa and two were engaged in Lautoka.

b) Apprenticeship

After a lapse of years, the Apprenticeship Scheme was revived to mitigate the loss of Trade skills. A total of 35 apprentices were drafted across the 3 Mills in 7 trade disciplines.

c) Trainee Tradesman

The Trainee Tradesman Scheme was instituted to allow the Corporation to recruit and fast track individuals to full tradesman status. This scheme involved recruiting individuals with Trade Qualification and at least 1-3 years' industry experience. Upon completing their traineeship with FSC which could range from 6 months to a year depending on their performance, they were absorbed as tradesman with the Corporation.

Performance Management

To make our employees more accountable for their actions and manage their own performance, a new Performance Management Framework, was rolled out for the Field Division in the three mill areas. The framework was to:

- Provide clarity on expectations.
- Enable better quality conversations with the team and People Leader.
- Enable growth and development.
- Help the individual to be the best they can be.

Performance Plans have been finalized, together with Individual Development Plans.

Induction

A companywide Induction programme was rolled out to embed the strategic vision of FSC in our employees, which included all existing staff working in the Maintenance Season.

The learning outcomes of the workshop were;

- Understand the vision and strategy and how each individual contributes to this through their role.
- Put the values into action – everyday.
- Abide by the FSC Code of Conduct.
- Appreciate the HR and OHS Policies and Procedures.

Training & Development

Based on a Training Needs Analysis, several training solutions were developed and rolled out targeting improvements in the knowledge/skills of our employees. Th ere was a particular emphasis on Management Development & Field Training.

ITEC Funded VSI Workshops

Twenty of our employees attended two workshops at Vasantdada Sugar Institute, Pune, India from January 15th. The two programmes were;

- Certificate in Sugar Cane Development
- Certificate in Sugar Boiling

HEALTH & SAFETY

Health & Safety Focus areas were			
Safety Culture	Risk Management	Health & Wellbeing	Safety Compliance

The FSC Safety team focused on addressing the most important priorities, which were:

Safety Culture

- There was an increase in Safety Training, such as Behavioral Safety, Risk Assessments & OHS Inductions.
- The Health & Safety Policy has been revised to now include commitment to Health & Wellbeing.
- The 2018/2019 OHS Celebrations were held in all three Mills, including a Talanoa Session with the Chief Executive Officer at each Mill.
- Occupational Health & Safety Committee Meetings were held on a monthly basis.

Safety Risk Management

In April 2018, the Health & Safety Team initiated two new programs, "Hazard ID and Safe moves check" during our World OHS day Celebration. The program details require Employees to identifying a hazard, or an unsafe situation or unsafe condition using a Hazard ID or the safe moves check document. At the end of every quarter, prizes were awarded for best performance.

The idea behind this initiative was to get everyone to:

- participate in identifying hazards, understand what hazards and risks mean.
- determine risky workplace conditions, ascertain whether they are performing their task safely, take ownership and responsibility in identifying and controlling hazards.
- participate in creating a safe working environment for all.

This resulted in improved reporting in 2018 with a total of 337 hazards and unsafe moves recorded compared to only 24 hazards reported in 2017.

Safety Compliance

- Engaged the Ministry of Employment to conduct Noise and Dust monitoring to determine and standardize appropriate Protective Equipment where necessary.
- Change in Fit for Purpose personal safety wear is the focus this year as part of continuous improvement processes.
- A work protocol now required for the issuance of Work Permits before any work commences.

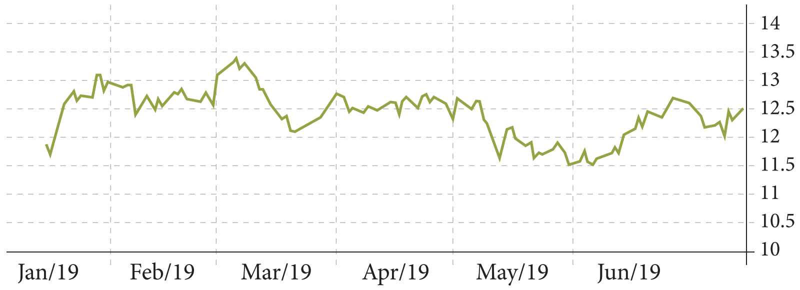
Incident & Injury Data

There have been 52 loss time injuries and 41 First Aid injuries in total in 2018. 31% was due to slip, trip and fall, and this indicated a great need to start behavioural safety training where employees are informed on ways of making safe decisions.

MARKETING

World Market Price Trend

The world sugar market remains heavily oversupplied which has caused volatility in sugar pricing. The increasing production of sugar in India and Brazil and over supply in the world market caused a global sugar surplus, resulting in depressing world sugar prices which remained in a range between 11.50 and 13.50 US cents per round. This is shown below:



Bulk Raw Sugar Export

A total of 111,844 metric tons of bulk raw sugar was exported during the year. This was made to the following destinations:

Destination	Tonnage (mt)
United Kingdom	15,000
Netherlands	20,000
USA	9,034
Bulgaria	33,600
China	33,730
Germany	480
Total	**111,844**

Direct Consumption Raw Sugar Sales to the Domestic Market and Pacific Island Countries

Sugar sales to domestic and Pacific Island Countries has seen a positive trend as compared to past year. FSC sold 27,560MT and 4,300MT of sugar to domestic markets and Pacific Island Countries respectively. With the establishment of a new Sales and Marketing team, FSC visited several countries in the Pacific Region. Good demand resulted from Solomon Islands and Samoa and the team continues to market and meet potential buyers.

Molasses Exports

The financial year saw 4 shipments of bulk molasses exported to the Caribbean and Asia with a total volume of 85,560MT. The balance of the 2018 crop molasses will be shipped at the beginning of 2019 Crushing season. A small amount of 54 metric tons of molasses was shipped to buyers in the PIC's.

Domestic Molasses Sales

Domestic sales of molasses for the financial year totalled 3,649 metric tonnes. Th e major buyers included alcohol producers, the dairy industry and stockfeed buyers.

CHIEF EXECUTIVE OFFICER'S REPORT (CONT'D)

Sugar Packaging Plant

Retail Pack sugar is currently being sold in the local market and likewise in Pacific Islands countries. Demand for 1Kg retail pack sugar is growing in the Pacific Islands, and the main customers are in Samoa, Vanuatu, Solomon and Tonga. Local demand is for 2Kg and 4Kg retail pack sugar. The Packaging Plant has invested in packing machines to improve quality of sugar so that FSC can compete internationally.

Branding Project for Sugars of Fiji

A pilot project funded by the Market Development Facility, sponsored through Australian Government has identified "high-end branding" as an opportunity for FSC. In our pursuit to improve market visibility and potentially enter new markets a Fiji Sugar Brand Consumer research report has been concluded.

Quality Standards

FSC's Packaging Plant is working towards achieving international standard HACCP certification. An inhouse Quality Team is currently implementing a Food Safety Program for the Packaging Plant and this will be replicated at all the 3 mills. The Food Safety Program includes; HACCP Plan, Good Manufacturing Processes and Prerequisite Programs.

A Food Safety Committee has been established to drive and implement the Food Safety program in the respective mills. The intent is to develop, implement and maintain effective control over food quality and safety and foster continuous improvement in the food quality and safety. Food Safety Assessments have been conducted for all the 3 Mills and Action Plans developed.

....

Graham Clark
Chief Executive Officer

FIJI SUGAR CORPORATION

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2019

In accordance with a resolution of the board of directors, the directors herewith submit the statement of financial position of The Fiji Sugar Corporation Limited (the "Corporation") as at 31 May 2019 and the related statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows together with notes thereon for the year then ended and report as follows:

Directors

The names of directors in office at the date of this report are:

Mr K Vishnu Mohan - Chairman
Mr Viliame Gucake
Ratu Wiliame Katonivere
Mr Arvind Singh
Mr Tevita Kuruvakadua
Mr Pradeep Lal
Mr Hari Raniga
Mr Ariff Ali

Principal Activities

The Corporation operated three sugar mills in the year under review and is involved in the milling of sugarcane, manufacture and sale of sugar and molasses produced.

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

Results

The results of the Corporation are summarized below:	2019	2018
	$'000	$'000
Loss from operations	(62,749)	(10,290)
Finance costs, net	(11,695)	(6,618)
Unrealised exchange loss, net	(3,492)	(1,679)
Allowance for impairment loss on capital works in progress	-	(5,009)
Allowance for impairment of Joint Venture Receivable	(1,103)	-
Loss due to flooding	(1,031)	(1,030)
Loss for the year	(80,070)	(24,626)
Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)	(49,092)	535

Dividends

The directors recommend that no dividends be declared for the year ended 31 May 2019.

Basis of Accounting - Going Concern

The financial statements have been prepared on a going concern basis on the assumption that the Corporation will continue to receive ongoing support from the Government of Fiji. The loan from the Government of Fiji has been converted to a long term loan with an option to convert the loan into equity. In 2017, the Government of Fiji increased the Government guarantee of $120 million to $322 million and the guarantee period has been extended up to 31 May 2022.

Furthermore, the Corporation has developed a 5-year Strategic Plan (2019-2023). Accordingly, the Corporation will pursue increasing the area under cane cultivation, revenue optimisation from large scale sugarcane plantations, sale

Basis of Accounting - Going Concern (Cont'd)

of non-core assets, power generation income and better marketing of Sugars of Fiji for local and regional markets. Further, management plans to invest in refurbishing and upgrading the mills to continue to achieve improvements in mill efficiency and mill performance together with consistent, improved quantity and quality of cane supply and thereby generate adequate profits and cash flows from future operations to meet its obligations as and when they fall due.

The directors believe that with the support of the Government, the Corporation will be able to continue in operation for at least 12 months from the date of this statement and the classification and carrying amounts of assets and liabilities as stated in these accounts are appropriate.

The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might become necessary should the Corporation be unable to continue as a going concern.

Significant Events During the Year

Significant events during the year were:

i) Impairment of Property, Plant and Equipment

For the year ended 31 May 2019, an impairment review of the assets of the Corporation was carried out by an independent consultant from New Zealand. The impairment assessment was undertaken in accordance with International Accounting Standard 36 "Impairment of Assets". Based on the independent assessment, management and directors have carried out an assessment of the recoverable amount of the assets, trend of improvement in sugar cane quality, and assessed that no further provision for impairment is required.

Accumulated impairment losses provided in earlier years total $78.4 million and a further impairment of $5 million was provided last year in respect of the 50T boiler at Labasa Mill (refer Note 11(a)).

The assessed enterprise value of the Corporation's productive assets continues to exceed the carrying value of the Corporation's core operating assets. Notwithstanding this, no reversal of accumulated impairment losses will be considered until the Corporation's growth is consolidated.

ii) Czarnikow Group Limited

During the year, the Corporation borrowed US$15 million (FJD $32 million) from Czarnikow Group Limited by way of trade finance to meet operational expenditure and grower cane payments. The loan will be repaid through the second and third shipments of sugar for the 2019 season (financial year 2020).

iii) Fiji National Provident Fund (FNPF)

Last year, the Corporation secured a loan of $50 million from FNPF to meet its working capital and capital expenditure requirements, against which the draw down was $25 million. As at balance date, the facility is fully drawn. The loan is for a 15-year term secured by Government guarantee.

A further Bridging Finance Facility of $21,217,125 was secured from FNPF in May 2019 to fund the fourth cane payment for 2018 season. This payment included partial top-up by the Corporation of the guaranteed price of $85 per tonne of cane. The facility is secured by confirmed property sale contracts and a Government guarantee with repayment term of 6 months.

iv) BRED Bank

The Corporation has secured funding of $20 million from BRED Bank during the year to assist with upgrading work at the Lautoka, Rarawai and Labasa mill. The loan is for a 4-year term secured by Government guarantee, *iv) BRED Bank (Cont'd)*

with principal of $5 million payable each year. As at 31 May 2019, the facility is fully drawn and $5 million repaid.

v) Guaranteed cane price

The Fiji Government last year announced that it would establish a guaranteed cane price of $85.00 per tonne of sugar cane for a period of 3 years (2018 - 2020 crop years). This initiative is intended to instill confidence and provide price certainty for farmers. It was proposed that the Corporation would be responsible for Year 1, and Government for the 2 years thereafter. Funding from the sale of non-productive assets is being utilized by the Corporation to support its contribution.

During the year, the full impact of this guaranteed cane price on FSC has been accounted for. The value of the guaranteed cane price less the actual price realized from sugar sales is $48.1 million.

vi) Sale of Non-productive Assets

Following a review of non-productive assets of the Corporation by the board of directors, management commenced the sale of property during the year. As at 31 May 2019, net realised property sales were $23.04 million.

vii) Restructure of creditors

During the year, liabilities due to two creditors were restructured to longer term repayment plans.

a) The debt to South Pacific Fertilizer Ltd ("SPF") of $13,618,564 was converted into a fouryear interest free debt with equal instalments of $1,702,320 payable twice each year. The agreement allows for partial or full offset of the debt against sale of suitable land to SPF at a market price.

b) The debt to Sugar Research Institute of Fiji ("SRIF") of $4,009,314 has been converted to a five-year interest free debt, with $250,000 repayable in the first year and the balance payable over the next four years.

Bad and Doubtful Debts

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

As at the date of this report, the directors are not aware of any circumstances, which would render the amount written off for bad debts, or the allowance for doubtful debts in the Corporation's financial statements, inadequate to any substantial extent.

Current and Non-Current Assets

Prior to the completion of the financial statements of the Corporation, the directors took reasonable steps to ascertain whether any current or non-current assets were unlikely to realise in the ordinary course of business their values as shown in the accounting records of the Corporation. 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 current and non-current assets in the Corporation's financial statements misleading.

Unusual Transactions

Other than matters disclosed under significant events during the year, in the opinion of the directors, the results of the

Unusual Transactions (Cont'd)

operations of the Corporation during the financial year were not substantially affected by any other item, transaction or event of a material and unusual nature, nor has there arisen between the end of the financial year and the date of this report any item, transaction or event of a material unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Corporation in the current financial year.

Events Subsequent to Balance Date

Subsequent to balance date, no matters or circumstances have arisen which would require adjustment to, or disclosure in, the financial statements.

Other Circumstances

As at the date of this report:

(i) no charge on the assets of the Corporation has been given since the end of the financial year to secure the liabilities of any other person;

(ii) no contingent liabilities have arisen since the end of the financial year for which the Corporation could become liable; and

(iii) no contingent liabilities or other liabilities of the Corporation has become or are 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 Corporation 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 Corporation 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 a benefit disclosed in the financial statements and/ or included in the aggregate amount of emoluments received or due and receivable by directors shown in the financial statements or received as the fixed salary of a full-time employee of the company or of a related corporation) by reason of contract made by the Corporation 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 substantial financial interest.

Audit Declaration

The directors have obtained independent declaration from the Corporation's auditor, Ernst & Young. A copy of the auditor's independence declaration is set out in the Auditor's Independence Declaration to the directors of The Fiji Sugar Corporation Limited on page 8.

For and on behalf of the board and signed in accordance with a resolution of the board of directors.

Dated this 23 day of July 2019

....
Director Director

The declaration by directors is required by the Companies Act 2015.

The directors of the Corporation have made a resolution that declares:

a) In the opinion of the directors, the financial statements of the Corporation for the financial year ended 31 May 2019:

   i. comply with the International Financial Reporting Standards and give a true and fair view of the financial position of the Corporation as at 31 May 2019 and of the performance and cash flows of the Corporation for the year ended 31 May 2019; and

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

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

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

For and on behalf of the board and in accordance with a resolution of the board of directors.

Dated this 23 day of July 2019

....	....
Director	Director

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Auditor's Independence Declaration to the Directors of The Fiji Sugar Corporation Limited

As lead auditor for the audit of The Fiji Sugar Corporation Limited for the financial year ended 31 May 2019, I declare to the best of my knowledge and belief, there have been:

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

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

This declaration is in respect of The Fiji Sugar Corporation Limited during the year.

Ernst & Young
Ernst & Young
Chartered Accountants

Shaneel Nandan
Partner
Lautoka, Fiji
23rd July 2019

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Independent Auditor's Report

To the Shareholders of The Fiji Sugar Corporation Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of The Fiji Sugar Corporation Limited ("the Corporation") which comprise the statement of financial position as at 31 May 2019, and 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 our opinion, the accompanying financial statements give a true and fair view of the financial position of the Corporation as at 31 May 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Corporation 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 our audit of the financial statements in Fiji and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2(b) in the financial statements, which refers to the preparation of the Corporation's accounts on a going concern basis. The Corporation incurred a net loss of $80.1 million during the year ended 31 May 2019 and, as of that date, the Corporation's current liabilities exceeded its current assets by $164.8 million. The Corporation has debt repayment commitments amounting to $134.6 million during the financial year ending 31 May 2020. Furthermore, the Corporation expects to require further funding to meet its working capital requirements, capital expenditure and fund future operating losses.

The appropriateness of the going concern assumption on which the financial statements are prepared is critically dependent on the Government's support to the Corporation, as disclosed in Note 26, to enable the Corporation to continue in operation for the foreseeable future. The extent to which the existing Government guarantees, and potential further support, are required is dependent on, among other things, the future sugar price, the quantity and quality of cane supply, the success of intended improvements in mill performance and the timely and effective implementation of management's plans and initiatives.

The events or conditions outlined above indicate that a material uncertainty exists that may cast significant doubt on the Corporation's ability to continue as a going concern. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the entity not continue as a going concern. Our opinion is not modified in respect of this matter.

Other Matter

The financial statement of the Corporation for the year ended 31 May 2018 was audited by another auditor who expressed an unmodified opinion on that financial report on 1 August 2018.

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Independent Auditor's Report (continued)

Responsibilities of the Directors and Management for the Financial Statements

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

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

The Directors and management are responsible for overseeing the Corporation's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud and error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation'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 Directors' and management use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures, are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation 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.

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Independent Auditor's Report (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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

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

Report on Other Legal and Regulatory Requirements

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

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

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

Ernst & Young

Ernst & Young
Chartered Accountants

Shaneel Nandan
Partner
Lautoka, Fiji
23rd July 2019

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MAY 2019

	Notes	2019	2018
		$'000	**$'000**
Revenue			
Exports, sugar and molasses		98,383	147,676
Local, sugar and molasses		34,393	34,437
		132,776	**182,113**
Less: Cost of milling and sales		(155,892)	(181,269)
Gross (loss)/profit		**(23,116)**	**844**
Other income		25,006	388
Realised exchange gain, net		1,592	1,044
Administrative and operating expenses		(18,112)	(15,354)
Guaranteed cane price		(48,119)	-
Reversal of non-current inventory obsolescence		-	2,788
Loss from operations		**(62,749)**	**(10,290)**
Finance costs, net	8	(11,695)	(6,618)
Unrealised exchange loss, net		(3,492)	(1,679)
Allowance for impairment loss on capital works in progress		-	(5,009)
Allowance for impairment of Joint Venture Receivable		(1,103)	-
Loss due to flooding		(1,031)	(1,030)
Loss before income tax		**(80,070)**	**(24,626)**
Income tax expense	10(a)	-	-
Loss for the year		**(80,070)**	**(24,626)**
Other comprehensive income		-	-
Total comprehensive loss for the year		**(80,070)**	**(24,626)**

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

FIJI SUGAR CORPORATION LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 MAY 2019

	Notes	2019	2018
ASSETS		**$'000**	**$'000**
Non-current assets			
Property, plant and equipment	11	157,165	154,511
Inventories	13	2,417	3,124
Total non-current assets		159,582	157,635
Current assets			
Current tax assets	10(b)	479	477
Financial assets	12	40	1,010
Inventories	13	20,025	13,411
Receivables	14	18,700	26,171
Cash and cash equivalents	15	5,117	5,380
Total current assets		44,361	46,449
Total assets		**203,943**	**204,084**
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	16	22,200	22,200
Accumulated losses		(344,043)	(263,973)
Equity deficit		(321,843)	(241,773)
Non-current liabilities			
Borrowings	17	277,236	283,894
Deferred income	18	37,080	36,968
Provisions	19	1,683	1,743
Total non-current liabilities		315,999	322,605
Current liabilities			
Borrowings	17	134,571	76,669
Provisions	19	3,464	2,778
Payables and accruals	20	71,752	43,805
Total current liabilities		209,787	123,252
Total equity and liabilities		**203,943**	**204,084**

The above statement of financial position should be read in conjunction with the accompanying notes. These financial statements have been approved by a resolution of the Board of Directors. For and on behalf of the Board.

.... Director

.... Director

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MAY 2019

	Share Capital	Accumulated Losses	Total
	$'000	$'000	$'000
Balance at 1 June 2017	22,200	(239,347)	(217,147)
Loss for the year	-	(24,626)	(24,626)
Other comprehensive income	-	-	-
Balance at 31 May 2018	22,200	(263,973)	(241,773)
Loss for the year	-	(80,070)	(80,070)
Other comprehensive income	-	-	-
Balance at 31 May 2019	22,200	(344,043)	(321,843)

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MAY 2019

	2019 $'000	2018 $'000
Cash flows from operating activities		
Receipts from customers and other operating activities	139,413	182,790
Payments to suppliers, employees and other operating activities, net of insurance proceeds	(183,933)	(184,904)
Cash (used in) operations	(44,520)	(2,114)
Finance income received	35	9
Finance cost paid	(11,730)	(6,643)
Net cash (used in) operating activities	(56,215)	(8,748)
Cash flows from investing activities		
Payments for property, plant and equipment	(26,741)	(13,261)
Proceeds from the sale of property, plant and equipment	30,268	-
Proceeds received from Joint Venture	-	422
Proceeds from grants received	250	2,173
Proceeds/ (Investment) in term deposit	930	(970)
Net cash provided by / (used in) investing activities	4,707	(11,636)
Cash flows from financing activities		
Proceeds from borrowings, net	49,534	61,523
Repayment of borrowings – ANZ pre export facility, net	-	(63,709)
Net cash used in financing activities	49,534	(2,186)
Net decrease in cash and cash equivalents	(1,974)	(22,570)
(Overdraft)/ cash and cash equivalents at the beginning of the financial year	(15,850)	6,720
Overdraft at the end of the finacial year (Note 15)	(17,824)	(15,850)

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

NOTE 1. GENERAL INFORMATION

a) Corporate information

The Fiji Sugar Corporation Limited (the "Corporation") is a limited liability company incorporated and domiciled in Fiji. The address of its registered office and principal place of business is at Drasa Avenue, Balawa, Lautoka.

b) Principal activities

The Corporation operates three sugar mills in the year under review and is involved in the milling of sugarcane, manufacture and sale of sugar and molasses produced.

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

NOTE 2. BASIS OF PREPARATION

a) Basis of preparation

The financial statements of the Corporation have been prepared under the historical cost convention. Cost is based on the fair values of the consideration given in exchange for 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 future periods are disclosed, where applicable, in the relevant notes to the financial statements.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are critical to the financial statements are disclosed in Note 6.

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.

b) Basis of accounting - going concern

The financial statements have been prepared on a going concern basis on the assumption that the Corporation will continue to receive ongoing support from the Government of Fiji. The loans from the Government of Fiji has been converted to a long term loan with an option to convert the loan into equity. The Government guarantee stands at $322 million and the guarantee period is up to 31 May 2022.

Furthermore, the Corporation has developed a 5-year Strategic Plan (2019-2023). Accordingly, the Corporation will pursue increasing the area under cane cultivation, revenue optimisation from large scale sugarcane plantations, sale of non-core assets, power generation income and better marketing of Sugars of Fiji for local and regional markets. Further, management plans to invest in refurbishing and upgrading the mills to continue to achieve improvements in mill efficiency and mill performance together with consistent, improved quantity and quality of cane supply and thereby generate adequate profits and cash flows from future operations to meet its obligations as and when they fall due.

NOTE 2. BASIS OF PREPARATION (CONT'D)

b) Basis of accounting - going concern *(cont'd)*

The directors believe that with the support of Government, the Corporation will be able to continue in operation for at least 12 months from the date of this statement and the classification and carrying amounts of assets and liabilities as stated in these accounts are appropriate.

The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might become necessary should the Corporation be unable to continue as a going concern.

c) Statement of compliance

The financial statements of the Corporation have been prepared in accordance with International Financial Reporting Standards (IFRS) and in compliance with the requirements of the Companies Act 2015.

d) Comparatives

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

e) Changes in accounting policies and disclosures

i) New and amended standards and interpretations

The Corporation applied IFRS 15 and IFRS 9 for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the consolidated financial statements of the Corporation. The Corporation has not early adopted any standards, interpretations or amendments that have been issued, but are not yet effective.

ii) IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

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

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

NOTE 2. BASIS OF PREPARATION (CONT'D)

Changes in accounting policies and disclosures *(cont'd)*

The adoption of this standard did not have any quantitative impact as at 1 June 2018 of transition to IFRS 15 as all contracts as at 1 June 2018 were determined to have been completed.

iii) IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 June 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Corporation applied IFRS 9 prospectively, with an initial application date of 1 June 2018. The Corporation has not restated the comparative information, which continues to be reported under IAS 39.

There was no effect of adopting IFRS 9 as at 1 June 2018.

iv) Classification and measurement

Under IFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through OCI. The classification is based on two criteria: the Corporation's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Corporation's business model was made as of the date of initial application, 1 June 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of IFRS 9 did not have a significant impact to the Corporation. The Corporation continued measuring at fair value all financial assets previously held at fair value under IAS 39.

The Corporation has not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement for the Corporation's financial liabilities.

In summary, upon the adoption of IFRS 9, the Corporation had the following required or elected reclassifications as at 1 June 2018:

	Notes	Original classification	New classification	Original carrying amount under IAS 39 $'000	New carrying amount under IFRS 9 $'000
Financial assets					
Cash and bank balances	15	Loans and receivable	Amortised cost	5,380	5,380
Receivables	14	Loans and receivable	Amortised cost	26,171	26,171
Financial assets	12	Loans and receivable	Amortised cost	1,010	1,010
				32,561	32,561
Financial liabilities					
Payables and accruals	20	Other financial liabilities	Amortised cost	43,805	43,805
Borrowings	17	Other financial liabilities	Amortised cost	360,563	360,563
				404,368	404,368

NOTE 2. BASIS OF PREPARATION (CONT'D)

Changes in accounting policies and disclosures *(cont'd)*

v) Impairment

The adoption of IFRS 9 has fundamentally changed the Corporation's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Corporation to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets. The Corporation has determined that the application of IFRS 9's impairment requirements at 1 June 2018 results in no additional allowance for impairment.

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted by the Corporation are stated to assist in a general understanding of these financial statements. These accounting policies have been consistently applied to all the years presented, unless otherwise stated.

Policy applicable from 1 June 2018

a) Financial assets

i) Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (FVOCI), and fair value through profit or loss (FVTPL). In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Corporation's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Corporation commits to purchase or sell the asset.

ii) Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments);
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); and
- Financial assets at fair value through profit or loss.

iii) Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Corporation. The Corporation measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

a) Financial assets *(cont'd)*

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Corporation's financial assets at amortised cost includes trade receivables, loan to an associate and loan to a director included under other non-current financial assets.

iv) Financial assets at fair value through OCI (debt instruments)

The Corporation measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

v) Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Corporation can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Corporation benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

vi) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

vii) Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a Corporation of similar financial assets) is primarily derecognised (i.e., removed from the Corporation's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Corporation has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Corporation has transferred substantially all the risks and rewards of the asset, or (b) the Corporation

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

a) Financial assets *(cont'd)*

has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Corporation has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Corporation continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Corporation also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Corporation has retained.

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

viii) Impairment of financial assets

Further disclosures relating to impairment of financial assets are also provided in the following notes:
- Disclosures for significant assumptions;
- Debt instruments at fair value through OCI; and
- Trade receivables, including contract assets.

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

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

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

For debt instruments at fair value through OCI, the Corporation applies the low credit risk simplification. At every reporting date, the Corporation evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Corporation reassesses the internal credit rating of the debt instrument. In addition, the Corporation considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

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

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

a) Financial assets *(cont'd)*

Policy applicable before 1 June 2018

a) Financial assets

The Corporation classifies its financial assets as required under IFRS. 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 financial assets of the Corporation comprise of receivables, held-to-maturity investment and available-for-sale financial assets.

i) Receivables

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 statement of financial position date, which are classified as non-current assets.

The Corporation's receivables comprise 'receivables' disclosed in the statement of financial position (Note 13). Bad debts are written off during the period in which they are identified.

Receivables are recorded at amortised cost less impairment.

ii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the group's management has the positive intention and ability to hold to maturity.

Held to maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from balance date, which is classified as current asset.

iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date.

Investments in subsidiaries are classified as available-for-sale investments and are accounted for at cost in the individual financial statements.

The Corporation assesses at each statement of financial position date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the statement of profit or loss and other comprehensive income.

b) Cash and cash equivalents

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. For the purpose of statement of cash flows, 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.

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

a) Financial assets *(cont'd)*

c) Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised 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 Corporation will not be able to collect all amounts due according to the original terms of the receivables.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial re-organisation, and default or delinquency in payments are considered indicators that a specific debtor balance is impaired.

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

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

d) Inventories

Sugar and molasses are valued at lower of cost and net realisable value. Net realisable value is determined by approved selling prices, contracts or free market prices and is net of expected related marketing, selling and distribution costs.

Spares are stated at cost. Costs are assigned to spares using the weighted average basis and comprise all costs incurred in bringing the stocks to their present location and condition. Allowances for spare parts inventory obsolescence are raised based on a review of inventories, and aging of inventories. Inventories considered obsolete or un-serviceable are written off or brought down to their estimated fair value in the year in which they are identified.

e) Property, plant and equipment

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Corporation and the cost of the item can be measured reliably. The carrying amount of the replaced part is de-recognised.

All other repairs and maintenance are charged to the statement of profit or loss and other comprehensive income during the financial period in which they are incurred.

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 to their residual values over their estimated useful lives, as follows:

Leasehold land	Term of lease
Buildings and improvements	2% to 10%
Plant, machinery and equipment	3% to 25%
Vehicles and transport systems	5% and 20%
ERP system	10%

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

e) Property, plant and equipment *(cont'd)*

New assets are depreciated from the commencement of the half-year in which they are commissioned.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

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

Profits 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.

Capital works in progress principally relates to costs and expenses incurred for capital works in the nature of property, plant and equipment. Capital work in progress is stated at historical cost and is not depreciated.

Interest and other incidental costs on borrowings to finance the construction of property, plant and equipment are capitalized, during the period of time that is required to complete and prepare the asset for its intended use.

Costs incurred for capital work in progress are capitalised and are assessed by management and directors on a periodic basis for its viability and successful implementation. The capitalised cost is written-off if the project development is abandoned permanently.

Repairs and maintenance are charged to the statement of profit or loss and other comprehensive income during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Corporation. Major renovations are depreciated over the remaining useful life of the related asset.

f) Impairment of non-financial assets

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

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

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in the statement of profit or loss and other comprehensive income, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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

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

Policy applicable from 1 June 2018

g) Financial liabilities

i. Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings and payables.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Corporation's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

ii. Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

1) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Corporation that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Corporation has not designated any financial liability as at fair value through profit or loss.

2) Loans and borrowings

This is the category most relevant to the Corporation. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings. For more information, refer to Note 17.

iii. Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

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

iv. Offsetting of financial instruments

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

h) Payables and accruals

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

i) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of profit or loss and other comprehensive income over the period of the borrowings using the effective interest method.

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

j) 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.

k) 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 and sick leave

The liability for annual leave and sick leave are recognized in the provision for employee benefits. 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.

Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Termination benefits

The Corporation recognizes termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a formal plan without the possibility of withdrawal; or providing

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

k) Employee benefits *(cont'd)*

termination benefits as a result of an offer made for redundancy. Benefits falling due more than 12 months after the statement of financial position date are disclosed at the present value.

Defined contribution plans

Contributions to Fiji National Provident Fund are expensed when incurred.

l) Foreign currency translation

Functional and presentation currency

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

Transactions and balances

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

Foreign exchange forward contracts outstanding as at the yearend are stated at fair values and any gains or losses are recongised in the statement of profit or loss and other comprehensive income.

m) Government grants

Government grants are not recognized until there is reasonable assurance that the Corporation will comply with the conditions attached to them and that the grants will be received.

The benefit of a Government loan at a below-market rate of interest is treated as a Government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

Government grants whose primary condition is that the Corporation should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Other Government grants are recognized as revenue over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Corporation with no future related cost are recognized in profit or loss in the period in which they become receivable.

n) Leases

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

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

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

o) Income tax

Current tax

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

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

Current and deferred tax for the period

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

p) Provisions

Provisions are recognised when the Corporation has a present obligation (legal or constructive) as a result of a past event, it is probable that the Corporation will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

q) Share capital

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

r) Revenue recognition

Policy applicable from 1 June 2018

The Corporation is in the business of harvesting and processing of sugarcane into sugar and molasses as well as sale of power. Revenue from contracts with customers is recognised when control of the goods are transferred to the customer

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

r) Revenue recognition *(cont'd)*

at an amount that reflects the consideration to which the Corporation expects to be entitled in exchange for those goods. The Corporation has generally concluded that it is the principal in its revenue arrangements. For revenue where contract with customers exists, revenue is recognised as follows:

Sale of sugar and molasses

Revenue from sale of sugar and molasses is recognised at the point in time when control of the goods is transferred to the customer, generally revenue is recognised when sugar is loaded on board of a vessel designated for delivery, being Bill of Lading (BOL) date in line with the "Free on Board". The normal credit term is 30 to 90 days upon delivery.

Sale of electricity

Revenue from sale of electricity is recognised over time by measuring the progress toward complete satisfaction of its performance obligation to deliver electricity. The normal credit term is 30 to 90 days upon delivery.

The Corporation considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the sale of sugar, the Corporation considers the effects of variable consideration, the existence of significant financing components, noncash consideration, and consideration payable to the customer (if any).

Policy applicable before 1 June 2018

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Corporation's activities. Revenue is shown net of Value Added Tax, returns, rebates, brokerage, marketing fees, duties, taxes paid and discounts and after eliminating sales within the Corporation.

The Corporation recognises revenue when the amount of revenue can be reliably measured; it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Corporation's activities. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Corporation bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

s) Finance income

Finance income is recognised on a time-proportion basis using the effective interest method.

t) Value Added Tax (VAT)

Revenues, expenses and assets are recognised 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 recognised 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 recognised inclusive of VAT.

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

The VAT component of cash flows arising from operating and investing activities which is recoverable from or payable to, the taxation authority is classified as operating cash flows.

NOTE 4. STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

a) IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16, which is effective for annual periods beginning on or after 1 January 2019, requires lessees and lessors to make more extensive disclosures than under IAS 17.

b) Transition to IFRS 16

The Corporation plans to adopt IFRS 16 retrospectively to each prior reporting period presented. The Corporation will elect to apply the standard to contracts that were previously identified as leases applying IAS 17 and IFRIC 4. The Corporation will therefore not apply the standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.

The Corporation is in the process of finalising their analysis at the date of issuance of their 2018 financial statements. The Corporation has elected to use exemptions proposed by the standards on lease contracts for which the lease terms ends within 12 months as of date of initial applicable and lease contracts for which the underlying asset value is low. The Corporation does not expect a material adjustment recorded in the financial statement or adoption to IFRS 16. However, this may be subject to future changes once the assessment is completed and reviewed.

c) IAS 12 Income Taxes

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events. The Corporation's policy is in line with these amendments and no impact is anticipated when this becomes effective on 1 January 2019.

d) IAS 23 Borrowing Costs

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

NOTE 4. STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONT'D)

An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. Since the Corporation's current practice is in line with these amendments, the Corporation does not expect any effect on its financial statements.

NOTE 5. RISK MANAGEMENT

Risk management is carried out by executive management. Executive management identifies, evaluates and monitors financial risks in close co-operation with the operating units. The board of directors provides policies and guidelines for overall risk management, as well as policies and guidance covering specific areas, such as mitigating interest rate risk, credit risk and investment of excess liquidity.

a) Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates will affect the Corporation's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising the return on risk.

i) Foreign exchange risk

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

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

	2019	2018
	$'000	$'000
Liabilities		
US Dollar	106,431	97,328
Assets		
US Dollar	2,336	2,124

Foreign currency sensitivity analysis

The Corporation is mainly exposed to the currency of USA.

The following table details the Corporation'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 executive management personnel and represents executive 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 with all other variables held constant, pre- tax profit impact is as follows:

NOTE 5. RISK MANAGEMENT (CONT'D)

a) Market risk *(cont'd)*

Foreign Currency	Profit / (Loss) Impact			
	Strengthen		Weaken	
	2019 F$ 000's	2018 F$ 000's	2019 F$ 000's	2018 F$ 000's
US Dollar - USD	9,470	8,655	(11,575)	(10,578)

ii) Price and volume risk

The Corporation is exposed to world sugar price for bulk sugar exports. The Corporation is also exposed to world molasses price for molasses exports.

From 1 October 2009, Fiji's quota access to the EU was governed by a new regional Economic Partnership Agreement. With effect from 1 October 2017, Fiji enjoys a continuation of market access on quota free and duty free terms, with pricing linked to prevailing market prices in the EU, which in turn is driven by world sugar prices. The exposure of Fiji to world sugar price dynamics has thus increased from 1 October 2017.

Alternative export markets are available to Fiji which potentially provide superior pricing to EU destinations as a result of freight premiums arising from Fiji's geographic proximity to these markets.

The Corporation does not have investments in equity securities quoted on stock exchange and hence is not exposed to equity securities price risk.

iii) Cash flow and fair value interest rate risk

The Corporation has significant interest-bearing borrowings denominated in foreign currency from Export Import Bank of India (EXIM) and Czarnikow Group Limited. The borrowings from EXIM are at floating rates based on "US Dollar London Inter Bank Offered Rate (LIBOR)", and accordingly are exposed to interest rate risk. Borrowings from Czarnikow Group Limited are not exposed to interest rate risk during borrowing term as funds are borrowed at fixed interest rates.

In relation to borrowings from Government of Fiji, Sugar Cane Growers Fund, Reserve Bank of Fiji, Fiji National Provident Fund, Fiji Development Bank and Bred Bank, the Corporation is not exposed to interest rate risk during borrowing term as it borrows funds at fixed interest rates. However, the Corporation is exposed to market interest at the time of the rollover of borrowings or refinancing of borrowings. The interest rate risks and exposures are being closely monitored by the Executive Management of the Corporation and the Directors.

iv) Regulatory risk

The Corporation's profitability can be significantly impacted by sugarcane industry regulatory environment, regulatory agencies established which governs the Sugarcane Industry in Fiji and the ongoing and proposed reforms in the Fiji Sugarcane Industry.

The salaries and wages payable to workers are subject to relevant wages regulations and employment legislation.

b) Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks, as well as credit exposures to wholesale and retail customers, including outstanding receivables. For banks, only reputable parties with known sound financial standing are accepted. The credit risks arising on account of receivables is moderate as the arrangement for the sugar and molasses sales to the EU and other ACP States are under long term agreement and protocol.

NOTE 5. RISK MANAGEMENT (CONT'D)

c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities to ensure availability of funding. The Corporation monitors liquidity through rolling forecasts of the Corporation's cash flow position.

The table below analyses the Corporation'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	1 – 5 years	Over 5 year	Total
	$'000	$'000	$'000	$'000
At 31 May 2019				
Short term borrowings	125,426	-	-	125,426
Long term loans and bonds	-	74,622	173,817	248,439
Export Import Bank of India	9,145	29,988	32,884	72,017
Trade and other payables	71,752	-	-	71,752
	206,323	104,610	206,701	517,634
At 31 May 2018				
Short term borrowings	71,430	-	-	71,430
Long term loans and bonds	-	77,079	173,817	250,896
Export Import Bank of India	5,239	29,011	38,061	72,311
Trade and other payables	43,805	-	-	43,805
	120,474	106,090	211,878	438,442

d) Cane supply risk

The Corporation's profitability is largely dependent on the cane supply by growers. The cane supply and the gross profit / (loss) of the Corporation is shown below:

Year	Cane Supply for the Year (000t)	Gross Profit / (Loss) for the Year ($ million)
2018 – Actual	1,631	0.84
2019 – Actual	1,697	(23.12)
2020 – Budgeted	1,850	(7.6)

e) Operational risk

Operational risk is the risk of loss arising from systems failure, human error, and fraud to external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial crisis. The Corporation cannot expect to eliminate all operational risk, but through a control framework and by monitoring and responding to potential risks, the Corporation is able to manage risks. Controls include effective segregation of duties, access, authorization and reconciliation procedures, staff education and assessment procedures.

NOTE 5. RISK MANAGEMENT (CONT'D)

f) Capital risk management

The Corporation's objectives when managing capital are to safeguard the Corporation's ability to continue as a going concern and to maintain an optimal capital structure to reduce the cost of capital.

The Corporation 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 term deposits. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

g) Fair value estimation

The carrying value less allowance for doubtful debts of trade receivables and payables are assumed to approximate their fair values. The carrying values of financial liabilities are estimated to approximate their fair values.

NOTE 6. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

In the application of the Corporation's accounting policies, which are described in Note 3, the directors are required to make judgements, 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.

The estimates and underlying assumptions are reviewed on an ongoing basis. 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 the revision and future periods if the revision affects both current and future periods.

The critical judgements, apart from those involving estimations, that the directors have made in the process of applying the Corporation's accounting policies and that have the most significant effect on the amounts recognised in the financial statements are as follows:

Critical accounting estimates and judgments in applying the Corporation's accounting policies

(a) Impairment of property, plant and equipment

The Corporation assesses whether there are any indicators of impairment of all property, plant and equipment at each reporting date. Property, plant and equipment are tested for impairment and when there are indicators that the carrying amount may not be recoverable, reasonable allowance for impairment are created.

For the year ended 31 May 2019, an impairment review of the assets of the Corporation was carried out by an independent consultant from New Zealand. The impairment assessment was undertaken in accordance with International Accounting Standard 36 "Impairment of Assets". The recoverable amount of the relevant assets has been determined on the basis of their value in use. The value in use has been determined based on discounted cash flow assessment covering 10 years from 2020 to 2029 based on a scenario with cane volumes of 1.87 million tonnes for 2020 and increasing to 3.5 million tonnes by 2024 and 4.0 million tonnes by 2027. The discount rate of 9.5% has been used in measuring value in use. In making financial forecasts, executive management has relied on technical experts wherever deemed appropriate, including the areas of engineering and marketing aspects of operations.

Based on the independent assessment, management and directors have carried out an assessment of the recoverable amount of the assets, trend of improvement in sugar cane quality, and assessed that no further provision for impairment is required.

NOTE 5. RISK MANAGEMENT (CONT'D)

a) Impairment of property, plant and equipment *(cont'd)*

Whilst the future cash flow is dependent on key variables and some of the critical variables such as sugar price, exchange rate, cane volumes and POCS (pure obtainable cane sugar) ratio, these are outside the control of the Corporation. Furthermore, variables such as mill uptime (including its impact on TCTS), crushing rate, level of operating costs and mill stoppages are critically dependent on the performance and efficiency of the mill.

Executive management and directors' assessment of cash flow forecast involves making a judgment, at the particular point in time, about inherently uncertain future outcomes of events or conditions. Accordingly, subsequent events may result in outcomes that are significantly different from assessment.

(b) Depreciation of property, plant and equipment

In relation to acquired property, plant and equipment, the executive management apply judgment to determine the depreciation period based on the expected useful lives of the respective assets. Where estimated useful lives or recoverable values have diminished due to technological change or market conditions, depreciation is accelerated.

The executive management's assessment of useful lives or recoverable amount involves making a judgment, at the particular point in time, about inherent uncertain future outcomes of events or conditions. Accordingly, subsequent events may result in outcomes that are significantly different from assessment.

(c) Allowances for stock obsolescence

Allowances for stock obsolescence is assessed and raised on a specific and collective basis based on a review of inventories, including the status of inventories by the engineering team of the Corporation. Inventories considered obsolete or un-serviceable are written off in the year in which they are identified.

(d) Impairment of accounts receivable

Impairment of accounts receivable balances is assessed at an individual as well as on a collective level. At a collective level, all debtors outstanding for more than three months (excluding those covered by a specific impairment provision) are considered to have been impaired and provisions are made based on assessment of individual accounts.

(e) Deferred tax assets

Deferred tax assets are recognized 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 recognized, based upon the likely and level of future taxable profits together with future planning strategies. The deferred tax asset relating to tax losses and temporary differences have not been brought to account as in the opinion of the executive management its realization is not considered to be probable. Further details are contained in Note 10(d).

(f) Deferred tax liabilities

Deferred tax liability is recognized on taxable temporary differences over unrealized gain on stock of sugar and molasses and is measured at the tax rates that are expected to apply in the period in which the liability is expected to be settled. The management's decision in recoding its deferred tax liability requires significant judgment and estimates of future tax rates and future tax payables. The deferred tax liability has not been recognized in view of significant unrecognized deferred tax assets relating to tax losses and other temporary differences which is expected to be available as deduction against realization of temporary differences giving rise to tax liability. Subsequent events may result in outcomes that may be different from the judgments and estimates applied. Further details are contained in Note 10(c).

NOTE 7. LOSS FROM OPERATIONS

	2019 $'000	2018 $'000
Loss from operations has been arrived at after crediting the following income:		
Amortisation of government grants (Note 18)	118	37
Creditors and payables written back	217	-
Doubtful debts written back (Note 14)	163	351
Gain on sale of property, plant and equipment	23,042	-
Loss from operations have been arrived after charging the following expenses:		
Auditor's remuneration for:		
- Audit services	58	74
- Other services	39	68
Bad debts written off	-	30
Depreciation and amortization:		
- Leasehold land, building and improvements	1,743	1,762
- Plant, machinery and equipment	15,604	15,259
- Vehicles and transport systems	1,936	1,522
Directors' emoluments for:		
- Directors' fees	26	26
- Other services and allowances	1	2
Impairment loss on receivables (Note 14)	1,103	7
Staff costs (Note 9)	33,694	30,187
Guaranteed cane price (Note 27(v))	48,119	-

NOTE 8. FINANCE INCOME AND COST

FINANCE INCOME

	2019	2018
Interest income	35	11
FINANCE COSTS		
Finance expense:		
- Secured and unsecured borrowings	(11,730)	(6,629)
Total finance costs, net	(11,695)	(6,618)

NOTE 9. STAFF COSTS

	2019	2018
Wages and salaries	30,601	27,634
FNPF contribution	3,530	3,232
	34,131	30,866
Less: staff costs for capital works	(592)	(255)
	33,539	30,611
Provisions for employee benefits, net movement	155	(424)
Total staff costs	33,694	30,187

NOTE 10. INCOME TAX

	2019	2018
	$'000	$'000
The prima facie tax expense/ (benefit) is reconciled to the income tax expense/ (benefit) as follows:		
a) Income tax expense		
Loss before income tax expense	(80,070)	(24,626)
Prima facie tax benefit thereon at 20%	(16,014)	(4,925)
Tax effect of:		
Non-deductible expenses	274	340
Amortisation of government grant	(23)	(7)
Deferred income tax asset relating to tax losses and temporary differences unrecognised, net of unrecognised deferred tax liabilities	15,763	4,592
Income tax expense	-	-
b) Current tax asset		
Movements during the year were as follows:		
Balance at the beginning of the year	477	475
Withholding tax	2	2
Balance at the end of the year	479	477

c) Deferred tax liability

Deferred tax liability of the Corporation amounting to $698,422 (2018: $547,678) in respect of unrealized gain on stock of sugar and molasses as at 31 May 2018 has not been recognized in view of significant unrecognized deferred tax assets relating to tax losses and other temporary differences which will be available as deduction against realization of temporary differences giving rise to tax liability.

d) Deferred tax assets not recognized

In accordance with the provisions of the Income Tax Act, tax losses are allowed to be carried forward for 4 years.

The deferred tax assets of the Corporation relating to estimated tax losses and temporary differences amounting to approximately $38 million (2018: $33 million) have not been brought to account as its realization is not considered to be probable. The deferred tax asset will only be realized if:

i) the Corporation derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the loss to be realized;

ii) the Corporation continues to comply with the conditions for deductibility imposed by tax legislation; and

iii) no changes in the tax legislation adversely affect the Corporation in realizing the benefit from the deductions for the loss.

NOTE 11. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land $'000	Leasehold Land $'000	Buildings and Improvements $'000	Plant, Machinery and Equipment $'000	Vehicles and Transport Systems $'000	Capital Work In Progress $'000	Total $'000
At 31 May 2019							
Cost	18,974	527	69,159	438,015	49,088	10,926	586,689
Accumulated depreciation	-	(80)	(28,412)	(284,736)	(37,911)	-	(351,139)
Accumulated impairment losses	-	-	(16,214)	(59,322)	(2,849)	-	(78,385)
Balance as at 31 May 2019	18,974	447	24,533	93,957	8,328	10,926	157,165
At 31 May 2018							
Cost	21,904	527	67,076	411,047	50,542	19,947	571,043
Accumulated depreciation	-	(69)	(27,087)	(269,120)	(36,862)	-	(333,138)
Accumulated impairment losses	-	-	(16,214)	(59,322)	(2,849)	(5,009)	(83,394)
Balance as at 31 May 2018	21,904	458	23,775	82,605	10,831	14,938	154,511

NOTE 11. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

a) Impairment Assessment

During year ended 31 May 2010, an independent impairment review of the assets of the Corporation was carried out by an independent consultant from New Zealand. Based on the independent assessment, the management had carried out an assessment of the value in use of property, plant and equipment, and had recognized impairment loss amounting to $173.4 million and allocated on a pro-rata basis to buildings and improvements, plant, machinery and equipment, vehicles and transport systems.

During the years ended 31 May 2012, 31 May 2013 and 31 May 2014 based on independent impairment assessment report, management recognized reversal of impairment loss amounting to $40 million, $45.5 million and $35 million, respectively. The reversal of impairment and impairment loss were allocated on a pro-rata basis to buildings and improvements, plant, machinery and equipment, vehicles and transport systems. Due to improvement in mill efficiency and TCTS ratio together with expected improvement in quality and quantity of cane supply, the expected recoverable amount and thereby the carrying value of property, plant and equipment was assessed to have been improved in those years.

During the year ended 31 May 2015, based on the independent assessment, management and directors assessed that no further provision for impairment is required.

For the year ended 31 May 2016, an independent impairment review of the assets of the Corporation was carried out by an independent consultant from New Zealand. The impairment assessment was undertaken in accordance with International Accounting Standard 36 "Impairment of Assets". The recoverable amount of the relevant assets has been determined on the basis of their value in use (Refer Note 6(a)). Due to fall in mill efficiency and TCTS ratio together with reduction in quality and quantity of cane supply, the expected recoverable amount and thereby the carrying value of property, plant and equipment was assessed to have reduced. Accordingly, executive management and directors had assessed that additional provision of $24 million for impairment was required.

Based on the independent assessment, management and directors have carried out an assessment of the recoverable amount of the assets, trend of improvement in sugar cane quality, and assessed that no further provision for impairment is required for the years ended 31 May 2017, 31 May 2018 and 31 May 2019.

The Corporation has further carried out sensitivity analysis of assessment of recoverable amount as at 31 May 2019 with the following assumptions:

- Terminal growth rate - ± 0.5%
- Cane production - ± 2%
- Exchange rate - ± 0.5%
- Expenditure - ± 2%
- World market price - ± 2%

Refer Note 6(a) in relation to critical accounting estimates and judgments, and significant uncertainty in relation to impairment of property, plant and equipment.

b) Revaluation of Land and Buildings as Deemed Cost

In prior years, land and buildings were revalued based on the valuation carried out by independent registered valuers, Rolle Hillier Parker of Suva, Fiji in July 2002. Upon adoption of IFRS (effectively from, 1 June 2006), the Corporation had elected the option provided under IFRS 1 to apply the cost model (deemed cost) for land and buildings previously revalued, and accordingly, the cost value of land and buildings include revaluation increments amounting to $66,884,324.

c) Insurance

The Corporation has obtained insurance cover on various property, plant and equipment (but excluding railway network) subject to various terms and conditions and exclusions.

NOTE 11. PROPERTY, PLANT AND EQUIPMENT

d) Reconciliation of Carrying Amounts

Reconciliation of carrying amounts of each class of property, plant and equipment at the beginning and end of the financial year are as follows:

	Freehold Land $'000	Leasehold Land $'000	Buildings and Improvements $'000	Plant, Machinery and Equipment $'000	Vehicles and Transport Systems $'000	Capital Work In Progress $'000	Total 2019 $'000	Total 2018 $'000
Balance as at 1 June	21,904	458	23,775	82,605	10,831	14,938	154,511	164,365
Additions	-	-	-	-	-	26,741	26,741	13,698
Disposals	(2,930)		(1,689)	(115)	(70)		(4,804)	-
Transfer from CWIP	-	-	4,180	25,380	1,194	(30,754)	-	-
Transfer between category				1,691	(1,691)		-	-
Provisions for write down	-	-	-	-	-			(5,009)
Depreciation (Note 7)	-	(10)	(1,733)	(15,604)	(1,936)	-	(19,283)	(18,543)
Balance as at 31 May	18,974	448	24,533	93,957	8,328	10,925	157,165	154,511

e) Capital Work-in-Progress

Capital Work-in-Progress balance of the Corporation $10.93 million as at 31 May 2019 includes:

- Leasehold Land, Buildings and Improvements - $0.01 million
- Sugar Mills – Plant, Machinery and Equipment - $10.92 million

NOTE 11. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

f) Security

Certain plant, machinery and equipment are subject to security (including Bill of Sale) to Fiji Development Bank (Note 17(g)).

NOTE 12. FINANCIAL ASSETS

	2019 $'000	2018 $'000
a) Held-To-Maturity Investments		
Current		
Term deposit	-	970
	-	970

Held-to-maturity investment in 2018 was term deposit held with ANZ Banking Group Limited as a security requirement for the establishment of the letter of credit in favour of De Smet S.A. Engineers & Contractors. Payments as per letter of credit has been extinguished in the current year as term deposit has been redeemed.

b) Investments in subsidiaries

Name of Company	Place of Incorporation	Book Value of Holding Company Investments (Ordinary shares)		% Shareholding	
		2019	2018	2019	2018
		$	$	%	%
Unlisted Companies					
FSC Projects Limited	Fiji	-	100	-	100

The Corporation has not prepared consolidated financial statements including results and financial position of its subsidiary company, FSC Projects Limited, based on that subsidiary company is currently dormant, assets and liabilities of this subsidiary company is considered to be immaterial, and that the subsidiary has been already winded up in the current financial year.

c) Investments in Joint Ventures and Associates

Name of Entity	Investments Book Value		% Interest	
	2019	2018	2019	2018
	$	$	%	%
Unincorporated Joint Venture				
Nagigi Farms – Capital Contribution (i)	40,000	40,000	50	50
Associates				
Mataqali Delai Joint Venture Limited (ii)	1	1	50	50
Mataqali Nabau Joint Venture Limited (ii)	1	1	50	50
Mataqali Navunidoi Joint Venture Limited (ii)	1	1	50	50

(i) Investments in Nagigi Farms

The Nagigi Farms Joint Venture is an unincorporated joint venture established between Tsunami Farms Limited and the Corporation under the Nagigi Farms Joint Venture Agreement dated 1 May 2013 (the Joint Venture Agreement). The principal activities of the joint venture are that of performing commercial sugar cane farming at Nagigi, Labasa, Fiji.

NOTE 12. FINANCIAL ASSETS (CONT'D)

c) Investments in Joint Ventures and Associates *(cont'd)*

The share of the Corporation's profit as per the unaudited financial statements for the year ended 31 May 2019 is $113,584 (2018: profit of $153,871). Also, the Corporation's share of the accumulated deficit under joint venture account as at 31 May 2019 amounts to around $105,625 (2018: $203,844) which have been recognised in the financial statements up to the extent of the capital contribution of $40,000. The amount of $211,224 has been recovered in 2019. Based on the current plans and strategies, the management and the directors are of the view that the amounts invested and /or advanced for joint venture activities is expected to be recovered from future cane proceeds and no impairment is required at this stage.

(ii) Investments in Associates - Mataqali Delai Joint Venture Limited, Mataqali Nabau Joint Venture Limited and Mataqali Navunidoi Joint Venture Limited

The Corporation has 50% equity ($1 share) in each 3 entities. The other 50% shareholding is held by Mataqali Delai Investment Limited, Mataqali Nabau Investment Limited and Mataqali Navunidoi Investment Limited in the respective entities. The principal activities of the joint venture entities are that of performing commercial sugar cane farming at Rakiraki, Fiji.

The share of the Corporations losses of the 3 incorporated Joint Ventures aggregates $5,157 (2018: loss of $74,858) as per the un-audited profit and loss statements for the year ended 31 May 2019. Also, the Corporation's share of the shareholder's equity deficit as at 31 May 2019 amounts to $472,648 (2018: $467,491). Based on the current plans and strategies, the management and the directors are of the view that the amounts invested and /or advanced for joint venture activities is expected to be recovered from future cane proceeds, however management has adopted prudent approach by creating impairment for $1,102,593.

NOTE 13. INVENTORIES

	2019	2018
	$'000	**$'000**
Non-Current		
Capital spare parts and spare gears– at cost	7,551	8,258
Less: Allowance for inventory obsolescence	(5,134)	(5,134)
Total non-current inventories, net	2,417	3,124
Current		
Maintenance spares and consumables – at cost	3,893	5,246
Less: Allowance for inventory obsolescence	(963)	(963)
	2,930	4,283
Sugar and molasses	17,095	9,128
Total current inventories, net	20,025	13,411

Sugar and molasses have been valued based on expected net relizable value.

NOTE 14. RECEIVABLES

	2019	2018
	$'000	$'000
Current		
Trade receivables	1,889	1,334
Receivable from Joint Ventures (a)	2,023	1,954
Receivable from growers – Others	608	1,216
VAT receivable	1,225	1,566
Recoverable expenses from contractors	943	943
Other receivables	4,718	11,311
	11,406	18,324
Less: Estimated Credit loss	(2,961)	(2,021)
	8,445	16,303
Prepayments and deposits	10,255	9,868
Total current trade and other receivables, net	18,700	26,171

The carrying value of trade and other receivables and receivables from related parties are considered to be their reasonable approximation of their fair values. Movements on the allowance for impairment of trade and other receivables are as follows:

Opening balance	2,021	2,407
Impairment loss on receivables (Note 7)	1,103	7
Impairment loss written back	(163)	(351)
Receivables written off against impairment loss	-	(42)
Closing balance	2,961	2,021

Trade receivables principally comprise amounts outstanding for sale of sugar and molasses. Trade receivables are non-interest bearing and are generally settled on 30 – 60 day term.

a) The Corporation has entered into various Joint Ventures. The purpose of the Joint Venture is to undertake commercial cane plantation. As at balance date, receivable of $2,022,597 (2018: $1,993,863) relates to costs incurred by the Corporation on account of the Joint Ventures. These balances will be recovered progressively from the cane proceeds received by the Joint Venture, however impairment has been created in relation to Penang JV's.

NOTE 15. NOTES TO THE STATEMENT OF CASH FLOWS

Reconciliation of cash and cash equivalents

Cash and bank balances	5,117	5,380
Bank overdraft	(22,941)	(21,230)
Total cash and cash equivalents, net	(17,824)	(15,850)

NOTE 16. SHARE CAPITAL

	2019	2018
	$'000	**$'000**
Paid up capital		
44,399,998 ordinary shares	22,200	22,200

NOTE 17. BORROWINGS

	2019	2018
Non-current		
Export Import Bank of India (a)(i)	62,146	65,995
Export Import Bank of India (a)(ii)	726	1,077
Reserve Bank of Fiji – Loan (c)(i)	-	7,000
Reserve Bank of Fiji – Loan (c)(ii)	5,000	5,000
Fiji National Provident Fund – Bonds (d)(i)	-	25,000
Fiji National Provident Fund – Loan (d)(ii)	47,804	25,000
Loans from Fiji Development Bank (g)(i)	3,322	7,562
Loans from Fiji Development Bank (g)(ii)	2,982	7,517
Loans from Government of Fiji (e)	139,743	139,743
Bred Bank (i)	10,000	-
Sugar Cane Growers Fund (b)	5,514	-
Total non-current borrowings	277,237	283,894
Current		
Bank overdraft (k)	22,941	21,230
Loans from Sugar Cane Growers Fund (b)	1,187	6,701
ANZ Banking Group Limited (f)	-	15,000
Loans from Fiji Development Bank (g)(i)	4,681	4,237
Loans from Fiji Development Bank (g)(ii)	4,683	4,103
Loans from Subsidiaries (h)	-	1,160
Export Import Bank of India (a)(i)	7,315	3,492
Export Import Bank of India (a)(ii)	1,830	1,747
Czarnikow Group Limited (j)	31,520	18,999
FNPF bonds d(i)	25,000	-
Reserve Bank of Fiji c (i)	7,000	-
Bred Bank (i)	5,000	-
FNPF – Bridging Finance Facility d(iii)	21,217	-
FNPF – Term Loan d(ii)	2,197	-
Total current borrowings	134,571	76,669

NOTE 17. BORROWINGS (CONT'D)

Particulars relating to borrowings:

a) Borrowings – Export Import Bank of India

(i) The Corporation entered into a contract with the Export Import Bank of India on 7 November 2005 by way of Dollar Line of Credit of US$50.4 million for the upgrade of its sugar mills. The loan is secured by the Government guarantee and the principal amount was repayable in successive half yearly equal instalments of US$1,654,031 over a ten-year period including an initial moratorium of 2 years. Interest is payable at the rate of London Inter Bank Offered Rate (LIBOR) plus 0.5%. The outstanding balance is to be settled by 31 December 2028.

Accordingly, during the year the Corporation has repaid principal of US1,654,031.

(ii) The Corporation entered into a contract with the Export Import Bank of India on 4 February 2015 by way of Dollar Line of Credit of US$5.38 million for the upgrade of its sugar mills. The loan is secured by the Government guarantee and the principal amount is repayable from the date of the first advance, 21 April 2016, in successive half yearly equal instalments of US$413,846 over an eight-year period including an initial moratorium of 2 years. Interest is payable at the rate of London Inter Bank Offered Rate (LIBOR) plus 0.5%.

Accordingly, during the year the Corporation has repaid principal of US$827,692.

b) Sugar Cane Growers Fund (SCGF)

During the year, the borrowings from SCGF of $6.7 million has been restructured to 5-year term loan with two equal installments of $785,585 per year. The loan is secured by Government guarantee.

c) Reserve Bank of Fiji (RBF)

(i) Flood Rehabilitation Loan

The Corporation had borrowed $7 million from RBF to finance rehabilitation work undertaken due to severe flooding in the western division of the island of Viti Levu, Fiji. At the request of the Corporation, the facility has been extended for three years and will be payable on 31 May 2020.

(ii) Natural Disaster Rehabilitation Fund

During the year, the Corporation has borrowed $5 million from RBF to finance rehabilitation work on the rail system due to significant damages sustained from Tropical Cyclone Winston which affected the country in February 2016. The loan is repayable by 4 August 2022.

The above borrowings are secured by the Government guarantee.

d) Fiji National Provident Fund

(i) Bonds

The Corporation raised funds through corporate bonds for $15 million and $10 million during September 2015 and October 2015. The bonds mature on 30 September 2019 and 04 November 2019 respectively.

(ii) Term Loan

Last year, the Corporation secured loan of $50 million from FNPF to meet its working capital and capital expenditure requirements, against which the draw down was $25 million. As at balance date, the facility is fully drawn. The loan is for 15-year term secured by Government guarantee.

NOTE 17. BORROWINGS (CONT'D)

Particulars relating to borrowings: ***(cont'd)***

(iii) Bridging Finance Facility

A further Bridging Finance Facility of $21,217,125 was secured from FNPF in May 2019 to proceed fourth cane payment for 2018 season which included partial top-up payment by the Corporation of the guaranteed price under Stabilization Fund. The facility is secured by the Government guarantee with repayment term of 6 months.

e) Government of Fiji

	2019	2018
	$'000	$'000
Loans from Government of Fiji	173,817	173,817
Less: Deferred grant income on interest (Note 18)	(34,074)	(34,074)
	139,743	139,743

The borrowings from Government of Fiji aggregated $173,816,930 and were subject to interest at the rate of 5% per annum. As per the original repayment terms, the borrowings were repayable after one year from the drawn down dates. However, the Corporation had not recovered its cash flow position sufficiently to repay any of these loans.

In accordance with the Loan Repayment Agreement (LRA) dated 15 July 2015, the loans of $173,816,930 from the Government of Fiji was restructured and converted into long term unsecured optionally convertible loan.

The LRA includes a grace period of 10 years for both loan and interest and repayments period of 20 years resulting in a maturity period of 30 years, from effective date of the loan.

Interest of 3% per annum shall be payable on the drawn amount or on a semi-annual basis commencing from the 11th year from the effective date of the loan.

The Ministry of Economy may at its absolute discretion convert the full amount or part of the loan into fully paid new shares in The Fiji Sugar Corporation Limited.

The benefit of a government loan at a below-market rate of interest of $34,074,000 is treated as a deferred income grant. The loan is recognised and measured in accordance with IFRS 9 Financial Instruments. The benefit of the below-market rate of interest is measured as the difference between the initial carrying value of the loan determined in accordance with IFRS 9 and the proceeds received (Refer Note 18).

f) ANZ Banking Group Limited

During the year, the Corporation repaid $15 million short term loan facility with ANZ.

g) Fiji Development Bank

(i) The Corporation received the secured funding of $17,010,000 from Fiji Development Bank for construction of 10MW power generation plant at Labasa. The loan is payable in monthly instalments of $390,100 (including principal, interest, stamp duty and bank fees).

(ii) During the year on 13 September 2018, a further term loan facility of $30 million was obtained from Fiji Development Bank for purchase the of agricultural equipment for sugarcane development. The loan is for 10 year period with annual installment of $4,683,328 (including principal, interest, and bank fees). The first installment was paid during the year.

The term loans from Fiji Development Bank are secured against Government guarantee and bill of sale over assets acquired from these loans.

NOTE 17. BORROWINGS (CONT'D)

Particulars relating to borrowings: *(cont'd)*

h) Advances from Subsidiaries

Advance from FSC Projects Limited as at balance date amounted to $1,335,293. During the year, the winding up of the company was completed.

i) BRED Bank

The Corporation has secured funding of $20 million from BRED Bank during the year to assist with upgrading work at the Lautoka, Rarawai and Labasa mill. The loan is for 4-year term secured by Government guarantee, with principal of $5 million payable each year. During the year, $5 million was repaid.

j) Czarnikow Group Limited

During the year, the Corporation has borrowed US$15 million from Czarnikow Group Limited to meet operational expenditures and grower cane payments. The loan is secured through assignment of 2019 season contract and will be repaid through the first and second shipment of sugar for the 2019 season (financial year 2020).

k) Bank Overdraft - Home Finance Company Limited

The Corporation has secured an overdraft facility of $20 million with HFC Bank during the year. The facility is secured by Government guarantee and floating charge over all the Corporation's assets.

NOTE 18. DEFERRED INCOME

	2019	2018
	$'000	$'000
Government grants (a)(i)	1,848	1,847
Indian Government grant (b)	1,020	
Less: Accumulated amortization	(1,244)	(1,126)
	1,624	721
Deferred grant income on interest for the Government of Fiji loan (c)	34,074	34,074
Deferred grant income from Government of India (b)	1,153	2,173
Government grant (a)(ii)	229	-
Total deferred income, net	37,080	36,968

a) Government grant received in relation to:
   i) the bulk sugar shed and Lautoka lorry shed which is being amortised on a straight-line basis at 2%.
   ii) procurement of harvesters for hilly cane areas. An agreement has been made on 16th May 2019 for government to provide $500,000 for this procurement. During the financial year, $250,000 Vat inclusive has been received and sourcing of this harvesters in progress.

b) Relates to grant provided by the Government of India to the Corporation through the Ministry of Sugar Industry for the purchase of agricultural equipment with implements. During the year, the Corporation purchased three harvesters and two tractors worth $1,019,610, which is being amortized accordingly in the books. Procurement of equipment for the balance amount $1,153,390 is in progress.

NOTE 18. DEFERRED INCOME (CONT'D)

c) Deferred grant income is measured as the difference between the initial carrying value of the loan determined in accordance with IAS 39 and the actual proceeds from government loan (IAS 20). The initial carrying value of the loan is determined as the future cash payments (principal and interest) through the expected life of the loan to maturity discounted at the market rate of interest that would apply to an identical loan without the conversion option (Refer Note 17(e)).

NOTE 19. PROVISIONS

	Employee entitlements	Litigation claims	Unpaid Rent	Total
	$'000	$'000	$'000	$'000
As at 1 June 2019	2,931	367	1,223	4,521
Additional provisions recognised/ (written back) during the year, net	155	359	112	626
Carrying amount as at 31 May 2019	3,086	726	1,335	5,147

	2019	2018
	$'000	$'000
Analysis of Total Provisions		
Non-current	1,683	1,743
Current	3,464	2,778
Total provisions	5,147	4,521
Employee entitlements consist of the following:		
Annual and sick leave	1,403	1,188
Long service leave	1,683	1,743
Total employee entitlements	3,086	2,931

Annual Leave

Generally, annual leave is taken within one year of entitlement and accordingly, it is expected that a significant portion of the total annual leave balance will be utilised within the next financial year.

Long service leave and termination benefits

Long service leave and termination benefits are accrued for employees entitled to the same under their terms of employment. Note 3(k) outline the accounting policy and underlying basis for these accruals. The expected future payments are discounted at the rate of 5.5%.

NOTE 20. PAYABLES AND ACCRUALS

	2019	2018
	$'000	$'000
Current		
Trade creditors – Supplies and general	4,165	3,157
Trade creditors – Capital project contractors	-	2,207
Other creditors and accruals	6,384	6,441
Growers creditors	32,811	19,296
Cane access road, ACRP and other grants payable	12,306	8,669
VAT payable	-	-
Income in advance (a)	14,652	2,671
Interest payable	1,434	1,364
Total trade and other payables	71,752	43,805

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

a) The Corporation had received income in advance of $14,651,822 (2017: $2,671,205) for sugar and molasses that will be exported from 2019 season crop.

NOTE 21. CONTINGENT LIABILITIES

	2019	2018
	$'000	$'000
Guarantees or bonds given by the bank	67	-

Wage claims and other litigations

i) The Corporation and the workers or workers' union are contesting various matters relating to employee grievances, termination matters and certain other matters. The disputes are on matters of principle and interpretation. The matters are still under consideration by the Court, Tribunal and the Ministry of Labour. The ultimate outcome cannot be presently determined.

ii) During the year, the Corporation terminated the services of contractor, Mohammed Sarif of Seaqaqa Estate due to fraud. The matter was reported to Fiji Independent Commission Against Corruption (FICAC) in November 2017. The outcome from FICAC as at balance date is awaited. During the year the contractor filed a case against the Corporation (civil action No. 12 of 2018) claiming a sum of $248,000. The Corporation has filed a counter claim for a sum of $1,792,232. The ultimate outcome cannot be presently determined at this stage and accordingly no provision has been made in the current year.

NOTE 22. GOING CONCERN AND FINANCIAL SUPPORT

The Corporation has been incurring significant losses. During the year ended 31 May 2019, the Corporation has incurred loss from operations of $62.3 million (2018: $10.3 million) and net loss before income tax of $80.07 million (2018: $24.6 million).

As at 31 May 2019, total liabilities of the Corporation exceed total assets resulting in net liability of $321.8 million (2018: $241.8 million). The current liabilities exceed the current assets by $165.4 million, representing the ratio of 4.8: 1 (2018: $76.8 million, representing the ratio of 2.7: 1).

NOTE 22. GOING CONCERN AND FINANCIAL SUPPORT (CONT'D)

The Corporation has debt repayment commitments amounting to $134.6 million during the financial year ending 31 May 2020. Furthermore, the Corporation requires further funding to meet its working capital requirements, capital expenditure and fund the operating losses.

Given the financial position and the debt levels of the Corporation and recurring losses being incurred by the Corporation, these factors indicate that without Government support, the Corporation will not be able to continue as a going concern.

Accordingly, the Government is committed to provide assistance to bring about the required reforms and improvements thereby:

- The Government continues to provide support to the Corporation and the sugarcane industry.
- Sugarcane industry reforms are achieved and funding for the sugarcane industry at large is made available for a long term sustainability and survival of the sugarcane industry and the Corporation.

The Government as a majority shareholder has made a commitment to support and assist the sugarcane industry given the importance of the sugarcane industry for the economy of Fiji. The Government's support to the Corporation is evident by:

a) The increase of Government guarantees to $322 million and extension of the guarantee till 31 May 2022.

b) The loans from the Government of Fiji aggregating to $173,816,930 have been converted into 30-year long term loan with 10-year grace period and optionally convertible loan in accordance with the Loan Repayment Agreement dated 15 July 2015. Furthermore, accrued interest up to 31 May 2014 was waived by the Government during the financial year 2016, and no interest has been charged on the Government loans since the year ended 31 May 2015.

c) Continuous and increased allocation of grants and funding to the sugar industry by the Government for the Sugar Development Program, cane access roads, fertilizer subsidies and other benefits directly or indirectly to the farmers. The Government allocated $70.4 million in 2019/20 National Budget for various initiatives to assist the sugar cane industry, including Sugarcane Development, establishment of sugar cane stabilization fund, Cane Access Roads, Fertiliser and Weedicide subsidy, subsidy for the cartage costs for the transportation of sugarcane from Penang to Rarawai Mill, small grant scheme for irrigation, water tank, water pumps, and some new farmers' assistance programme and support on the use of machineries.

d) Development of 5-year National Sugar Industry policy coordinated by Ministry of Sugar Industry in consultation with key stakeholders of the industry. The policy will provide strategic respond to long-term challenges including sugarcane and sugar production, transportation, harvesting and milling, marketing, capacity, etc, that is affecting the Sugar Industry. It will provide a clear vision and coherent direction for coordination among the Sugar Industry stakeholders including industry institutions, policy makers, investors, private sectors, and non-government organisations for the development and sustainability of the Sugar Industry.

Furthermore:

i) In 2019, the Corporation developed five (5) year revised strategic plan till 2023 to restore viability and sustainability of the industry. It aims to transform the Corporation in next 5 years through revenue optimisation from large scale sugar plantations, embark upon revenue generating investments, better marketing of Sugars of Fiji, continue to achieve improvements in mill efficiency and mill performance together with improved quantity and quality of cane supply and thereby generate adequate profits and cash flows from future operations to meet its obligations as and when they fall due. Appropriate plans and strategies together with detailed work plan and milestones are being implemented by the directors and the management to achieve the targets set out in the strategic plan.

NOTE 22. GOING CONCERN AND FINANCIAL SUPPORT (CONT'D)

ii) Management is making all efforts in consultation with the project engineers and contractors to bring about efficiency within the upgraded mill plants and machinery at the three mills. Training of operators in critical areas of operations is continuing under the guidance of technical experts. It is expected with continuous improvement in this manner, the performance of the upgraded plants will fully integrate with older plant and machinery and it is expected the milling efficiencies will improve to an acceptable level of performance.

iii) Technical expertise is being engaged where necessary in order to carry out financial restructure, operations streamlining and marketing of Sugars of Fiji brand to get better value for our sugar.

iv) Corporation has embarked on looking at alternative markets such as previously lucrative regional and Asian markets since EU sugar quota came to end in September 2017. There are number of new market areas being pursued now and the Corporation is confident to sell the Sugars of Fiji brand at a decent market price.

v) Various non-core assets of the Corporation have been identified and are being sold.

vi) A number of strategies and initiatives have been put in place to reduce costs through rationalization of man power levels, streamlining of business operations, centralization of corporate functions and outsourcing of non-core activities.

vii) The Corporation through the Joint Venture arrangements seeks to increase the sugar volume in the future. The Corporation is responsible for providing technical knowhow support (including land preparation, planting, maintenance and harvesting of cane) and organizing finance for the project works.

viii) Corporation's plan to modernise and upgrade rail transportation system (rail trucks and locomotives), as it is the cheapest mode of cane transportation to the mills.

ix) Diversifying the existing product and customer base through market sensitive pack sizes.

x) The transport division of the Corporation is being strengthened and mechanized with the acquisition of new agricultural equipment's such as cane harvesters, tractors, cane cartage trucks and farming implements. This equipment will provide assistance to the farmers and FSC in a cost effective way.

The directors consider the application of the going concern principle to be appropriate in the preparation of the financial statements as the directors anticipate the Government will continue to provide necessary support and improvements will be achieved in cane supply and mill performance and thereby the Corporation will be able to generate adequate funds to meet their liabilities as and when they fall due.

The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might become necessary should the Corporation be unable to continue as a going concern.

NOTE 23. COMMITMENTS

	2019	2018
	$'000	$'000
a) Capital commitments		
Capital commitments contracted but not provided for in the financial statements	27,675	13,497
Capital commitments approved by the directors but not yet contracted	6,427	2,910
Total capital commitments	34,102	16,407

NOTE 23. COMMITMENTS (CONT'D)

Capital expenditure commitments primarily relate to procurement of mill, plant and equipment and vehicles.

	2019	2018
b) Operating lease commitments	**$'000**	**$'000**
Non-cancelable operating land and vehicles lease rental commitments are payable as follows:		
Not later than one year	576	559
Later than one year but not later than five years	1,265	1,486
Later than five years	12,235	11,158
Total operating lease commitments	14,076	13,203

c) Commitments for purchase of cane and for supply of sugar

The Corporation is committed to purchase sugarcane from growers. Furthermore, the Corporation is committed to supply sugar to the European Union and other potential buyers. Further, the Corporation has embarked on looking at alternative markets such as previously lucrative regional and Asian markets to mitigate the impact since EU sugar quota came to end in September 2017. There are number of new market areas being pursued now and the Corporation is confident to sell the Sugars of Fiji brand at a decent market price. Refer Note 24 for further details.

NOTE 24. COMMITMENTS FOR PURCHASE OF CANE AND COMMITMENTS FOR SUPPLY OF SUGAR IN THE NEXT TWELVE MONTHS

The Corporation purchases cane from growers as required by the Master Award and in accordance with the terms, conditions and procedures set out in the Master Award. The Master Award forms an integral part of the Sugar Industry Act. Under the Master Award, the growers share 70% of the proceeds for sugar produced up to 325,000 tonnes; 72.5% of the proceeds for sugar produced between 325,000 – 350,000 tonnes and 75% of proceeds for sugar produced in excess of 350,000 tonnes. The sugar proceeds are shared net of industry costs such as marketing, shipping and Sugar Research Institute of Fiji.

During the 2018 crushing season (year ended 31 May 2019), the growers supplied to the Corporation a total of 1.70 million tonnes of cane from which 160,204 tonnes of sugar has been produced. The Corporation has exported 111,844 tonnes of sugar against its supply commitments to the buyers.

Traditionally, the Corporation sold its sugar to the European Union (EU) under the regional Economic Partnership Agreements (EPA) that came to end on 30 September 2017.

With effect from 1 October 2017, Fiji enjoys a continuation of market access on quota free and duty free terms, with pricing linked to prevailing market prices in the EU, which in turn will be driven by world sugar prices. The exposure of Fiji to world sugar price dynamics has thus increased from 1 October 2017.

Alternative export markets are available to Fiji which potentially provide superior pricing to EU destinations as a result of freight premiums arising from Fiji's geographic proximity to these markets.

The Corporation has embarked on looking at alternative markets such as previously lucrative regional and Asian markets to mitigate the impact since EU sugar quota came to end in September 2017. There are number of new market areas being pursued now and the Corporation is confident to sell the Sugars of Fiji brand at a decent market price.

NOTE 25. RELATED PARTY DISCLOSURES

a) Ownership interests in related parties

Interests held in subsidiaries are set out in Note 12(b) to the financial statements.

b) Directors

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

Mr K Vishnu Mohan - Chairman
Mr Viliame Gucake
Ratu Wiliame Katonivere
Mr Arvind Singh
Mr Tevita Kuruvakadua
Mr Pradeep Lal
Mr Hari Raniga
Mr Ariff Ali

Directors' emoluments for services as directors and other services are disclosed under Note 7.

c) Transactions with related parties

All transactions with related parties are made on normal commercial terms and conditions. There were no material transactions (aggregate value in excess of $20,000) during the year with any related parties or entities related to directors.

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.

During the year, seven executives (2018: ten executives), (Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, General Manager Corporate Services, Head of Business Integration, Head of Engineering & Capital Projects, Head of Sugar Operations) were identified as key management personnel, with the greatest authority and responsibility for the planning, directing and controlling the activities of the Corporation.

The aggregate remuneration to the executive management group for year ended 31 May 2019 and 2018 were:

	2019	2018
	$'000	$'000
Executive Director's remuneration	-	-
Other executive management	2,012	2,077

Furthermore, certain members of executive management group were provided non-cash employment benefits, such as vehicle, housing allowances and medical insurance cover, in aggregate benefit value of $142,028 for the year.

e) Amounts due to, and receivable from related parties:

Appropriate disclosure of these amounts is contained in the respective notes to the financial statements.

NOTE 25. RELATED PARTY DISCLOSURES (CONT'D)

f) Government guarantee and assistance

i) The Government has approved guarantees to allow the Corporation to borrow in the short term money market and from Export Import Bank of India for its sugar mills upgrade and modernization. Refer Note 26 for the details of the guarantees provided.

ii) In the prior years, the Government of Fiji provided funding to meet repayment of Government guaranteed loans and to fund on-going working capital requirements of the Corporation. The borrowings from the Government of Fiji aggregated to $173,816,930 (including deferred grant income on interest) as at balance date (2018: $173,816,930 (Refer Note 17(e)).

iii) The Government has approved guarantees to allow the Corporation to seek funding from banks and other financial institutions.

NOTE 26. GOVERNMENT GUARANTEE

The Government has provided certain guarantees to the Corporation, including the following:

a) In 2017, the Government approved a guarantee limited to $322 million, valid until 31 May 2022, to enable the Corporation to raise short-term loan finance to meet its working capital requirements.

b) The Government has provided a guarantee of US$50.4 million and US$5.38 million for borrowings from Export Import Bank of India in relation to the sugar mills upgrade and modernization. As at balance date, the outstanding balance is US$31.41 million and US$1.16 million, respectively under this guarantee.

c) The Government as a majority shareholder has made a commitment to support and assist the sugarcane industry given the importance of the sugarcane industry for the economy of Fiji.

NOTE 27. SIGNIFICANT EVENTS DURING THE YEAR

Significant events during the year were:

i) Impairment of Property, Plant and Equipment

For the year ended 31 May 2019, an impairment review of the assets of the Corporation was carried out by an independent consultant from New Zealand. The impairment assessment was undertaken in accordance with International Accounting Standard 36 "Impairment of Assets". Based on the independent assessment, management and directors have carried out an assessment of the recoverable amount of the assets, trend of improvement in sugar cane quality, and assessed that no further provision for impairment is required.

Accumulated impairment losses provided in earlier years total $78.4 million and a further impairment of $5 million was provided last year in respect of the 50T boiler at Labasa Mill.

The assessed enterprise value of the Corporation's productive assets continues to exceed the carrying value of the Corporation's core operating assets. Notwithstanding this, no reversal of accumulated impairment losses will be considered until the Corporation's growth is consolidated.

NOTE 27. SIGNIFICANT EVENTS DURING THE YEAR (CONT'D)

ii) Czarnikow Group Limited

During the year, the Corporation has borrowed US$15 million from Czarnikow Group Limited by way of trade finance to meet operational expenditure and grower cane payments. The loan will be repaid through the first and second shipments of sugar for the 2019 season (financial year 2020).

iii) Fiji National Provident Fund (FNPF)

Last year, the Corporation secured a loan of $50 million from FNPF to meet its working capital and capital expenditure requirements, against which the draw down was $25 million. As at balance date, the facility is fully drawn. The loan is for a 15-year term secured by Government guarantee.

A further Bridging Finance Facility of $21,217,125 was secured from FNPF in May 2019 to fund the fourth cane payment for 2018 season. This payment included partial top-up by the Corporation of the guaranteed price of $85 per tonne of cane. The facility is secured by confirmed property sale contracts and a Government guarantee with repayment term of 6 months.

iv) BRED Bank

The Corporation has secured funding of $20 million from BRED Bank during the year to assist with upgrading work at the Lautoka, Rarawai and Labasa mill. The loan is for a 4-year term secured by Government guarantee, with principal of $5 million payable each year. As at 31 May 2019, the facility is fully drawn and $5 million repaid.

v) Guaranteed cane price

The Fiji Government last year announced that it would establish a guaranteed cane price of $85.00 per tonne of sugar cane for a period of 3 years (2018 – 2020 crop years). This initiative is intended to instill confidence and provide price certainty for farmers. It was proposed that FSC would be responsible for Year 1, and Government for the 2 years thereafter. Funding from the sale of non-productive assets is being utilized by FSC to support the FSC contribution.

During the year, the full impact of this guaranteed cane price on FSC has been accounted for. The value of the guaranteed cane price less the actual price realized from sugar sales is $48.1 million.

vi) Sale of Non-productive Assets

Following a review of non-productive assets of the Corporation by the board of directors, management commenced the sale of property during the year. As at 31 May 2019, net realised property sales were $23.04 million.

vii) Restructure of creditors

During the year, liabilities due to two creditors were restructured to longer term repayment plans.

a) The debt to South Pacific Fertilizer Ltd of $13,618,564 was converted into a four-year interest free debt with equal instalments of $1,702,320 payable twice each year. The agreement allows for partial or full offset of the debt against sale of suitable land to SPF at a market price.

b) The debt to Sugar Research Institute of Fiji of $4,009,314 has been converted to a five-year interest free debt, with $250,000 repayable in the first year and the balance payable over the next four years.

NOTE 28. EVENTS SUBSEQUENT TO BALANCE DATE

Subsequent to balance date, no matters or circumstances have arisen which would require adjustment to, or disclosure in, the financial statements.

NOTE 29. INSURANCE

The Corporation has obtained insurance cover for property, plant and equipment, excluding railway network and various exclusions, for material damage and business interruption. The insurance cover is subject to various terms and conditions and insurance excess. Vehicles are insured under comprehensive insurance cover.

NOTE 30. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors and authorised for issue on 23 July 2019.

10-YEAR STATISTICAL REVIEW

Financial statistics										
for year ended 31 May	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Turnover ($m)	132.8	182.1	144.9	199.8	197.3	224.0	199.0	203.6	141.5	194.7
Profit/(Loss) before taxation ($m)	(80.1)	(24.6)	(45.0)	(53.4)	(31.7)	6.9	6.3	1.8	(36.6)	(198.0)
Income Tax (expense)/benefit ($m)	-	-	-	-	-	-	-	-	-	22.9
Profit/Loss after taxation & Extra-ordinary items ($m)	(80.1)	(24.6)	(45.0)	(53.4)	(31.7)	6.9	6.3	1.8	(36.6)	(175.1)
Total Assets ($m)	203.9	204.1	199.6	254.2	266.2	279.3	254.6	196.1	148.7	140.3
Net Assets ($m)	(321.8)	(241.8)	(217.1)	(172.1)	(117.4)	(85.7)	(92.6)	(98.9)	(100.7)	(64.0)
Proceeds of Sugar & Molasses ($m)	129.8	180.7	143.4	195.8	191.7	214.6	185.7	200.8	121.6	180.5
FSC's share of proceeds ($m)	38.8	54.2	43.0	58.7	56.0	62.5	55.7	60.2	36.5	54.1
Price per tonne cane ($)	82.51	85.00	82.00	76.66	81.01	88.49	81.83	65.67	49.16	56.23
Production statistics										
Season	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Cane Crushed (000t)	1,696	1,631	1,387	1,845	1,832	1,610	1,547	2,095	1,780	2,247
Sugar Produced (000t)	160	180	140	222	227	179	155	167	132	168
Molasses Produced (000t)	85	66	63	76	78	59	67	107	113	136
Tonnes Cane/Tonnes Sugar	10.6	9.0	9.9	8.3	8.1	9.0	10.0	12.6	13.5	13.4
Molasses % Cane	5	4	5	4	4	4	4	5	6	6
POCS %	11	11	11	12	12	11	11	10	10	10
Cane Purity %	81	83	82	83	82	82	82	80	79	79
Fibre in Cane %	12	12	12	12	12	12	12	11	12	12
Average Crushing Rate for all mills (tcph)	674	694	692	792	853	834	811	834	794	789
Actual Crushing Time as % of Available Time	63	66	58	71	70	63	61	60	53	60
Field statistics										
Season	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Number of Growers	16,666	16,605	16,526	16,387	16,348	15,528	15,948	16,259	16,609	17,762
Number of Active Growers	11,902	11,871	11,676	12,405	12,681	12,633	12,848	12,791	13,251	13,903
Tonnes Cane per Hectare	46	43	38	47	48	42	37	49	40	46
Average Tonnes Cane per Grower	142	137	119	148	144	127	120	164	134	162
Number of Cane Cutters	7,700	7,771	9,173	9,582	10,341	8,973	8,109	10,285	9,650	9,649
Output per Cutter (tonnes)	110	117	142	182	173	179	191	203	184	228
Burnt Cane %	51	34	57	39	41	29	36	25	23	32
Sugar exports - destinations and quantities (metric tonnes)										
Season	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
UK/EU	68,600	129,828	104,736	165,260	184,414	165,557	146,656	138,222	110,731	152,906
USA	9,034	14,570	8,329	21,163	16,254	-	-	-	-	-
KOREA	-	-	200	220	766	-	-	-	-	-
GERMANY	480	-	-	-	-	-	-	-	-	-
CHINA	33,730	-	-	-	-	-	-	-	-	-
TOTAL	**111,844**	**144,398**	**113,265**	**186,643**	**201,434**	**165,557**	**146,656**	**135,462**	**110,731**	**152,906**


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