The Fiji Sugar Corporation Limited

Annual Report 2012



Contents

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 In 2006 the Fiji Sugar Corporation Act was repealed allowing it to be governed solely under the Companies Act.

Our Shareholders

The Government of Fiji is the 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 four sugar mills located at Lautoka, Ba and Rakiraki on the main island of Viti Levu while Labasa Mill is located on the second largest island of Vanua Levu. The mills are strategically located on the drier side of the two larger islands where conditions are more suited to cane growing.

The Corporation is responsible for the manufacture and sale of raw sugar together with molasses as a by-product. The Corporation owns and maintains some 720 kilometres of railway network on which sugar cane is transported to the mills. The Corporation is one of the largest sector employers with a workforce of around 2,000 individuals during the peak crushing session.

The Sugar Industry is important to Fiji's economy as it contributes about 1.9 percent of GDP, generates about 5.9 percent of total exports with a total foreign earning of $113.3 million in 2011. Unlike many other export-oriented industries, most production inputs are domestic and have a high regional impact and cross-sectoral linkages.

The Corporation through its subsidiaries and related companies is also engaged in development and project work (FSC Projects Limited).

Corporate Highlights

Financial Results

- Corporation's share of proceeds was $60.2 million compared to $36.5 million in the previous year.
- Consolidated trading loss was $13.7 million, compared to a loss of $32.3 million in the previous year.
- Loss from operations reduced to $20.9 million, compared to $37.3 million in the previous year.
- Operating profit for the year was $1.8 million, compared to operating loss of $36.6 million in the previous year.
- A total of $18.9 million was invested in Property Plant and Equipment, compared to $14.5 million in the previous year.
- Earnings per share improved to 0.04 from ($0.82) in the previous year.

Operations

- A total of 2.1 million tonnes of sugarcane was crushed from an area of 42,855 hectares compared to 1.8 million tonnes from 44,927 hectares in the previous year.
- Sugar production increased to 166,669 tonnes compared to 131,506 tonnes in the previous year primarily as a result of improved cane production and TCTS.
- Tonnes Cane to Tonnes Sugar (TCTS) ratio was 12.6 compared to 13.5 in the previous year.
- Cane Quality (POCS) was 9.8 compared to 10.4 in the previous season.
- The total sugar exported to EU was 135,462 tonnes compared to 110,731 tonnes in the previous year.

Financial Summary

	2012 $'000	2011 $'000
Sales and Profit		
Total sales	203,621	141,451
Trading Profit / (Loss)	(13,712)	(32,256)
Income tax benefit	-	-
Unrealised exchange gain/(loss)	(4,437)	10,893
Reversal of Impairment loss		40,000
Operating Profit/(loss) after extraordinary items and income tax	1,804	(36,624)
Cash Flow ($'000)		
Operating activities	3,227	(32,914)
Investing activities	(20,857)	(16,716)
Financing activities	33,038	49,530
Net increase/(decrease) in cash	15,408	(100)
Financial Position ($'000)		
Working capital	(127,444)	(95,855)
Current assets	58,690	45,685
Total assets	196,065	148,697
Non-current liabilities	108,787	107,817
Current liabilities	186,134	141,540
Shareholders' equity	(98,856)	(100,660)
Additional Information		
Ratio of current assets to current liabilities	0.3	0.3
Ratio of debt to shareholders' equity	(3.0)	(2.25)

Corporate Governance

FSC views corporate governance in its 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 realising the Corporation's objectives with a view to make the most 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 while minimising 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 best serve the goal of value creation, thereby creating an outstanding organisation.

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 recognised 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 corporate 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 Directors 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.

The 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 behaviour and accountability.

Composition of the Board

The Board aims to bring people of the right calibre with a wide and diverse range of business experience and expertise. There are 7 directors on the Board, appointed by the shareholders. Board representation also includes key stakeholders.

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.

Boards of Subsidiaries and Associate Entities

Directors on the Boards of the Corporation's subsidiaries and associate entities are appointed so as to provide requisite skills necessary to maximise shareholder value and safeguard stakeholder interests by promoting governance practices, policies and procedures which are generally consistent with those of the Corporation.

Board of Directors

Abdul Khan
Executive Chairman

Marika Gaunavou
Deputy Chairman

Alipate Qetaki

Ratu Deve Toganivalu

Viliame Gucake

Ratu Aisea
Katonivere

Dijendra Singh

Timoci Laqai
Company Secretary

Executive Management Group

Corporate


Ali Ubadutt
Chief Financial Officer


Timoci Laqai
Human Resources Manager


Mikaele Biukoto
Manager Special Duties


Thomas Peters
Manager Engineering


Seru Vularika
Manager Relationships


Rajneesh Charan
Manager Information

Mills


Viliame Savou
Production Manager -
Lautoka Mill


Sailasa Waitawa
Production Manager -
Rarawai Mill, Ba


Karia Christopher
Production Manager -
Labasa Mill


Taito Kafoa
Production Manager -
Penang Mill, Rakiraki

EXECUTIVE CHAIRMAN'S REPORT

The operational challenges continued from the previous years and was further compounded by the softening of the world market price for raw sugar. Although this did not reflect directly into the European Market, there were signs that the large difference between the world market price and the European Union was not sustainable.

As in the past, Government continued its support for the industry at large and the company. In terms of the industry wide support, Government provided a subsidy of $5.0 million for fertilizers, $6.0 million as assistance to farmers for sugar cane planting as well as its yearly support to SRIF. In terms of the support for sugar cane planting, this fund was converted into an interest free loan totaling $9.0 million.

The Government support to the company in monetary terms was $66.4 million and just as important was its support in confidence to ensure that the company continued to improve its operations and provide the support to the industry. It is these types of support that has allowed the company to meet its commitment to customers and creditors.

Using the accepted industry measure to tonne of cane to tonne of sugar ratio, the improvement operationally was 6 percent, from 13.4 to 12.6.

The profitability of the company improved further and for the first time after a number of years, a profit of $1.804 million was recorded after taking into account impairment losses and write back. This is a significant gain considering that only 2 years ago, the company had recorded a loss of $175.065 million.

The two main factors that contributed significantly to this are a relatively strong price for the re-negotiated export contract and the overall improved operations of the company.

To reduce the company's dependency on Government sourced funds, the company was able to successfully negotiate a pre-export facility with ANZ Bank for 40 million euro for a period of 3 years. This facility allowed the company to manage its various payments and the funds drawn were then paid to the bank upon receipt of sugar revenue. The ability for the company to negotiate such a facility added further to the confidence being shown by the private sector in both the industry and the company.

The two major floods on 24th January and 30th March 2012 had a large impact on the volume of sugar cane available as well as the assets of the company. The following assets were badly affected:

Torivo water Dam being the water source for Rarawai Mill

Flood waters through the various venerable machineries in Rarawai and Penang Mills

Lautoka Mill water supply at Tavakubu intake structure.

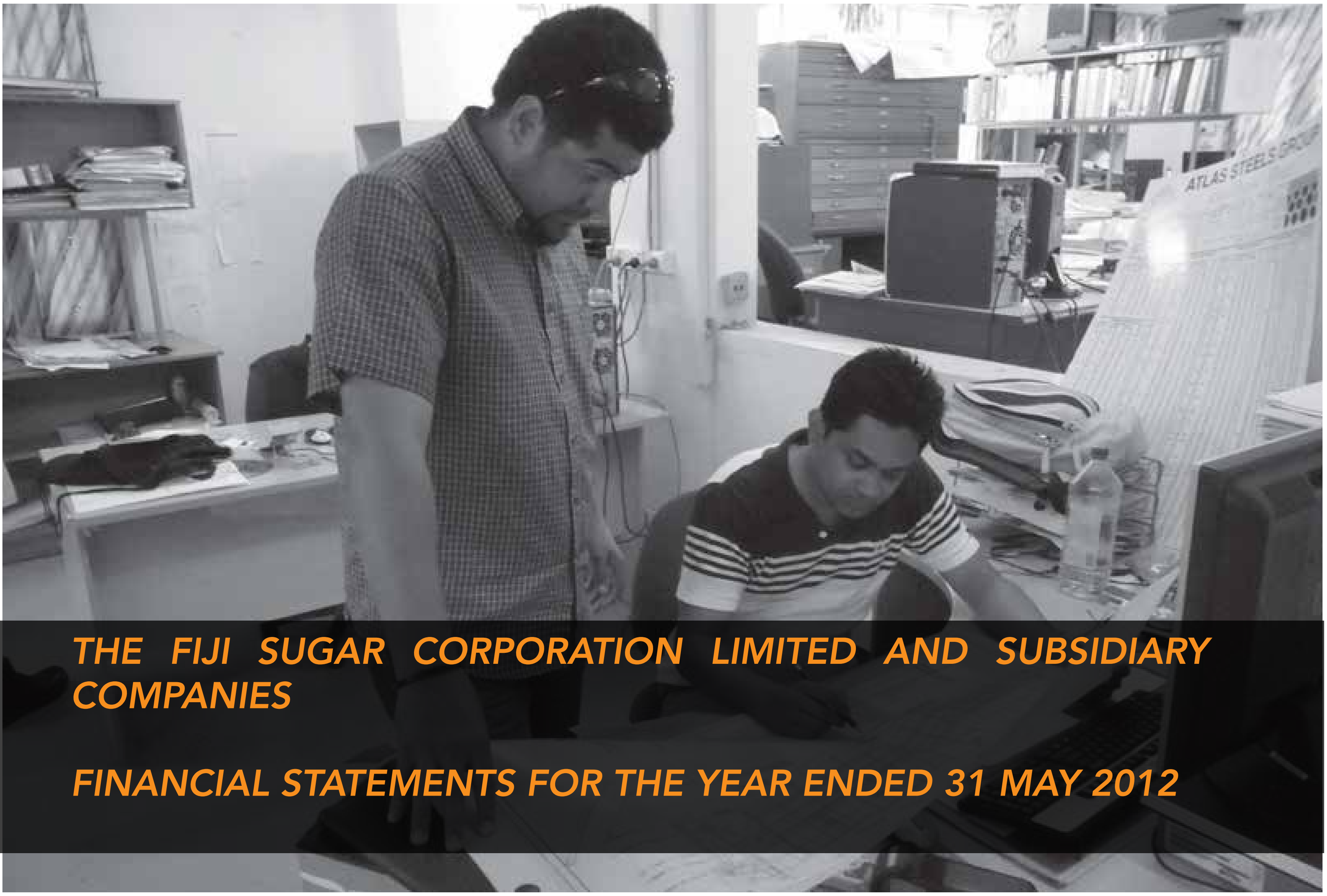
Acknowledgement

First and foremost I thank Government for its unwavering support, crucial for the Corporation's survival.

I take this oppotunity also to thank the Industry stakeholders, in particular the farmers for their understanding of the problems that we face as an Industry.

To my fellow directors, thank you for your guidance and continued suppot during challenging times.

With the destruction caused by the two cyclones, the year has been a difficult one. That the Corporation has been able to rise above these difficulties is testimony to the commitment, effort and teamwork displayed by our employees. My sincere thanks to you and your families for your untiring support.



THE FIJI SUGAR CORPORATION LIMITED AND SUBSIDIARY COMPANIES

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2012

Financial Statements

Directors' Report

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) and of the Group as at 31 May 2012 and the related statement of comprehensive income, statement of changes in equity andstatement 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 Abdul Khan - Executive Chairman

Mr Marika Gaunavou - Deputy Chairman

Ratu Deve Toganivalu

Ratu Aisea Katonivere

Mr Dijendra Singh

Mr Alipate Qetaki

Mr Viliame Gucake

Group Financial Statements

The financial statements have been consolidated on the basis that the Corporation fully owns the equity capital of the subsidiaries.

Principal Activities

The Corporation owns and operates four sugar mills and is involved in the milling of sugarcane, manufacture and sale of sugar and molasses produced.

Principal activities of subsidiary companies are as follows:

FSC Projects Limited - equity investments.

FSC Services Pty Limited - this company ceased operations from May 2006.

Pacific Cogeneration Limited - during the year, the company commenced the setting-up and preparation for construction of power cogeneration plant at Rarawai, Ba.

Results

The consolidated results of the Group are summarized below:

	2012 $'000	2011 $'000
Loss from operations	(20,947)	(37,274)
Finance income	395	274
Finance costs	(10,052)	(9,880)
Allowance for non-current inventory obsolescence	(87)	(165)
Unrealised exchange gain / (loss), net	(4,437)	10,893
Employee redundancy cost	-	(290)
Impairment loss on investment in associate	-	(160)
Share of loss from associate	-	(22)
Loss on disposal of investment in associate, net	(46)	-
Loss due to flooding	(3,022)	-
Reversal of impairment loss on property, plant and equipment	40,000	-
Profit / (loss) for the year	**1,804**	**(36,624)**

The Fiji Sugar Corporation Limited And Subsidiary Companies
Directors' Report [Cont'd]

Dividends

The directors recommend that no dividends be declared for the year ended 31 May 2012.

Reserves

It is proposed that no amounts be transferred to reserves within the meaning of the Seventh Schedule of the Companies Act, 1983.

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 financial support and ongoing support from the Government of the Republic of Fiji, the Corporation's debt will be restructured with additional equity and /or funding provided by the Government, the Corporation will achieve improvements in mill efficiency and mill performance together with improved cane supply and thereby generate adequate profit and cash flows from future operations to meet its obligations as and when they fall due. The directors believe that with the financial and other support of the Government, the Corporation and the Group entities 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 and the Group be unable to continue as a going concern.

Significant Events During the Year

a) Mill Upgrade Program

The Mill Upgrade Program has been substantially completed. In order to bring improvement in the plant reliability, sugar extraction, sugar quality and energy efficiency as envisaged for the Mill Upgrade Program, management is making all efforts in consultation with the project engineers, contractors and consultants to bring about efficiency within the upgraded mill plants and machinery at the three larger 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.

b) Impairment of Plant and Equipment

For the year ended 31 May 2012, 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". Based on the independent assessment, Management has carried out an assessment of the recoverable amount. Due to improvement in sugar prices and the improvement in mill efficiency and TCTS ratio, the expected recoverable amount and thereby the carrying value of property, plant and equipment has been assessed to have improved. Accordingly management has recognised reversal of impairment loss amounting to $40 million.

The Fiji Sugar Corporation Limited And Subsidiary Companies
Directors' Report [Cont'd]
Significant Events During the Year (Cont'd)

c) Flood Damage

In January 2012 and March/April 2012, there was severe flooding in the western division of the island of Viti Levu. As a consequence, the Corporation's infrastructure was severely affected. The floods caused significant damage to the infrastructure, buildings, plant, machinery, equipment, and stock. The loss due to flooding amounted to $3,022,404.

Furthermore, the Corporation is carrying out rehabilitation works arising due to the flood damage, which is projected to cost approximately $15 million.

Since the Corporation has not insured its assets (except motor vehicles) the rehabilitation is funded through $7 million borrowed from Reserve Bank of Fiji and internal sources.

Bad and Doubtful Debts

Prior to the completion of the Corporation's and Group'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 impairment. 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 impairment in the Corporation's or the Group's financial statements, inadequate to any substantial extent.

Current and Non-Current Assets

Prior to the completion of the financial statements of the Corporation and the Group, 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 and the Group.

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 and Group's financial statements misleading.

Unusual Transactions

During the year, the Corporation incurred significant losses due to flooding during January and March/April 2012. Furthermore the management assessed reversal of impairment loss on the Corporations property, plant and equipment based on independent impairment assessment report.

Other than the impact of the above events, the results of the operations of the Group or any company in the Group during the financial year have not in the opinion of the directors been substantially affected by any item, transaction or event of a material and unusual nature.

Events Subsequent to Balance Date

Subsequent to balance date:

a) Export Import Bank of India (EXIM) Loan – Extension in moratorium

The EXIM Bank has extended the moratorium period by 3 years to a total of 8 years. Accordingly, loan repayment commitments for the Corporation will recommence from February 2015.

b) ANZ EUR $40 million Sugar Pre-export Finance Facility

The Corporation has entered into an EUR $40 million sugar pre-export finance facility agreement with ANZ Bank on 15 August 2012 to fund the Corporation's operational expenditure and grower cane payment. The facility will be available on a revolving basis from May to January of each fiscal year and expires on 31 March, 2015. Each drawing against the facility is to be repaid within 180 days and the facility is to be fully repaid by 31 March of each year.

The facility is secured by perfected assignment of Corporation's rights and interests under the export contract with the Off-Taker, first demand guarantee issued by the Government as the Guarantor and floating charge over all the Corporation's assets (including stocks of sugar and fixed assets).

c) Government of Fiji loans

During June to August 2012, the Corporation obtained funding of $26.9 million from the Government to fund ongoing working capital requirements.

d) Sugar Cane Growers Fund (SCGF) loan

During July 2012, the Corporation obtained funding of $7 million from the SCGF to fund ongoing working capital requirements.

Other than the above, no other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group or any company in the Group, the results of those operations, or the state of affairs of the Group or any company in the Group in future financial years.

Other Circumstances

As at the date of this report:

(i) no charge on the assets of any company in the Group 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 any company in the Group could become liable; and

(iii) no contingent liabilities or other liabilities of any company in the Group has become or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Corporation or the Group 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 and the Group misleading or inappropriate.

Directors' Benefits

Since the end of the previous financial year, no director of the Corporation has, received or become entitled to receive a benefit (other than a benefit included in the total amount of emoluments received or due and receivable by directors as shown in the Corporation's financial statements) by reason of contract made by the Corporation or 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.

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

Dated this 24th day of October 2012.

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Director Director

Statement By Directors

In accordance with a resolution of the board of directors of The Fiji Sugar Corporation Limited, and subject to disclosures made in the financial statements including disclosure under Note 21 in relation to going concern and support by the Government, we state that in the opinion of the directors:

(a) the accompanying statement of comprehensive income of the Corporation and of the Group is drawn up so as to give a true and fair view of the results of the Corporation and of the Group for the year ended 31 May 2012;

(b) the accompanying statement of financial position of the Corporation and of the Group is drawn up so as to give a true and fair view of the state of affairs of the Corporation and of the Group as at 31 May 2012;

(c) the accompanying statement of changes in equity of the Corporation and of the Group is drawn up so as to give a true and fair view of the changes in equity of the Corporation and of the Group for the year ended 31 May 2012;

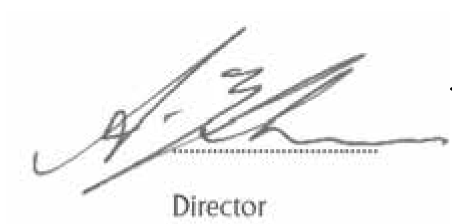
(d) the accompanying statement of cash flows of the Corporation and of the Group is drawn up so as to give a true and fair view of the cash flows of the Corporation and of the Group for the year ended 31 May 2012;

(e) at the date of this statement, we believe that the Corporation and the companies in the Group will be able to pay their debts as and when they fall due; and

(f) all related party transactions have been adequately recorded in the books of the Corporation and the companies in the Group.

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

Dated this 24th day of October 2012.



Independent Auditors' Report

To the members of The Fiji Sugar Corporation Limited

Report on the Financial Statements

We have audited the accompanying financial statements of The Fiji Sugar Corporation Limited (the "Corporation") and the Group, which comprise the statement of financial position as at 31 May 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information as set out on pages 11 to 54.

Director's and Management's Responsibility for the Financial Statements

Directors and management are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and with the requirements of the Companies Act, 1983. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Independent Auditors' Report [Cont'd]
To the members of The Fiji Sugar Corporation Limited (Cont'd)

Audit Opinion

In our opinion:

(a) proper books of account have been kept by the Corporation and the Group entities, so far as it appears from our examination of those books; and

(b) the accompanying financial statements of the Corporation and the Group which have been prepared in accordance with International Financial Reporting Standards:

i) are in agreement with the books of account;

ii) to the best of our information and according to the explanations given to us:

(a) give a true and fair view of the state of affairs of the Corporation and of the Group as at 31 May 2012 and of the results, changes in shareholders' equity and cash flows of the Corporation and of the Group for the year ended on that date; and

(b) give the information required by the Companies Act, 1983 in the manner so required.

We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.

Emphasis of Matter

Without qualifying our opinion expressed above, we draw attention to the following matter:

Continuation as a Going Concern

The Corporation incurred significant losses during recent years. During the year ended 31 May 2012, the Corporation incurred a loss (before reversal of impairment loss) of $38.1 million. The corporation is also not generating adequate cash flows to meet all its commitments and obligations as and when they fall due.

As at 31 May 2012, total liabilities of the Corporation exceed total assets resulting in net liabilities of $100.2 million. The current liabilities exceed the current assets by $127.9 million.

The Corporation has significant debt repayment commitments amounting to $150.9 million during the financial year ending 31 May 2013. Furthermore, the Corporation will require funding to meet its working capital and capital expenditure requirements.

The above conditions and other matters as disclosed in Note 21 of the financial statements indicate the existence of a material uncertainty that may cast significant doubt about the Corporation's and the Group's ability to continue as a going concern.

Independent Auditors' Report [Cont'd]
To the members of The Fiji Sugar Corporation Limited (Cont'd)
Emphasis of Matter (Cont'd)
Continuation as a Going Concern (Cont'd)

The appropriateness of the going concern assumption on which the financial statements are prepared is critically dependent on the Government's financial and other support to the Corporation and the sugar industry, the restructuring of the Corporation's debt and additional equity and /or funding provided by the Government to enable the Corporation to continue in operation for at least twelve months. The appropriateness of the going concern assumption is also dependent on significant improvements in mill performance, and other factors as outlined in Note 21.

Should the going concern assumption be not appropriate, adjustments would have to be made to reflect a situation where the assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts stated in the statement of financial position of the Corporation and of the Group. In addition, the Corporation and the Group may have to provide for further liabilities which may arise, and to classify the non-current assets and noncurrent

liabilities as current assets and current liabilities respectively. No such adjustments have been made to these financial statements.

SUVA, FIJI   24th day of October 2012
CHARTERED ACCOUNTANTS

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MAY 2012

	Notes	Consolidated		Holding Company	
		2012 $'000	2011 $'000	2012 $'000	2011 $'000
Turnover					
Exports, sugar and molasses		179,461	106,448	179,461	106,448
Local, sugar and molasses		24,160	35,003	24,160	35,003
		203,621	**141,451**	**203,621**	**141,451**
Less: Cost of sales		(217,333)	(173,707)	217,333)	(173,707)
Gross loss		(13,712)	(32,256)	(13,712)	(32,256)
Other income		79	1,186	79	1,186
Realised exchange gain		73	491	73	49
Administrative and operating expenses		(7,387)	(6,695)	(7,382)	(6,692)
		(7,235)	**(5,018)**	**(7,230)**	**(5,015)**
Loss from operations	5	(20,947)	(37,274)	(20,942)	(37,271)
Finance income	6	395	274	392	273
Finance costs	6	(10,052)	(9,880)	(10,052)	(9,880)
Unrealised exchange gain/ (loss), net		(4,437)	10,893	(4,437)	10,893
Employee redundancy cost		-	(290)	-	(290)
Allowance for non-current inventory obsolescence		(87)	(165)	(87)	(165)
Impairment loss on investment in associates	11(i)(c)	-	(160	-	-
Share of loss from associates	11(i)(c)	-	(22)	-	-
Loss on disposal of investment in associate, net	11(i)	(46)	-	-	-
Loss due to flooding		(3,022)	-	(3,022)	-
Reversal of impairment loss on property, plant and equipment	10(e)	40,000	-	40,000	-
Profit / (loss) before income tax		**1,804**	**(36,624)**	**1,852**	**(36,440)**
Income tax expense	8(a)	-	-	-	-
Profit / (loss) for the year		**1,804**	**(36,624)**	**1,852**	**(36,440)**
Other comprehensive income		-	-	-	-
Total comprehensive income/ (loss) for the year		**1,804**	**(36,624)**	**1,852**	**(36,440)**
Earnings / (loss) per share					
Basic and diluted earnings / (loss) (expressed in dollars per share)	9			**0.04**	**(0.82)**

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION
AS AT 31 MAY 2012

	Notes	Consolidated		Holding Company	
		2012	2011	2012	2011
		$'000	$'000	$'000	$'000
Assets					
Property, plant and equipment	10	129,958	90,598	129,073	90,598
Available-for-sale financial assets	11(i)	-	-	12	12
Held to maturity investments	11(ii)	-	2,500	-	2,500
Inventories	12	7,417	6,973	7,417	6,973
Trade and other receivables	13	-	2,941	-	2,941
Total non-current assets		137,375	103,012	136,502	103,024
Current assets					
Available-for-sale financial assets	11(i)	-	517	-	-
Held to maturity investments	11(ii)	5,085	108	5,000	25
Inventories	12	16,698	12,671	16,698	12,671
Trade and other receivables	13	15,054	26,442	15,941	26,363
Current tax assets		413	306	411	305
Cash and bank balances	14	21,440	5,641	21,361	5,562
Total current assets		58,690	45,685	59,411	44,926
Total assets		196,065	148,697	195,913	147,950
Equity And Liabilities					
Capital and reserves					
Issued capital	15	22,200	22,200	22,200	22,200
Accumulated losses		(121,056)	(122,860)	(122,401)	(124,253)
Total equity deficit		(98,856)	(100,660)	(100,201)	(102,053)
Non-current liabilities					
Borrowings	16	106,027	105,067	106,027	105,067
Deferred income	17	894	930	894	930
Provisions	18	1,866	1,820	1,866	1,820
Total non-current liabilities		108,787	107,817	108,787	107,817
Current liabilities					
Borrowings	16	149,675	113,255	150,868	113,901
Provisions	18	3,557	3,087	3,557	3,087
Trade and other payables	19	32,902	25,198	32,902	25,198
Total current liabilities		186,134	141,540	187,327	142,186
Total equity and liabilities		196,065	148,697	195,913	147,950

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 2012

Consolidated	Issued Capital $'000	Accumulated Losses $'000	Total $'000
Balance at 1 June 2010	22,200	(86,236)	(64,036)
Loss for the year	-	(36,624)	(36,624)
Other comprehensive income	-	-	-
Balance at 31 May 2011	22,200	(122,860)	(100,660)
Profit for the year	-	1,804	1,804
Other comprehensive income	-	-	-
Balance at 31 May 2012	22,200	(121,056)	(98,856)
Holding Company			
Balance at 1 June 2010	22,200	(87,813)	(65,613)
Loss for the year	-	(36,440)	(36,440)
Other comprehensive income	-	-	-
Balance at 31 May 2011	22,200	(124,253)	(102,053)
Profit for the year	-	1,852	1,852
Other comprehensive income	-	-	-
Balance at 31 May 2012	22,200	(122,401)	(100,201)

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 2012

	Consolidated		Holding Company	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Cash flows from operating activities				
Receipts from customers and other operating activities	216,597	126,089	216,597	126,089
Payments to suppliers, employees and other operating activities	(206,504)	(153,955)	(206,500)	(153,952)
Cash generated from / (used in) operations	10,093	(27,866)	10,097	(27,863)
Finance income received	248	183	248	182
Finance cost paid	(7,145)	(5,231)	(7,145)	(5,231)
Dividend received	79	-	-	-
Income tax and capital gains tax paid	(48)	-	-	-
Net cash flows generated from / (used in) operating activities	3,227	(32,914)	3,200	(32,912)
Cash flows from investing activities				
Payments for property, plant and equipment	(18,886)	(14,466)	(17,919)	(14,466)
Proceeds from sale of plant and equipment	12	250	12	250
Proceeds from sale of shares in associate	517	-	-	-
Advances given to subsidiary	-	-	(887)	-
Payments for term deposit investments`	(2,500)	(2,500)	(2,500)	(2,500)
Net cash flows used in investing activities	(20,857)	(16,716)	(21,294)	(16,716)
Cash flows from financing activities				
Proceeds from borrowings	74,006	79,416	74,006	79,416
Repayment of borrowings	(40,968)	(29,886)	(40,968)	(29,886)
Proceeds / (repayment) of advances from subsidiary	-	-	547	(3)
Net cash flows provided by financing activities	33,038	49,530	33,585	49,527
Net increase / (decrease) in cash and cash equivalents	15,408	(100)	15,491	(101)
Effect of exchange rate movement on cash and cash equivalents	283	-	283	-
Cash and cash equivalents at the beginning of the financial year	5,749	5,849	5,587	5,688
Cash and cash equivalents at the end of the financial year (Note 14)	21,440	5,749	21,361	5,587

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2012

1. General Information

The Fiji Sugar Corporation Limited (the "Corporation") is a limited liability company incorporated and domiciled in Fiji. Principal activities of the Corporation are milling of sugarcane in Fiji and the sale of sugar and molasses produced.

The address of its registered office and principal place of business is at 3rd floor, Western House, Lautoka.

Subsidiary companies

Principal activities of subsidiary companies are as follows:

FSC Projects Limited - equity investments.

FSC Services Pty Limited - this company ceased operations from May 2006.

Pacific Cogeneration Limited - during the year, the company commenced the setting-up and preparation for construction of power cogeneration plant at Rarawai, Ba.

2. Summary Of Significant Accounting Policies

Statement of compliance

The financial statements have been prepared in accordance with the Companies Act, 1983 and International Financial Reporting Standards ('IFRS') as required by the Fiji Institute of Accountants.

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

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 financial support and ongoing support from the Government of the Republic of Fiji, the Corporation's debt will be restructured with additional equity and /or funding provided by the Government, the Corporation will achieve improvements in mill efficiency and mill performance together with improved cane supply and thereby generate adequate profit and cash flows from future operations to meet its obligations as and when they fall due. The directors believe that with the financial and other support of the Government, the Corporation and the Group entities 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 and the Group be unable to continue as a going concern.

NOTES TO THE FINANCIAL STATEMENTS [CONT'D]

FOR THE YEAR ENDED 31 MAY 2012

2. Summary Of Significant Accounting Policies (Cont'd)

2.1 Basis of Preparation

The financial statements of the Corporation and the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS"). These financial statements have been prepared under the historical cost convention, as adjusted by the revaluation increments of land and buildings, available-for-sale financial assets, and financial assets and financial liabilities at fair value through profit or loss.

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 4.

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.

2.2 Basis of Consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprises the Group. A list of subsidiaries and associates appears in Note 11 to the financial statements.

Accounting for Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully

consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of the exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of the acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost or acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the statement of comprehensive income.

2. Summary Of Significant Accounting Policies (Cont'd)

2.2 Basis of consolidation (Cont'd)

Inter-company transactions, balances and unrealised gains or losses on transactions between Group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Investment in Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost.

The Group's share of its associates' post-acquisition profits or losses is recognised in the statement of comprehensive income, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

When an investment ceases to be an associate, the fair value of the investment at the date when it ceases to be an associate is regarded as its carrying value on initial recognition as a financial asset.

Gains and losses on disposals of investments in associates are determined by comparing the proceeds with the carrying amount and are taken into account in determining the results for the year.

2.3 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 comprehensive income over the period of the borrowings using the effective interest method.

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

2.4 Borrowing Costs

The borrowing costs that are directly attributable to the acquisition of the qualifying capital assets are capitalized until substantially all the activities necessary to prepare the capital assets for its intended use or sale are complete. Other borrowing costs are recognised as an expense in the year in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS [CONT'D]

FOR THE YEAR ENDED 31 MAY 2012

2. Summary Of Significant Accounting Policies (Cont'd)

2.5 Cash and cash equivalents

For the purpose of statement of cash flow, cash and cash equivalents include cash on hand, deposits held at call with banks, and net of bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

2.6 Comparatives

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

2.7 Dividend Income

Dividends on available-for-sale equity instruments other than equity investments in associate companies are recognised in the statement of comprehensive income as part of other income when the Group's right to receive payments is established.

Dividends received from associate companies are adjusted against the carrying value of the investments in associate companies by virtue of applying the equity method of accounting for investments in associates.

2.8 Earnings Per Share

(a) Basic earnings per share

Basic earnings per share (EPS) is determined by dividing net profit after income tax attributable to members of the holding company by the weighted average number of ordinary shares outstanding during the year.

(b) Diluted earnings per share

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

2.9 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.

2. Summary Of Significant Accounting Policies (Cont'd)

2.9 Employee benefits (Cont'd)

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.

Terminal benefits

The Group 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 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.

2.10 Financial Assets

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

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the statement of financial position date, which are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' disclosed in the statement of financial position (Note 13). Bad debts are written off during the period in which they are identified.

(b) 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 investments are measured at subsequent reporting dates at amortised cost.

2. Summary Of Significant Accounting Policies (Cont'd)

2.10 Financial Assets (Cont'd)

(c) 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.

Equity investments in associate companies not held for trading are classified under this category.

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

The Group 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 comprehensive income.

2.11 Foreign currency translation

(a) Measurement currency

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity. The consolidated financial statements are presented in Fijian currency, which is the measurement currency of the parent entity.

(b) Transaction and balances

Foreign currency transactions are translated into the measurement currency using the exchange rates prevailing at the dates of the transactions. Amount payable and receivable in foreign currencies at balance date are converted at rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

(c) Group companies

Statement of comprehensive income and cash flows of foreign entities are translated into the Group's reporting currency at average exchange rates for the year and their statement of financial positions are translated at the exchange rates ruling as at balance date.

2. *Summary Of Significant Accounting Policies (Cont'd)*

2.12 Government Grants

Government grants are not recognized until there is reasonable assurance that the Group 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 Group 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 Group with no future related cost are recognized in profit or loss in the period in which they become receivable.

2.13 Impairment Of Non-Financial Assets

At each statement of financial position date, the Group 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.

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 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 immediately in the statement of 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.

NOTES TO THE FINANCIAL STATEMENTS [CONT'D]
FOR THE YEAR ENDED 31 MAY 2012

2. *Summary Of Significant Accounting Policies (Cont'd)*

2.14 Income 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 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 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.

2.15 Inventories

Sugar and molasses are valued at 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. Inventories considered obsolete or un-serviceable are written off in the year in which they are identified.

2.16 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 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.

NOTES TO THE FINANCIAL STATEMENTS [CONT'D]

2. Summary Of Significant Accounting Policies (Cont'd)

2.17 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 Group 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 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:

Buildings and improvements	2% to 10%
Plant, machinery and equipment	3% to 25%
Vehicles and transport systems	15% and 20%

Leasehold land is amortised over the term of the applicable lease. 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.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are taken into account in determining the results for the year.

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 the 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 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 Group. Major renovations are depreciated over the remaining useful life of the related asset.

2. Summary Of Significant Accounting Policies (Cont'd)

2.18 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

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

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that recovery will be received and the amount of receivable can be measured reliably.

2.19 Revenue recognition

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

The Group 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 Group's activities. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Finance income

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

2.20 Segment reporting

An operating segment is a group of assets and operations engaged in providing product or services that are subject to risks and returns and that have similar economic characteristics.

For reporting purposes, the Group considers itself to be operating in one business segment as its predominant revenue sources is from sugar milling. Revenue from other sources are not material for the purposes of segment reporting. In addition, the Group operates in Fiji only and hence one geographical segment for reporting purposes.

2. Summary Of Significant Accounting Policies (Cont'd)

2.21 Trade receivables

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

2.22 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.

2.23 Trade payables

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

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.24 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.

3. Financial Risk Management

3.1 Financial risk factors

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

Risk management is carried out by executive management. Executive management identifies, evaluates and monitors financial risks in close co-operation with the operating units.

(a) Market risk

(i) Foreign exchange risk

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

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

	2012 $'000	2011 $'000
Liabilities		
Australian Dollar	18	409
New Zealand Dollar	19	7
US Dollar	73,357	70,658
Assets		
US Dollar	5,751	431
Europe Euro	292	5,245

Foreign currency sensitivity analysis

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

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

NOTES TO THE FINANCIAL STATEMENTS [CONT'D]
FOR THE YEAR ENDED 31 MAY 2012

3. Financial Risk Management (Cont'd)

3.1 Financial risk factors (Cont'd)

(ii) Price risk

The Group is exposed to world sugar price for sugar exports to European Union. The Group is also exposed to world molasses price for molasses exports. The Corporation has commenced undertaking the necessary re-structuring and significantly completed the mill modernization and upgrade to achieve production efficiency and thereby maintaining profits.

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

(iii) Regulatory risk

The Group's profitability can be significantly impacted by regulatory agencies established which governs the Sugar Industry in Fiji and the ongoing and proposed reforms in the Fiji Sugar Industry.

In addition, the Group's profitability is also significantly impacted by the Reform of the European Union Sugar Regime as the Corporation sells most of its sugar to the EU. The EU and the ACP have negotiated market access arrangements specific to sugar under the regional Economic Partnership Agreements (EPA) effective from 1 October 2009 until 30 September 2015.

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

(iv) Cane supply risk

The Group's profitability is largely dependent on the cane supply by growers. Sensitivity on the impact of 10% change in cane production on the gross loss from proceeds of sugar and molasses is shown below:

		Gross Loss ($ million)	
Cane supply for the year 2012 (000t)	For the year ended 31 May 2012	Effect of cane supply increase by 10%	Effect of cane supply decrease by 10%
2,096	(13.7)	(7.8)	(19.8)

(v) Cash flow and fair value interest rate risk

The Group has interest-bearing assets in the form of short-term deposits. These are at fixed interest rates and hence there are no interest rate risks during the period of investment. Given the fixed nature of interest rates described above, the Group has a high level of certainty over the impact on cash flows arising from interest income.

The Group also has significant interest-bearing borrowings denominated in foreign currency from Export Import Bank of India. These are at floating rates based on "US Dollar London Inter Bank Offered Rate (LIBOR)", and accordingly are exposed to interest rate risk.

In relation to borrowings from Government of Fiji, Fiji National Provident Fund and Reserve Bank of Fiji, the group is not exposed to interest rate risk as it borrows funds at fixed interest rates. However, the Group 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 Group and the Directors within the approved parameters.

NOTES TO THE FINANCIAL STATEMENTS [CONT'D]
FOR THE YEAR ENDED 31 MAY 2012

3. *Financial Risk Management (Cont'd)*

3.1 *Financial Risk Factors (Cont'd)*

(b) Credit risk

Credit risk is managed at Group and at individual entity level. 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 (Refer Regulatory Risk above).

(c) Liquidity risk

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

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

	Less than 1 year	Between 1 and 2 years	Between 3 and 5 years	Over 5 year
At 31 May 2012	**$'000**	**$'000**	**$'000**	**$'000**
Short term borrowings	138,805	-	-	-
Long term loans and bonds	4,201	32,500	7,000	-
Export Import Bank of India	6,669	11,645	41,212	13,670
Trade and other payables	32,902	-	-	-
	182,577	44,145	48,212	13,670
At 31 May 2011				
Short term borrowings	106,983	-	-	-
Long term loans and bonds	4,201	4,201	32,500	-
Export Import Bank of India	2,071	6,296	37,704	24,366
Trade and other payables	25,198	-	-	-
	138,453	10,497	70,204	24,366

The Corporation is facing significant cash flow constraints and the Government is continuing to provide the necessary financial support to enable the Corporation to meet its commitments as and when they fall due. In this regard, the Government has set a Sugar Taskforce for restructuring the Corporation's debt and to implement the required reforms and restructuring.

NOTES TO THE FINANCIAL STATEMENTS [CONT'D]
FOR THE YEAR ENDED 31 MAY 2012

3. Financial Risk Management (Cont'd)

3.2 Capital risk management

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

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

The gearing ratios at 31 May 2012 and 2011 were as follows:

	2012 $'000	2011 $'000
Total borrowings (Note 16)	255,702	218,322
Less: Cash on hand and at bank	(21,440)	(5,641)
Less: Term deposits and cyclone reserve deposit	(5,085)	(2,608)
Net debt	229,177	210,073
Total equity	(98,856)	(100,660)
Total capital (total equity plus net debt)	130,321	109,413
Gearing ratio (net debt / total capital x 100)	176%	209%

The gearing ratio during 2012 deteriorated significantly resulting from significant losses from the operations, increased borrowings from government to meet loan repayments, working capital requirements and borrowings to fund the losses.

3.3 Fair value estimation

The carrying value less impairment provision of trade receivables is assumed to approximate their fair values. The carrying values of financial liabilities are estimated to approximate their fair values.

4. Critical Accounting Estimates And Judgments

In the application of the Corporation's and the Group's accounting policies, which are described in note 2, 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.

Critical judgments in applying accounting policies

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

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial.

(a) Impairment of property, plant and equipment

The Group 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 provision for impairment are created.

For the year ended 31 May 2012, 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. The value in use has been determined based on discounted cash flow assessment covering 10 years from 2013 to 2022 based on a scenario with cane volumes of 1.78 million tonnes for 2013 and increasing to 3.25 million tonnes in 2017, and estimated terminal value. The discount rate of 10.5% has been used in measuring value in use. In making financial forecasts, Management has relied on technical experts wherever deemed appropriate, including the areas of marketing and engineering aspects of operations.

The future cash flow is dependent on key variables and some of the critical variables such as sugarprice, exchange rate, cane volumes and POCS (pure obtainable cane sugar) ratio which 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.

NOTES TO THE FINANCIAL STATEMENTS [CONT'D]

FOR THE YEAR ENDED 31 MAY 2012

4. Critical Accounting Estimates And Judgments (Cont'd)

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

Management's 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) 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.

(c) 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 are considered to be impaired, and are provided for based on assessment of the balances.

(d) Fair value of equity instruments

Management uses judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at each reporting date. Given that the entities subject to these investments are primarily subsidiaries of the holding company, the fair value of the equity instruments is estimated to assume their carrying values.

(e) Deferred income tax assets

Deferred income 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 income tax assets that can be recognized, based upon the likely and level of future taxable profits together with future planning strategies. The deferred income tax asset relating to tax losses and temporary differences have not been brought to account as in the opinion of the Management its realization is not considered to be probable. Further details are contained in Note 8(c).

NOTES TO THE FINANCIAL STATEMENTS [CONT'D]

FOR THE YEAR ENDED 31 MAY 2012

5. Loss From Operations

	Consolidated		Holding Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Loss from operations have been arrived at after crediting the following items:				
Amortisation of government grants (Note 17)	36	36	36	36
Creditors and payables written back	31	401	31	401
Gain on sale of plant and equipment	12	195	12	194
Proceeds from liquidation of Fiji Sugar Marketing	-	555	-	555
Loss from operations have been arrived after charging the following expenses:				
Auditors' remuneration for:				
- Audit services	70	66	66	64
- Other services	6	5	5	5
Bad debts written off	128	34	128	34
Depreciation and amortisation:				
- Leasehold land, building and improvements	1,644	1,630	1,644	1,630
- Plant, machinery and equipment	15,783	15,205	15,783	15,205
- Motor vehicles and transport systems	1,220	1,262	1,220	1,262
Directors' emoluments for:				
- Directors remuneration	781	-	781	-
- Directors fees	43	53	43	53
- Other services and allowances	62	103	62	103
Impairment loss on receivables	69	137	69	137
Provision for litigation claims	-	15	-	15
Staff costs (Note 7)	27,848	27,090	27,848	27,090

6. Finance Income And Costs

FINANCE INCOME				
Interest income	395	274	392	273
FINANCE COSTS				
Finance expense:				
- Government loans	(6,510)	(1,413)	(6,510)	(1,413)
- Secured borrowings	(3,542)	(8,380)	(3,542)	(8,380)
- Others	-	(87)	-	(87)
Total finance costs	(10,052)	(9,880)	(10,052)	(9,880)

NOTES TO THE FINANCIAL STATEMENTS [CONT'D]
FOR THE YEAR ENDED 31 MAY 2012

7. Staff Costs

	Consolidated		Holding Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Wages and salaries	25,253	25,056	25,253	25,056
FNPF contribution	2,408	2,545	2,408	2,545
Other employee benefits	256	272	256	272
	27,917	27,873	27,917	27,873
Less: staff costs for capital works	(556)	(1,071)	(556)	(1,071)
	27,361	26,802	27,361	26,802
Provisions for employee benefits, net movement	487	288	487	288
Total staff costs	27,848	27,090	27,848	27,090
Number of permanent employees as at balance date. This increases by approximately 870 employees during the crushing period.	1,111	1,148	1,111	1,148

8. Income Tax

(a) Income tax expense

	Consolidated 2012	Consolidated 2011	Holding Company 2012	Holding Company 2011
Profit / (loss) before income tax expense	1,804	(36,624)	1,852	(36,440)
Tax expense / (benefit) at the rate of 28%	505	(10,255)	519	(10,203)
Tax effect of:				
Non-deductible expenses	14	126	-	119
Unrealised exchange gain/ (loss), net	1,242	(3,050)	1,242	(3,050)
Amortisation of government grant	(10)	(10)	(10)	(10)
Impairment loss on investment in associate	-	45	-	-
Deferred income tax asset not recognized, net of unrecognized deferred tax liabilities	(1,751)	13,144	(1,751)	13,144
Income tax expense	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS [CONT'D]
FOR THE YEAR ENDED 31 MAY 2012

8. Income Tax (Cont'd)

(b) Deferred income tax

Deferred tax liability of $1,087,033 (2011: $555,656) in respect of unrealized gain on stock of sugar and molasses and cyclone reserve deposit as at 31 May 2012 has not been recognized in view of significant unrecognized deferred tax assets relating to tax losses and other temporary differences.

(c) Deferred Tax Assets Not Recognised

The deferred tax assets relating to estimated tax losses and temporary differences amounting to approximately $42.16 million (2011: $70.2 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 and the Group in realizing the benefit from the deductions for the loss.

9. Earnings / (Loss) Per Share

(a) Basic

Basic earnings / (loss) per share is calculated by dividing the net loss attributed to equity holdings of the Corporation by the weighted average number of ordinary shares in issue during the year.

(b) Diluted

Diluted earnings / (loss) per share is same as basic earnings / (loss) per share.

	Consolidated	
	2012	2011
	$	$
Profit / (loss) attributable to shareholders	1,852,252	(36,624,082)
Weighted average number of ordinary shares in issue (nos.)	44,399,998	44,399,998
Basic earnings/ (loss) per share (dollar per share)	0.04	(0.82)

NOTES TO THE FINANCIAL STATEMENTS [CONT'D]
FOR THE YEAR ENDED 31 MAY 2012

10. Property, Plant And Equipment

Consolidated	Freehold Land	Leasehold Land	Buildings and Improvements	Plant, Machinery and Equipment	Vehicles and Transport Systems	Capital Work In Progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 31 May 2011							
Cost	21,904	189	69,236	372,159	42,714	16,855	522,939
Accumulated depreciation	-	(31)	(21,273)	(214,907)	(35,466)	-	(271,677)
Accumulated impairment losses	-	-	(27,900)	(102,082)	(4,903)	-	(134,885)
Balance as at 31 May 2012	**21,904**	**158**	**20,063**	**62,239**	**3,516**	**22,078**	**129,958**
At 31 May 2011							
Cost	21,904	189	69,118	372,159	42,714	16,855	522,939
Accumulated depreciation	-	(29)	(19,662)	(203,324)	(34,441)	-	(257,456)
Accumulated impairment losses	-	-	(36,174)	(132,354)	(6,357)	-	(174,885)
Balance as at 31 May 2011	**21,904**	**160**	**13,282**	**36,481**	**1,916**	**16,855**	**90,598**

NOTES TO THE FINANCIAL STATEMENTS [CONT'D]
FOR THE YEAR ENDED 31 MAY 2012

10. Property, Plant And Equipment (Cont'd)

Holding Company	Freehold Land	Leasehold Land	Buildings and Improvements	Plant, Machinery and Equipment	Vehicles and Transport Systems	Capital Work In Progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 31 May 2012							
Cost	21,904	189	69,236	379,228	43,885	21,193	535,635
Accumulated depreciation	-	(31)	(21,273)	(214,907)	(35,466)	-	(271,677)
Accumulated impairment losses	-	-	(27,900)	(102,082)	(4,903)	-	(134,885)
Balance as at 31 May 2012	**21,904**	**158**	**20,063**	**62,239**	**3,516**	**21,193**	**129,073**
At 31 May 2011							
Cost	21,904	189	69,118	372,159	42,714	16,855	522,939
Accumulated depreciation	-	(29)	(19,662)	(203,324)	(34,441)	-	(257,456)
Accumulated impairment losses	-	-	(36,174)	(132,354)	(6,357)	-	(174,885)
Balance as at 31 May 2011	**21,904**	**160**	**13,282**	**36,481**	**1,916**	**16,855**	**90,598**

Consolidated and Holding Company

Note 10(a)

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 year ended 31 May 2012, based on independent impairment assessment report, management has recognized reversal of impairment loss amounting to $40 million and this has been allocated on a pro-rata basis to buildings and improvements, plant, machinery and equipment, vehicles and transport systems.

NOTES TO THE FINANCIAL STATEMENTS [CONT'D]
FOR THE YEAR ENDED 31 MAY 2012

10. Property, Plant And Equipment (Cont'd)

Consolidated and Holding Company

Note 10(a) (Cont'd)

For the year ended 31 May 2012, 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 4(a)). Due to improvement in sugar prices and the improvement in mill efficiency and TCTS ratio, the expected recoverable amount and thereby the carrying value of property, plant and equipment has been assessed to have improved. Accordingly management has recognised reversal of impairment loss amounting to $40 million.

The Corporation has further carried out sensitivity analysis of assessment of recoverable amount as at 31 May 2012 with the following assumptions:

☐ Terminal growth rate	-	+ 2%	☐ Expenditure	-	+ 5%
☐ Cane production	-	+ 5%	☐ World market price	-	+ US$0.01
☐ Exchange rate	-	+ 5%	☐ Cane production	-	+ 5%

Refer Note 4 (a) in relation to critical accounting estimates and judgments, and significant uncertainty in relation to impairment of property, plant and equipment.

Note 10(b)

Capital work in progress principally relates to costs and expenses incurred for mill upgrades, mill modernization and other capital nature work on property, plant and equipment and capital expenditure on power cogeneration project at Rarawai, Ba. Capital work in progress is not depreciated.

Note 10(c)

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.

NOTES TO THE FINANCIAL STATEMENTS [CONT'D]
FOR THE YEAR ENDED 31 MAY 2012

10. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Consolidated and Holding Company

Note 10(d)

Property, plant and equipment of the Corporation are not insured for various risks including risk of losses arising from fire, cyclone, flooding, business interruption and others as the cost of insurance cover is significant. Vehicles are insured under comprehensive insurance cover.

Note 10 (e)

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

Consolidated	Freehold Land	Leasehold Land	Buildings and Improvements	Plant, Machinery and Equipment	Vehicles and Transport Systems	Capital Work In Progress	Total 2012	Total 2011
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance as at 1 June	21,904	160	13,282	36,481	1,916	16,855	90,598	95,527
Additions	-	-	-	513	-	18,267	8,780	13,954
Transfer from CWIP	-	-	216	11,417	1,389	(13,022)	-	-
Disposals / write off	-	-	(67)	(661)	(23)	(22)	(773)	(786)
Depreciation (Note 5)	-	(2)	(1,642)	(15,783)	(1,220)	-	(18,647)	(18,097)
Reversal of impairment loss (Note 10 (a)	-	-	8,274	30,272	1,454	-	40,000	-
Balance as at 31 May	21,904	158	20,063	62,239	3,516	22,078	129,958	90,598

NOTES TO THE FINANCIAL STATEMENTS [CONT'D]

FOR THE YEAR ENDED 31 MAY 2012

10. Property, Plant And Equipment (Cont'd)

Note 10 (E) (Cont'd)

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

Holding Company	Freehold Land	Leasehold Land	Buildings and Improvements	Plant, Machinery and Equipment	Vehicles and Transport Systems	Capital Work In Progress	Total 2012	Total 2011
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance as at 1 June	21,904	160	13,282	36,481	1,916	16,855	90,598	95,527
Additions	-	-	-	513	-	17,382	17,895	13,954
Transfer from CWIP	-	-	216	11,417	1,389	(13,022)	-	-
Disposals / write off	-	-	(67)	(661)	(23)	(22)	(773)	(786)
Depreciation (Note 5)	-	(2)	(1,642)	(15,783)	(1,220)	-	(18,647)	(18,097)
Reversal of impairment loss (Note 10 (a)	-	-	8,274	30,272	1,454	-	40,000	-
Balance as at 31 May	21,904	158	20,063	62,239	3,516	21,193	129,073	90,598

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 MAY 2012

11(I). Available-For-Sale Financial Assets

	Consolidated		Holding Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Non-current				
Subsidiary companies				
Shares in subsidiary companies, at cost	-	-	12	12
Current				
Associate companies				
Investments in associate company	-	517	-	-

At the board meeting held on 30 March 2011, the directors had resolved to sell its shares in Agchem Ltd, an associate company. Further, based on the expected realizable value, an impairment loss of $160,000 had been recognized in the 2011 consolidated financial statements.

The sale, transfer of shares and other necessary formalities were completed on 11 January 2012. The shares were sold for a consideration of $516,630. The sale has resulted in a capital gain of $464,967. Capital gain tax paid amounting to $46,497 has been treated as expense for sale of shares and accordingly charged to the statement of comprehensive income.

(a) Investments in subsidiaries

Name of Company	Place of Incorporation	Contribution to Group Results		Book Value of Holding Company Investments (Ordinary shares)		% Shareholding	
		2012	2011	2012	2011	2012	2011
		$	$	$	$	%	%
Unlisted Companies							
FSC Projects Ltd	Fiji	(46,032)	(184,208)	100	100	100	100
FSC Services Pty Ltd	Australia	-	-	11,875	11,875	100	100
Pacific Cogeneration Limited	Fiji	(2,502)	-	2	2	100	100
		(48,534)	(184,208)	11,977	11,977		

The financial statements of FSC Projects Limited and Pacific Cogeneration Limited are audited by G. Lal + Co. The financial statements of FSC Services Pty Limited have not been audited. FSC Services Pty Limited is nonoperating.

(b) Investments in associate company

Name of Company	Place of Incorporation	Issued Capital (ordinary@ $1 par)		Issued to FSC Group (Ordinary @ $1 par)		% Shareholding	
		2012	2011	2012	2011	2012	2011
		$	$	$	$	%	%
Agchem Limited	Fiji	-	130,000	-	51,663	-	39.74

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 MAY 2012

11(I). Available-For-Sale Financial Assets (Cont'd)

	Consolidated		Holding Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
(c) Movement in carrying amount of associate company				
Opening balance	517	699	-	-
Share of profit / (loss) from associates	-	(21)	-	-
Over accrual of share of income in prior year	-	(1)	-	-
Share of investment in associate	517	677	-	-
Less: provision for impairment loss	-	(160)	-	-
Sale of shares in associate	(517)	-		
	-	517	-	-
(d) Summarised financial information in respect of the Group's associates is set out below				
Total assets	-	2,330	-	-
Total liabilities	-	(627)	-	-
Net assets	**-**	**1,703**	**-**	**-**
Group's share of net assets of associates	-	677		-
Total revenue	-	2,000	-	-
Total profit /(loss) for the period	-	(53)	-	-
Group's share of profit /(loss) of associates	-	(21)	-	-

11(ii). Held To Maturity Investments

	Consolidated 2012	Consolidated 2011	Holding Company 2012	Holding Company 2011
Non-Current				
Cyclone reserve deposit	-	2,500	-	2,500
Current				
Cyclone reserve deposit	5,000	-	5,000	-
Other short-term deposits	85	108	-	25
Total current held to maturity investments	5,085	108	5,000	25

12. Inventories Non-Current

	Consolidated 2012	Consolidated 2011	Holding Company 2012	Holding Company 2011
Capital spare parts and spare gears	11,485	10,954	11,485	10,954
Less: Allowance for inventory Obsolescence	(4,068)	(3,981)	(4,068)	(3,981)
Total non-current inventories, net	7,417	6,973	7,417	6,973
Current				
Sugar and molasses	9,784	6,603	9,784	6,603
Maintenance spares and consumables	5,132	5,234	5,132	5,234
Goods in transit	1,782	834	1,782	834
Total current inventories	16,698	12,671	16,698	12,671

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 MAY 2012

13. Trade And Other Receivables

	Consolidated		Holding Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Non-Current				
Advance to cane growers (a)	-	2,941	-	2,941
Total non-current trade and other receivables	-	2,941	-	2,941
Current				
Trade receivables	838	5,651	838	5,651
Dividend receivable from associate company	-	79	-	-
Receivable from subsidiary	-	-	887	-
Receivable from liquidation of Fiji Sugar marketing	1,028	926	1,028	926
VAT receivable	1,329	4,491	1,329	4,491
Growers advances	487	2,151	487	2,151
Advance to cane growers (a)	2,941	2,941	2,941	2,941
Receivable from Sugar Research Institute of Fiji	2,239	2,840	2,239	2,840
Recoverable expenses from contractors	1,268	1,595	1,268	1,595
Other receivables	2,367	1,033	2,367	1,033
	12,497	21,707	13,384	21,628
Less: Impairment loss	(69)	(137)	(69)	(137)
	12,428	21,570	13,315	21,491
Prepayments and deposits	2,626	4,872	2,626	4,872
Total current trade and other receivables, net	15,054	26,442	15,941	26,363

(a) Advance to Cane Growers – Supplementary cane payment

During year ended 31 May 2010, the Corporation paid $8,402,397 as a supplementary cane payment. The entire payment was funded by way of a term finance from Sugar Cane Growers Fund (refer note 16 (b)). The interest cost in respect to the short term finance is being met by the Government. The Corporation's share of 30% amounting to $2,520,719 was accounted as cost of sales in the statement of comprehensive income for the year ended 31 May 2010. The balance of 70% was to be recovered by the Corporation from proceeds due to cane growers during the 2011 ($2,940,839) and 2012 ($2,940,839) season. During the year, $2,940,839 was recovered from farmers and repaid to Sugar Cane Growers Fund. Accordingly the remaining balance amounting to $2,940,839 (2011: $5,881,678) recoverable from cane growers has been disclosed as receivables under advance to cane growers.

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 provision for impairment of trade and other receivables are as follows:

Opening balance	137	126	137	126
Impairment loss on receivables (Note 5)	69	137	69	137
Amounts written off during the year	(137)	(126)	(137)	(126)
Closing balance	69	137	69	137

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 MAY 2012

14. Notes To The Statement Of Cash Flow

Cash and cash equivalents

For the purpose of the statement of cash flow, the cash and cash equivalents comprise of the following:

	Consolidated		Holding Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Cash and bank balances	21,440	5,641	21,361	5,562
Short term deposits	-	108	-	25
Total cash and cash equivalents, net	21,440	5,749	21,361	5,587

15. Share Capital

Authorised capital				
160,000,000 ordinary shares of 50 cents each	80,000	80,000	80,000	80,000
Issued capital				
44,399,998 ordinary shares of 50 cents each	22,200	22,200	22,200	22,200

16. Borrowings

Non-current				
Export Import Bank of India (a)	66,527	68,366	66,527	68,366
Fiji National Provident Fund - Bonds (d)	10,000	10,000	10,000	10,000
Reserve Bank of Fiji - Bonds (c)	22,500	22,500	22,500	22,500
Reserve Bank of Fiji – Loan (c)	7,000	-	7,000	-
Advance from Sugar Cane Growers Fund (b)	-	4,201	-	4,201
	106,027	105,067	106,027	105,067
Current				
Export Import Bank of India (a)	6,669	2,071	6,669	2,071
Advance from Sugar Cane Growers Fund (b)	-	1,222	-	1,222
Advance from Sugar Cane Growers Fund (b)	4,201	4,201	4,201	4,201
Fiji National Provident Fund (d)	-	29,300	-	29,300
Advances from subsidiaries (f)	-	-	1,193	646
Bank of South Pacific (e)	-	3,814	-	3,814
Yasana Holdings Limited (g)	-	286	-	286
Government of Fiji (h)	138,805	72,361	138,805	72,361
Total current borrowings	149,675	113,255	150,868	113,901
Total borrowings	255,702	218,322	256,895	218,968

16. Borrowings (Cont'd)

Particulars relating to borrowings:

(a) Borrowings – Export Import Bank of India

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 is repayable in successive half yearly equal installments over a ten year period with an initial moratorium of 2 years, which was subsequently extended to 5 years. Interest is payable at the rate of London Inter Bank Offered Rate (LIBOR) plus 0.5%.

Interest paid and / or accrued for the year ended 31 May 2012 has been expensed as the sugar mills upgrade and modernization project has been substantially completed.

Subsequent to balance date, the EXIM Bank has extended the moratorium period by 3 years to a total of 8 years. Accordingly, loan repayment commitments for the Corporation will recommence from February 2015.

(b) Sugar Cane Growers Fund

During year ended 31 May 2010, the Corporation paid $8,402,397 as a supplementary cane payment. The entire payment was funded by way of a term finance from Sugar Cane Growers Fund. The interest cost in respect to the short term finance will be met by the Government. The Corporation's share of 30% amounting to $2,520,719 was accounted as cost of sales in the statement of comprehensive income for the year ended 31 May 2010. The balance of 70% is to be recovered by the Corporation from proceeds due to cane growers during the 2011 and 2012 season. The benefit derived from the Government support has not

been recognized as a Government grant in accordance with IAS 20 – Accounting for Government Grant since the Corporation is the facilitator in this supplementary cane payment arrangements to provide benefit to the cane growers. During the year, $4,201,199 was repaid to the Sugar Cane Growers Fund

An additional loan of $1,222,148 was obtained from Sugar Cane Growers Fund on 16 June 2010 to facilitate refund of Fourth Cane payment deductions as per a directive from Government. This borrowing was subject to interest at the rate of 10.1% up to mid August 2010 and thereafter at 3% less than the ANZ Bank's Business Index Rate. This borrowing was secured by the Government guarantee. The borrowing was repaid during the year.

(c) Reserve Bank of Fiji

Bonds

The bonds issued by the Corporation to Reserve Bank of Fiji are subject to interest at the rate of 7%-8% per annum (payable bi-annually) and are secured by the Government guarantee. The bonds are repayable by 5 November 2014.

Flood Rehabilitation Loan

The Corporation has borrowed $7,000,000 from Reserve Bank of Fiji (RBF) to finance rehabilitation work being undertaken due to severe flooding in the western division of the island of Viti Levu, Fiji. The loan from RBF is subject to interest at the rate of 2% per annum and repayable by 9 May 2017. This borrowing is secured by the Government guarantee.

16. Borrowings (Cont'd)

(d) Fiji National Provident Fund

Current Borrowings

The loan from Fiji National Provident Fund (FNPF) of $29,300,000 was subject to interest at the rate of 12% per annum. This borrowing was secured by the Government guarantee. During the year, the loan was repaid through borrowings from the government.

Non-Current Borrowings

The bond of $10,000,000 issued by the Corporation to FNPF is subject to interest at the rate of 7% per annum (payable bi-annually) and is repayable by 5 November 2014. The bond is secured by the Government guarantee.

(e) Bank of South Pacific

The borrowing from Bank of South Pacific was subject to interest at the rate of 9.5% per annum and was repayable by 31 January 2012. The borrowing was by way of promissory note issued by the Corporation, and was secured by the Government guarantee. The borrowing was repaid during the year.

(f) Advances from Subsidiaries

(i) Advance from FSC Projects Limited as at balance date amounted to $1,175,261. The advance is unsecured, interest free and repayable on demand.

(ii) Advance from FSC Services (Pty) Limited as at balance date amounted to $17,277. The advance is unsecured, interest free and repayable on demand.

(g) Yasana Holdings Ltd

The borrowings from Yasana Holdings Ltd was subject to interest at the rate of 9.5% per annum and was repayable by 19 August 2011. The borrowings were by way of promissory note issued by the Corporation, and were secured by the Government guarantee. The borrowings were repaid during the year.

(h) Government of Fiji

The borrowings from Government of Fiji aggregated $ 138,804,930 as at balance date and are subject to interest at the rate of 5% per annum. The borrowings are repayable after one year from the drawdown dates. However, the Corporation has not met its loan repayment commitments during the year ended 31 May 2012. The Corporation is currently in discussion with the Government for conversion of these loans into equity funding.

The fair value of current borrowings and non-current borrowings equals their carrying amount, as the impact of discounting is not significant.

17. Deferred Income

	Consolidated		Holding Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Government grants	1,800	1,800	1,800	1,800
Less: Accumulated amortization	(906)	(870)	(906)	(870)
Deferred income, net	894	930	894	930

The above relates to grant received in relation to the bulk sugar shed which is being amortised on a straight line basis at 2%.

18. Provisions

	Entitlements $'000	Claims $'000	Rent $'000	Total $'000
Consolidated				
As at 1 June 2011	4,205	255	447	4,907
Additional provisions recognised / (paid) during the year , net	487	-	29	516
Carrying amount as at 31 May 2012	4,692	255	476	5,423
Holding Company				
As at 1 June 2011	4,205	255	447	4,907
Additional provisions recognised / (paid) during the year , net	487	-	29	516
Carrying amount as at 31 May 2012	4,692	255	476	5,423

Analysis of Total Provisions	Consolidated		Holding Company	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Non-current	1,866	1,820	1,866	1,820
Current	3,557	3,087	3,557	3,087
Total provisions	5,423	4,907	5,423	4,907
Employee entitlements consist of the following:				
Annual and sick leave	1,880	2,017	1,880	2,017
Long service leave	1,866	1,820	1,866	1,820
Others	946	368	946	368
Total employee entitlements	4,692	4,205	4,692	4,205

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 retirement benefits

Long service leave and retirement benefits are accrued for employees entitled to the same under their terms of employment. Note 2.9 outlines the accounting policy and underlying basis for these accruals. As referred to in Note 2.9, the expected future payments are discounted at the rate of 5.5%.

19. Trade And Other Payables

	Consolidated		Holding Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Trade creditors - Supplies and general	4,933	4,814	4,933	4,814
Trade creditors - Capital project contractors	5,865	5,583	5,865	5,583
Other creditors and accruals	6,268	5,658	6,268	5,658
Growers creditors	6,361	2,220	6,361	2,220
Cane access road, ACRP and other grants payable	889	1,245	889	1,245
Interest payable	8,586	5,678	8,586	5,678
Total trade and other payables	32,902	25,198	32,902	25,198

The fair value of trade and other payables equals their carrying amount, as the impact of discounting is not significant.

20. Contingent Liabilitie

	Consolidated 2012	Consolidated 2011	Holding Company 2012	Holding Company 2011
Wage claims and litigations (a)	470	730	470	730
Letters of credit undertakings by the bank (b)	-	1,033	-	1,033
Guarantees or bonds given by the bank	282	282	282	282
Total contingent liabilities	752	2,045	752	2,045

(a) Litigations

The Corporation and the workers or workers union are contesting various matters relating to employee grieviances, 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; accordingly no provision has been made in the financial statements for any liability that may eventuate from these claims.

As at balance date, provision of $255,000 (2011: $255,000) was made in respect of various court actions against the Corporation (Refer Note 18).

The directors believe that claims arising from such actions are not likely to be of material nature based on the advice of the Corporation's solicitors.

(b) Letters of credit

Letters of credit (LOC) relates to letter of credit issued by Bank of Baroda in favour of various suppliers and engineering entities in relation to the Mill Upgrades Program. On due dates, payments to the suppliers and engineering entities are made from borrowings from Export Import Bank of India. The Terminal Disbursement Date under the LOC agreement with EXIM Bank of India had expired on 7 November 2011 and subsequent to balance date the bank has agreed to extend the Terminal Disbursement Date by 36 months to 7 November 2014. The LOC facility will be renewed by Bank of Baroda once the related documentation has been finalized.

21. Going Concern And Financial Support

The Corporation incurred significant losses during recent years. During the year ended 31 May 2012, the Corporation has incurred loss (before reversal of impairment loss) of $38.1 million (2011: $36.4 million).

As at 31 May 2012, total liabilities of the Corporation exceed total assets resulting in net liability of $100.2 million (2011: $102 million). The current liabilities exceed the current assets by $127.9 million, representing the ratio of 3.15: 1 (2011: $97.2 million, representing the ratio of 3.16 : 1). The Corporation has significant debt repayment commitments amounting to $150.9 million during the next twelve months, including $138.8 million repayable to the Government. The Corporation will require further funding to meet its working capital requirements, capital expenditure and fund the operating losses.

The Mill Upgrade Program has been substantially completed. The mill upgrade was undertaken to improve plant reliability, sugar extraction, sugar quality, energy efficiency and environmental controls. However, during the financial year ended 31 May 2011, mill efficiency was severely affected by incompatibility between the existing and new machinery. For the year ended 31 May 2012 (2011 crush season), the performance of mills has improved compared to the prior year / season. Given the financial position and the debt levels of the Corporation and recurring losses being incurred by the Corporation, the business operations will require restructuring of debt and additional equity or funding.

The above factors indicate that the Corporation may 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 and thereby:

- The Government continues to provide financial and other support to the Corporation and the sugar industry. The Corporation's debt is restructured and additional funding provided by the Government to enable the Corporation to meet its commitments and obligations on a timely basis.
- Improvements are achieved in cane supply volumes and quality, together with significant improvements in mill efficiency and performance with improved TCTS ratio and reduced mill operating cost.
- Sugar industry reforms are achieved and funding for the sugar industry at large is made available for a long term sustainability and survival of the sugar industry and the Corporation.

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

- The Government guarantee of $120 million which has now been extended till 31 May 2015.
- Funding of $66.4 million provided during the year bringing total funding as at 31 May 2012 to $138.8 million. These loans are being provided at an interest rate of 5%.
- Funding of $26.9 million provided subsequent to balance date.
- Meeting the finance cost on the advance of $8.4m from the Sugar Cane Growers Fund.

21. Going Concern And Financial Support (Cont'd)

Furthermore:

i) The Government has set a Sugar Taskforce for Financial Restructuring of the Corporation and reforming of the Fiji Sugar industry.

ii) Management is making all efforts in consultation with the project engineers and contractors and other independent consultants to bring about efficiency within the upgraded mill plants and machinery at the three larger 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) Management is undertaking a number of initiatives with the Government and the sugar buyers Tate & Lyle Sugars Limited of UK to increase cane production.

iv) 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.

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 financial support and significant improvements will be achieved in cane supply and mill performance and thereby the Corporation and the Group 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 and the Group be unable to continue as a going concern.

22. Commitments

	Consolidated		Holding Company	
	2012	2011	2012	2011
	$'000	$'000	$'000 $	'000
(a) Capital commitments				
Capital commitments contracted but not provided for in the financial statements	4,214	8,945	4,138	8,945
Capital commitments approved by the directors but not yet contracted	24,644	3,662	24,494	3,662
Total capital commitments	28,858	12,607	28,632	12,607

22. Commitments (Cont'd)

(b) Operating lease commitments	Consolidated		Holding Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	'000
Non-cancelable operating land lease rental commitments are payable as follows:				
Not later than one year	194	185	194	185
Later than one year but not later than five years	770	602	770	602
Later than five years	8,082	7,707	8,082	7,707
Total operating lease commitments	9,046	8,494	9,046	8,494

(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 through Tate & Lyle Sugars Limited, UK. Refer Note 23 for further details.

23. 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 next twelve months, that is, for the 2012 crushing season, the growers are expected to supply to the Corporation a total of 1.78 million tonnes of cane from which approximately 169,000 tonnes of sugar is expected to be produced. The Corporation is not expected to meet all its supply commitments to the buyers for the next twelve months.

The Corporation sells sugar to the European Union (EU) under the new regional Economic Partnership Agreements (EPA) that has come into effect from 1 October 2009 and is effective until 30 September 2015.

Under the EPA, the minimum regional safeguard threshold for the Pacific Region is 181,570.5 metric tones of white sugar equivalent and 190,918.6 metric tones of white sugar equivalent for 2009/10 and 2010/11, respectively increasing to 210,950.3 metric tones of white sugar equivalent for 2011/12 to 2014/15.

Fiji and Papua New Guinea are the two countries that are under the Pacific Region.

The above are equivalent to about 190,000 metric tonnes raw sugar for 2009/10, 200,000 metric tons raw sugar for 2010/11 and about 220,000 metric tons raw sugar from 2011/12 and beyond. This is sold to Tate & Lyle Sugars Limited, UK under a Long Term Agreement which is for 7.5 years commencing 1 March 2008.

24. Related Party Information And Transactions

(a) Ownership interests in related parties

Interests held in subsidiaries and associate companies are set out in Note 11 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 Abdul Khan – Chairman

Mr Marika Gaunavou - Deputy Chairman

Ratu Deve Toganivalu

Mr Dijendra Singh

Mr Viliame Gucake

Ratu Aisea Katonivere

Mr Alipate Qetaki

Directors' emoluments for services as directors and other services are disclosed under Note 5.

(c) Transactions with related parties

All transactions with related parties are made on normal commercial terms and conditions. The material transactions during the year were:

	Consolidated		Holding company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Purchases by holding company from associates:				
Agchem Limited	-	56	-	56

(d) Other transactions

As per agreement dated 3 October 2011, the Corporation provides ICT facilities management services to director related entity, AJYNK Electrical Limited. The fees of $6,957 VEP per year is receivable by the Corporation for a term of 2 years effective 3 October 2011 pursuant to the agreement.

(e) Key management personnel remuneration

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

The aggregate remuneration to the executive management group for year ended 31 May 2012 and 2011 were:

Short-term benefits	1,582	917	1,582	917
Long term benefits	26	129	26	129
(f) Year-end balances arising from sales/purchases of services				
Receivables from related parties (Note 13):				
- Subsidiary company	-	-	887	-
- Associate company	-	79	-	-
(g) Loans and advances from related parties				
Advance from subsidiary company (Note 16)	-	-	1,193	646

24. Related Party Information And Transactions

(h) 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 25 for the details of the guarantees provided.

ii) During years ended 31 May 2011 and 31 May 2012, 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 $138,804,930 as at balance date (2011: $72,360,930 (Refer Note 16). Also refer Note 27 for further funding provided by the Government subsequent to balance date.

iii) During year ended 31 May 2010, the Corporation paid $8,402,397 as a supplementary cane payment. The entire payment was funded by way of term finance from Sugar Cane Growers Fund.

The interest cost in respect to the short term finance is being met by the Government.

25. Government Guarantee

The Government had approved a guarantee limited to $120 million, valid until 31 May 2012, as per the Cabinet decision on 18 March 2010, to enable the Corporation to raise short-term loan finance to meet its working capital requirements. As per Cabinet decision on 3 July 2012 the Government has extended the guarantee until 31 May 2015. The Guarantee Agreement is yet to be executed by the Corporation and the Government.

Furthermore, in prior years, the Government had provided a guarantee of US$50.4 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 $38.6 million under this guarantee.

26. Significant Events During The Year

a) Mill Upgrade Program

The Mill Upgrade Program has been substantially completed. In order to bring improvement in the plant reliability, sugar extraction, sugar quality and energy efficiency as envisaged for the Mill Upgrade Program, management is making all efforts in consultation with the project engineers, contractors and consultants to bring about efficiency within the upgraded mill plants and machinery at the three larger 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.

26. Significant Events During The Year (Cont'd)

b) Impairment of Plant and Equipment

For the year ended 31 May 2012, 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". Based on the independent assessment, Management has carried out an assessment of the recoverable amount. Due to improvement in sugar prices and the improvement in mill efficiency and TCTS ratio, the expected recoverable amount and thereby the carrying value of property, plant and equipment has been assessed to have improved. Accordingly management has recognised reversal of impairment loss amounting to $40 million.

c) Flood Damage

In January 2012 and March/April 2012, there was severe flooding in the western division of the island of Viti Levu. As a consequence, the Group's infrastructure was severely affected. The floods caused significant damage to the infrastructure, buildings, plant, machinery, equipment, and stock. The loss due to flooding amounted to $3,022,404.

Furthermore, the Corporation is carrying out rehabilitation works arising due to the flood damage, which is projected to cost approximately $15 million.

Since the Corporation has not insured its assets (except motor vehicles) the rehabilitation is funded through $7 million borrowed from Reserve Bank of Fiji and internal sources.

27. Events Subsequent To Balance Date

Subsequent to balance date:

a) EXIM Bank Loan – Extension in moratorium period

The EXIM Bank has extended the moratorium period by 3 years to a total of 8 years. Accordingly, loan repayment commitments for the Corporation will recommence from February 2015.

b) ANZ EUR $40 million Sugar Pre-export Finance Facility

The Corporation has entered into an EUR $40 million sugar pre-export finance facility agreement with ANZ Bank on 15 August 2012 to fund the Corporation's operational expenditure and grower cane payment. The facility will be available on a revolving basis from May to January of each fiscal year and expires on March 31, 2015. Each drawing against the facility is to be repaid within 180 days and the facility is to be fully repaid by 31 March of each year.

The facility is secured by perfected assignment of Corporation's rights and interests under the export contract with the Off-Taker, first demand guarantee issued by the Government as the Guarantor and floating charge over all the Corporation's assets (including stocks of sugar and fixed assets).

27. Events Subsequent To Balance Date (Cont'd)

c) Government of Fiji loans

During June to August 2012, the Corporation obtained funding of $26.9 million from the Government to fund ongoing working capital requirements.

d) Sugar Cane Growers Fund (SCGF) loan

During July 2012, the Corporation obtained funding of $7 million from the SCGF to fund ongoing working capital requirements.

Other than the above, no other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group or any company in the Group, the results of those operations, or the state of affairs of the Group or any company in the Group in future financial years.

28. Insurance

Property, plant and equipment of the Corporation are not insured for various risks including risk of losses arising from fire, cyclone, flooding, business interruption and others as the cost of insurance cover is significant. Vehicles are insured under comprehensive insurance cover.

29. Approval Of Financial Statements

These financial statements were authorised for issue by the directors on 24th Day of October 2012.