The Fiji Sugar Corporation Limited

Annual Report 2013

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CORPORATE PROFILE & HIGHLIGHTS

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 In 2006 the Fiji Sugar Corporation Act was repealed allowing it to be governed solely under the Companies Act.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 1.4 percent of GDP, generates about 8.1 percent of total exports with a total foreign earning of $174.6 million in 2012, based on the provisional data from RBF. 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).

Financial Results

- Corporation's share of proceeds was $54.5 million compared to $60.2 million in the previous year.
- Consolidated trading loss was $10.3 million, compared to a loss of $13.7 million in the previous year.
- Loss from operations reduced to $18.7 million, compared to $20.9 million in the previous year.
- Operating profit for the year was $6.3 million, compared to operating profit of $1.8 million in the previous year.
- A total of $17.7 million was invested in Property Plant and Equipment, compared to $18.9 million in the previous year.
- Earnings per share improved to 0.14 from 0.04 in the previous year.

Operations

- A total of 1.55 million tonnes of sugarcane was crushed from an area of 41,959 hectares compared to 2.1 million tonnes from 42,855 hectares in the previous year.
- Sugar production decreased to 154,815 tonnes compared to 166,669 tonnes in the previous year, primarily due to 26% reduction in the sugarcane.
- Tonnes Cane to Tonnes Sugar (TCTS) ratio improved to 9.99 compared to 12.6 in the previous year.
- Cane Quality (POCS) was 11.0 compared to 9.8 in the previous season.
- The total sugar exported to EU was 143,707 tonnes compared to 135,462 tonnes in the previous year.

FINANCIAL SUMMARY

	2013	2012
Sales and Profit ($'000)		
Total sales	198,986	203,621
Trading profit/(loss)	(10,285)	(13,712)
Income tax benefit		-
Unrealised exchange gain/(loss)	370	(4,437)
Reversal of Impairment loss	45,000	40,000
Operating Profit/(loss) after extraordinary items and income tax	6,254	1,804
Cash Flow ($'000)		
Operating activities	(34,852)	3,227
Investing activities	(24,387)	(20,857)
Financing activities	52,582	33,038
Net increase/(decrease) in cash	(6,657)	15,408
Financial Position ($'000)		
Working capital	(157,128)	(127,444)
Current assets	75,129	58,690
Total assets	254,607	196,065
Non-current liabilities	114,952	108,787
Current liabilities	232,257	186,134
Shareholders' equity	(92,602)	(98,856)
Additional Information		
Ratio of current assets to current liabilities	0.3	0.3
Ratio of debt to shareholders' equity	(3.7)	(3.0)

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's 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's 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

Ratu Deve Toganivalu

Dijendra Singh

Alipate Qetaki

Viliame Gucake

Ratu Aisea Katonivere

Mereani Mafi Lord
Company Secretary

EXECUTIVE MANAGEMENT GROUP

CORPORATE

Mikaele Biukoto
Manager - Special Duties

Timoci Laqai
Manager - Human Resources

Thomas Peters
Manager - Engineering

Rajneesh Lata Charan
Manager - Information Systems

Seru Vularika
Manager - Branding & Packaging

Mereani Mafi Lord
Legal Counsel

Deepak Raj
Manager - Finance

MILLS

Viliame Savou
Production Manager - Lautoka Mill

Sailasa Waitawa
Production Manager - Rarawai Mill

Karia Christopher
Production - Manager Labasa Mill

Taito Kafoa
Production Manager - Penang Mill

EXECUTIVE CHAIRMAN'S REPORT

The past year has been a reasonable year for the Fiji Sugar Corporation showing another modest growth in its financial position. Upon including for impairment write back, the company made a modest profit of $6.254 million.

On 15 August 2012, the company entered into a EUR 40 million pre-export finance facility agreement with ANZ Bank to fund its operational expenditure and to pay sugar cane farmers. The fund is annually revolving for a period of 3 years. This facility reduced the company's dependence on the Government for funds for its operational needs.

The commencement in a number of strategic projects shows the commitment of focusing on a sugar cane industry rather than just manufacturing a single specification raw sugar. This began with the Labasa cogeneration by the signing of a power purchase agreement with the Fiji Electricity Authority to supply all of its electricity demand for its customers connected to the Labasa national grid. This will reduce the unnecessary stockpiling of bagasse as well as provide the much needed revenue to compensate for the reduction in sugar revenue from suppressed raw sugar prices.

The other strategic project of packaging and branding entered its design stage. Since the beginning of the industry in Fiji, there has been no branding associated with the sugar origins. Sugar has been sold in bulk and even locally; sold in various packaging with no or little branding of its origins. The brand being created will give Fiji origin sugar an uniqueness which will enhance its position in the world market. It is through such strategic initiatives that premiums could be extracted from the sale of our sugar.

Despite the downward pressure on the world raw sugar price this year, there was an 11% increase in the price negotiated for the 2013 season compared to the previous season. Based on the medium term forecast, the price is likely to trend downwards for at least another 2-3 years.

In December 2012, Cyclone Evans caused some significant damage to the crop as well as to the infrastructure of the company. In terms of the repair cost for the company infrastructure, this amounted to some $1.2 million which was funded from the company's internal sources since the company to date is self insured. As a result of the two devastating floods of the previous year, further costs of $5.3 million was incurred for repair works

During the loading of molasses at the company's Malau Wharf, the tanker accidentally damaged one of the dolphins; the repair and replacement cost is estimated at $3.4 million. The company in conjunction with United Molasses has been engaged with the P and I Club to recover at least the repair portion of the damage sustained. This engagement is ongoing with the P and I Club showing little interest in compensating the company.

From the operational perspective, the company has continued to make significant efficiency gains which is reflected on the industry measure of tonne cane to tonne sugar ratio. This ratio (TCTS) improved further from 12.6 in the previous year to 9.99, an improvement of 20.7%.

EXECUTIVE CHAIRMAN'S REPORT (CONT'D)

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 and $4.4 million for the implementation of a Quality Cane Payment System - Near Infra-Red (NIR).

With the ANZ Bank pre-export facility in place, there was no direct Government funding to the company. Nevertheless, the confidence support of Government has not diminished and the company is truly appreciative of this. It is these types of support that has allowed the company to meet its commitment to its customers and creditors.

Acknowledgement

In achieving another moderate growth in our financial postition, I wish to first and foremost acknowledge our appreciation to the Government for its continued support both financially as well as in confidence. Based on the nature of the industry, it is fair to say that without this unwavering support, the company would have had real difficulty operating in these difficult times.

The contribution of other stakeholders of the industry especially the farmers I also acknowledge. These groups understand the difficult times being experienced by the industry and are ready to work together with the company for a successful outcome for all the stakeholders.

Last but not least, I wish to thank my fellow directors and all the employees of FSC for their continued support and dedication in ensuring that we meet the challenges of the industry. It is these types of support that have enabled the company to perform above expectations. My special gratitude also to the late Ratu Aisea Katonivere for his contribution to board deliberations in challenging times during his tenure.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2013

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In accordance with a resolution of the board of directors, the directors herewith submit the statements of financial position of The Fiji Sugar Corporation Limited (the Corporation) and of the Group as at 31 May 2013 and the related statements of profit or loss and other comprehensive income, statements of changes in equity and statements 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 – the company has commenced setting-up and preparation for construction of power cogeneration plant at Rarawai, Ba.

Results

The consolidated results of the Group are summarized below:	2013 $'000	2012 $'000
Loss from operations	(18,705)	(20,947)
Finance income	145	395
Finance costs	(13,683)	(10,052)
Allowance for non-current inventory obsolescence	(624)	(87)
Unrealised exchange gain / (loss), net	370	(4,437)
Loss on disposal of investment in associate, net	-	(46)
Loss due to flooding	(5,340)	(3,022)
Loss due to cyclone	(1,209)	-
Reversal of impairment loss on property, plant and equipment	45,500	40,000
Impairment loss on capital works in progress	(200)	-
Profit for the year	6,254	1,804

DIRECTORS' REPORT (CONT'D)

Dividends

The directors recommend that no dividends be declared for the year ended 31 May 2013.

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 ongoing support from the Government of the Republic of Fiji, the Corporation's debt will be restructured with additional equity, the Corporation will continue to achieve improvements in mill efficiency and mill performance together with significantly improved quantity and quality of cane supply and thereby generate adequate profits and cash flows from future operations to meet its obligations as and when they fall due. The directors believe that with the support of the Government, the Corporation 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) Impairment of Property, Plant and Equipment

For the year ended 31 May 2013, 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 of the assets. Due to improvement in sugar cane supply and quality, sugar prices and the improvements 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 $45.5 million.

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

The Corporation has entered into 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 is 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 required to be repaid within 180 days and the facility is required to be fully repaid by 31 March of each year. As at balance date, the Corporation has drawn down EUR 7.5 million against the facility.

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).

DIRECTORS' REPORT (CONT'D)

Significant Events During the Year (Cont'd)

c) Government of Fiji loans

During the year, the Corporation obtained funding of $35 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, which was subsequently repaid in December 2012.

In March 2013, $4.2 million, of which 70% being growers share was deducted from 2012 season's payments to growers, was due for repayment to SCGF. SCGF at the Corporation's request has extended the repayment term by 9 months. The interest for 6 months at 4% per annum is to be borne by the Corporation.

e) Cyclone Damage

In December 2012 there was a severe cyclone; as a consequence, the Corporation's infrastructure was severely affected. The cyclone caused significant damage to the infrastructure and buildings.

The Corporation is carrying out rehabilitation work arising due to the cyclone damage, which is projected to cost approximately $ 2.2 million. As at balance date, the expenditure incurred amounted to $ 1,209,283.

Since the Corporation has not insured its assets, the rehabilitation works is funded through internal sources.

f) Flood Cost

In January 2012 and March/April 2012, there was severe flooding in the western division of the island of Viti Levu. The total rehabilitation costs are approximately $15 million.

The expenditure of flood rehabilitation works from damages incurred in the year ended 31 May 2013 amounted to $5,339,451 (2012: $3,022,404).

The Corporation has not insured its assets; accordingly 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.

DIRECTORS' REPORT (CONT'D)

Bad and Doubtful Debts (Cont'd)

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 losses due to cyclone in December 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 Corporation and 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, the Corporation has drawn down EUR 13 million from the ANZ Preexport facility to fund the grower cane payment.

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 Corporation and the Group, the results of those operations, or the state of affairs of the Corporation and the Group in future financial years.

Other Circumstances

As at the date of this report:

(i) no charge on the assets of the Corporation or 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 the Corporation or the Group could become liable; and

DIRECTORS' REPORT (CONT'D)

Other Circumstances (Cont'd)

(iii) no contingent liabilities or other liabilities of the Corporation or 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 29 day of January 2014.

....	....
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 statements of profit or loss and other 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 2013;

(b) the accompanying statements 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 2013;

(c) the accompanying statements 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 2013;

(d) the accompanying statements 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 2013;

(e) at the date of this statements, 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 29 day of January 2014.

....
Director

....
Director

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 statements of financial position as at 31 May 2013, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information as set out on pages 20 to 63.

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 2013 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 2013, the Corporation incurred a loss (before reversal of impairment loss) of $39 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 2013, total liabilities of the Corporation exceed total assets resulting in net liabilities of $93.9 million. The current liabilities exceed the current assets by $157.3 million.

The Corporation has significant debt repayment commitments amounting to $197.1 million during the financial year ending 31 May 2014. Furthermore, the Corporation may 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 support to the Corporation and the sugarcane industry, the restructuring of the Corporation's debt and additional equity to enable the Corporation to continue in operation for at least twelve months. The appropriateness of the going concern assumption is also dependent on improved quantity and quality of cane supply together with 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 statements 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
29 January 2014

BDO

BDO
CHARTERED ACCOUNTANTS.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MAY 2013

	Notes	Consolidated		Holding Company	
		2013	2012	2013	2012
		$'000	$'000	$'000	$'000
Turnover					
Exports, sugar and molasses		179,577	166,965	179,577	166,965
Local, sugar and molasses		19,409	36,656	19,409	36,656
		198,986	**203,621**	**198,986**	**203,621**
Less: Cost of sales		(209,271)	(217,333)	(209,271)	(217,333)
Gross loss		(10,285)	(13,712)	(10,285)	(13,712)
Other income		1,096	79	1,096	79
Realised exchange gain		50	73	50	73
Administrative and operating expenses		(9,566)	(7,387)	(9,561)	(7,382)
		(8,420)	(7,235)	(8,415)	(7,230)
Loss from operations	5	**(18,705)**	**(20,947)**	**(18,700)**	**(20,942)**
Finance income	6	145	395	143	392
Finance costs	6	(13,683)	(10,052)	(13,683)	(10,052)
Unrealised exchange gain/ (loss), net		370	(4,437)	370	(4,437)
Allowance for non-current inventory obsolescence		(624)	(87)	(624)	(87)
Loss on disposal of investment in associate, net	11(i)	-	(46)	-	-
Loss due to flooding		(5,340)	(3,022)	(5,340)	(3,022)
Loss due to cyclone		(1,209)	-	(1,209)	-
Reversal of impairment loss on property, plant and equipment	10(e)	45,500	40,000	45,500	40,000
Impairment loss on capital works in progress	10(e)	(200)	-	(200)	-
Profit before income tax		**6,254**	**1,804**	**6,257**	**1,852**
Income tax expense	8(a)	-	-	-	-
Profit for the year		**6,254**	**1,804**	**6,257**	**1,852**
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		**6,254**	**1,804**	**6,257**	**1,852**
Earnings per share					
Basic and diluted earnings (expressed in dollars per share)	9			0.14	0.04

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

STATEMENTS OF FINANCIAL POSITION AS AT 31 MAY 2013

	Notes	Consolidated		Holding Company	
		2013	2012	2013	2012
ASSETS		**$'000**	**$'000**	**$'000**	**$'000**
Non-current assets					
Property, plant and equipment	10	172,738	129,958	171,596	129,073
Available-for-sale financial assets	11(i)	-	-	12	12
Inventories	12	6,740	7,417	6,740	7,417
Total non-current assets		179,478	137,375	178,348	136,502
Current assets					
Held to maturity investments	11(ii)	11,783	5,085	11,697	5,000
Inventories	12	34,130	16,698	34,130	16,698
Trade and other receivables	13	13,884	15,054	15,032	15,941
Current tax assets		451	413	448	411
Cash and bank balances	14	14,881	21,440	14,800	21,361
Total current assets		75,129	58,690	76,107	59,411
Total assets		254,607	196,065	254,455	195,913
EQUITY AND LIABILITIES					
Capital and reserves					
Issued capital	15	22,200	22,200	22,200	22,200
Accumulated losses		(114,802)	(121,056)	(116,144)	(122,401)
Total equity deficit		(92,602)	(98,856)	(93,944)	(100,201)
Non-current liabilities					
Borrowings	16	112,159	106,027	112,159	106,027
Deferred income	17	905	894	905	894
Provisions	18	1,888	1,866	1,888	1,866
Total non-current liabilities		114,952	108,787	114,952	108,787
Current liabilities					
Borrowings	16	195,892	149,675	197,082	150,868
Provisions	18	2,847	3,557	2,847	3,557
Trade and other payables	19	33,518	32,902	33,518	32,902
Total current liabilities		232,257	186,134	233,447	187,327
Total equity and liabilities		254,607	196,065	254,455	195,913

The above statements 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

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MAY 2013

Consolidated	Issued Capital $'000	Accumulated Losses $'000	Total $'000
Balance at 1 June 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)
Profit for the year	-	6,254	6,254
Other comprehensive income	-	-	-
Balance at 31 May 2013	22,200	(114,802)	(92,602)
Holding Company			
Balance at 1 June 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)
Profit for the year	-	6,257	6,257
Other comprehensive income	-	-	-
Balance at 31 May 2013	22,200	(116,144)	(93,944)

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

STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 MAY 2013

	Consolidated		Holding Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Cash flows from operating activities				
Receipts from customers and other operating activities	201,551	216,597	201,551	216,597
Payments to suppliers, employees and other operating activities	(231,101)	(206,504)	(231,097)	(206,500)
Cash generated from / (used in) operations	(29,550)	10,093	(29,546)	10,097
Finance income received	80	248	80	248
Finance cost paid	(5,430)	(7,145)	(5,430)	(7,145)
Dividend received	-	79	-	-
Government grant received	48	-	48	-
Income tax and capital gains tax paid	-	(48)	-	-
Net cash flows generated from / (used in) operating activities	(34,852)	3,227	(34,848)	3,200
Cash flows from investing activities				
Payments for property, plant and equipment	(17,725)	(18,886)	(17,468)	(17,919)
Proceeds from sale of plant and equipment	-	12	-	12
Proceeds from sale of shares in associate	-	517	-	-
Advances given to subsidiary	-	-	(261)	(887)
Proceeds from term deposits	2,500	-	2,500	-
Payments for term deposits	(9,162)	(2,500)	(9,162)	(2,500)
Net cash flows used in investing activities	(24,387)	(20,857)	(24,391)	(21,294)
Cash flows from financing activities				
Proceeds from borrowings	59,582	74,006	59,582	74,006
Repayment of borrowings	(7,000)	(40,968)	(7,000)	(40,968)
Proceeds / (repayment) of advances from subsidiary	-	-	(2)	547
Net cash flows provided by financing activities	52,582	33,038	52,580	33,585
Net increase / (decrease) in cash and cash equivalents	(6,657)	15,408	(6,659)	15,491
Effect of exchange rate movement on cash and cash equivalents	98	283	98	283
Cash and cash equivalents at the beginning of the financial year	21,440	5,749	21,361	5,587
Cash and cash equivalents at the end of the financial year (Note 14)	14,881	21,440	14,800	21,361

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2013

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 Drasa Avenue, Balawa, 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 – the company has commenced 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 support from the Government of the Republic of Fiji, the Corporation's debt will be restructured with additional equity provided by the Government, the Corporation will continue to achieve improvements in mill efficiency and mill performance together with significantly improved quantity and quality of cane supply and thereby generate adequate profits and cash flows from future operations to meet its obligations as and when they fall due. The directors believe that with the support of the Government, the Corporation and the Group entities may 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 2013

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.

Amended standards adopted by the Corporation and the Group

The Corporation and the Group has early adopted amendments to IAS 1 that was published by IASB and is mandatorily effective for accounting periods beginning on or after 1 July 2012.

Amendments to IAS 1 - Presentation of Items of Other Comprehensive Income

The amendments introduce new terminology, whose use is not mandatory. Under the amendments to IAS 1, the 'statement of comprehensive income' is renamed as the 'statement of profit or loss and other comprehensive income' (and the 'income statement' is renamed as the 'statement of profit or loss'). The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or two separate but consecutive statements. However, the amendments to IAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section:

a) Items that will not be reclassified subsequently to profit or loss; and
b) Items that may be reclassified subsequently to profit or loss when specific conditions are met.

Income tax on items of other comprehensive income is required to be allocated on the same basis - the amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE YEAR ENDED 31 MAY 2013

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.1 *Basis of preparation (Cont'd)*

New Standards and amendments issued but not yet effective

The following standards and amendments to existing standards have been published and are mandatory for accounting periods beginning on or after 1 January 2013 or later periods, and the Corporation and the Group has not early adopted them. No significant impact is expected to arise out of these standards, amendments and interpretations.

- IFRS 9 - Financial Instruments: Classification and Measurement (effective for annual periods beginning on or after 1 January 2015).
- IFRS 10 – Consolidated Financial Statements: Basis for Consolidation (effective for annual periods beginning on or after 1 January 2013).
- IAS 16 (Amendment) – Property, Plant and Equipment (effective for annual periods beginning on or after 1 January 2013).
- IAS 19 (Revised) – Employee Benefits (effective for annual periods beginning on or after 1 January 2013).
- IFRS 13 – Disclosure of Fair Value Measurement (effective for annual periods beginning on or after 1 January 2013).

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 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 non-controlling 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 statements of profit or loss and other comprehensive income.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 31 MAY 2013

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 statements of profit or loss and other comprehensive income over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the statements 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.

2.5 *Cash and cash equivalents*

For the purpose of statements of cash flows, 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 statements 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 are recognised in the statements of profit or loss and other comprehensive income as part of other income when the Group's right to receive payments is established.

2.8 *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.

2.9 *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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 31 MAY 2013

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 statements 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 statements 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.

(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.

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

The Group assesses at each statements 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 statements of profit or loss and other comprehensive income.

2.11 *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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 31 MAY 2013

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.11 *Employee benefits (Cont'd)*

Annual leave and sick leave

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

Long service leave

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

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 statements of financial position date are disclosed at the present value.

Defined contribution plans

Contributions to Fiji National Provident Fund are expensed when incurred.

2.12 *Foreign currency translation*

i) Functional and presentation currency

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

ii) Transactions and balances

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

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

iii) Group companies

Statements of profit or loss and other 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 statements of financial positions are translated at the exchange rates ruling as at balance date.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 31 MAY 2013

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.13 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 other wise acquire non-current assets are recognized as deferred revenue in the statements 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.

2.14 Impairment of non-financial assets

At each statements 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 statements of profit or loss and other comprehensive income, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 31 MAY 2013

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.15 *Inventories (Cont'd)*

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

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 statements of profit or loss and other comprehensive income on a straight-line basis over the period of the lease.

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

2.17 *Income tax*

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statements 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 statements 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 statements of profit or loss and other comprehensive income, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity.

2.18 *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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 31 MAY 2013

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.18 Property, plant and equipment (Cont'd)

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 statements of profit or loss and other comprehensive income during the financial period in which they are incurred.

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

Freehold land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 31 MAY 2013

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.19 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 statements 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.

2.20 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.

2.21 Segment reporting

Operating Segments

An operating segment is a component of the Group which may earn revenue and incur expenses and the operating results are regularly reviewed by the Group's chief decision maker to make decisions about resources to be allocated to the segments and assess its performance.

The Group considers itself to be operating in one operating segment as its predominant revenue sources is from sugar milling. Revenue from other sources is not material for the purpose of segment reporting.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 31 MAY 2013

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.21 *Segment reporting (Cont'd)*

Geographical Segments

A geographical segment constitutes the provision of products or services within a particular economic environment that are subject to risks and return that are different from those of segments operating in other economic environments.

The Group predominantly operates in Fiji and business from outside Fiji is not material. Accordingly, the Group is one geographical area for reporting purposes.

2.22 *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 statements of profit or loss and other 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 statements of profit or loss and other comprehensive income.

2.23 *Trade payables*

Trade payables and other accounts payable are recognised when the Group 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE YEAR ENDED 31 MAY 2013

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, price risk, cash flow and fair value interest rate risk), credit risk, liquidity risk, regulatory risk, cane supply risk, and operational 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 significant monetary assets and liabilities (aggregating value over $500,000) at the end of reporting period are as follows:

	2013 $'000	2012 $'000
Liabilities		
Euros	17,874	-
Indian Rupees	931	-
US Dollar	72,730	73,357
Assets		
US Dollar	11,428	5,751
Europe Euro	939	292

Foreign currency sensitivity analysis

The Group is mainly exposed to the currency of USA, Europe and India.

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 USD, INR and EUR, with all other variables held constant, pre- tax profit impact is as follows:

	Profit / (Loss)			
	Strengthen		Weaken	
	2013 F$ 000's	2012 F$ 000's	2013 F$ 000's	2012 F$ 000's
Europe Euro – EUR	1,540	(27)	(1,882)	32
US Dollar – USD	5,573	6,146	(6,811)	(7,512)
Rupees - INR	85	-	(103)	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 31 MAY 2013

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.1 Financial risk factors (Cont'd)

(a) Market risk (Cont'd)

(ii) Price and Volume 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 above risk is mitigated as the EU and the ACP have negotiated market access arrangements specific to sugar effective from 1 October 2009 until 30 September 2017. The risk of not having an Economic Partnership Agreements (EPA) agreed with EU by 30 September 2014 could potentially remove the duty free access into the EU. The removal of 220,000 tonnes of raw sugar quota to EU from 1 October 2017, potentially put at risk the present volume exported to EU at premium price.

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

(iii) Cash flow and fair value interest rate risk

The Group has interest-bearing assets in the form of 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, ANZ Banking Group Ltd, SCGF 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 of the Group and the Directors within the approved parameters.

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 below).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE YEAR ENDED 31 MAY 2013

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.1 *Financial risk factors (Cont'd)*

(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 $'000	Between 1 and 2 years $'000	Between 3 and 5 years $'000	Over 5 year $'000
At 31 May 2013				
Short term borrowings	173,817	-	-	-
Long term loans and bonds	4,201	32,500	7,000	-
Export Import Bank of India	-	4,889	56,054	11,716
Pre export facility – ANZ Banking Group Limited	17,874	-	-	-
Trade and other payables	33,518	-	-	-
	229,410	37,389	63,054	11,716
At 31 May 2012				
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

(d) *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 2013 (000t)	For the year ended 31 May 2013	Effect of cane supply increase by 10%	Effect of cane supply decrease by 10%
1,547	(10.3)	(4.9)	(15.8)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 31 MAY 2013

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.1 Financial risk factors (Cont'd)

(e) Regulatory risk

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

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.

(f) Operational risk

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

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 statements of financial position) less cash and cash equivalents and term deposits. Total capital is calculated as 'equity' as shown in the consolidated statements of financial position plus net debt.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 31 MAY 2013

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 accounting estimates and 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.

(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 2013, 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 2014 to 2023 based on a scenario with cane volumes of 1.75 million tonnes for 2014 and increasing to 4.2 million tonnes in 2018, based on industry targets set in the Sugar Cane Industry Action Plan 2013-2022 prepared by the Sugar Industry Stakeholder Action Group and estimated terminal value. The discount rate of 11% 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 engineering and marketing aspects of operations.

Based on the assessments carried out for the year ended 31 May 2013, management reversed an impairment write down recognized in previous years amounting to $45.5 million.

However, the future cash flow is dependent on key variables and some of the critical variables such as sugar price, exchange rate, cane volumes and POCS (pure obtainable cane sugar) ratio 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 2013

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONT'D)

Key sources of estimation uncertainty (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) Impairment of equity investments

The Corporation assesses whether there are any indicators of impairment of equity investments at each reporting date. Equity investments are tested for impairment and when there are indicators that the carrying amount may not be recoverable, a reasonable provision for impairment is created. The director's and management's assessment of recoverable amount involves making a judgment, at the particular point in time, about inherent uncertain future outcomes of events or conditions. Accordingly, subsequent events may result in outcomes that are significantly different from assessment.

For the year ended 31 May 2013, no provision for impairment has been made as the Corporation on reasonably believes that the carrying value of equity investments is fully recoverable.

(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 2013

5. LOSS FROM OPERATIONS

	Consolidated		Holding Company	
	2013	2012	2013	2012
	$'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	25	31	25	31
Gain on sale of plant and equipment	19	12	19	12
Loss from operations have been arrived after charging the following expenses:				
Auditors' remuneration for:				
- Audit services	65	70	61	66
- Other services	4	6	3	5
Bad debts written off	46	128	46	128
Depreciation and amortisation:				
- Leasehold land, building and improvements	1,638	1,644	1,638	1,644
- Plant, machinery and equipment	16,081	15,783	16,081	15,783
- Motor vehicles and transport systems	1,548	1,220	1,548	1,220
Directors' emoluments for:				
- Directors remuneration	846	781	846	781
- Directors fees	42	43	42	43
- Other services and allowances	43	62	43	62
Impairment loss on receivables	733	69	733	69
Staff costs (Note 7)	26,367	27,848	26,367	27,848

6. FINANCE INCOME AND COSTS

	Consolidated		Holding Company	
	2013	2012	2013	2012
FINANCE INCOME				
Interest income	145	395	143	392
FINANCE COSTS				
Finance expense:				
- Government loans	(8,204)	(6,510)	(8,204)	(6,510)
- Secured borrowings	(3,659)	(3,542)	(3,659)	(3,542)
- Arrangement fees - Pre-export facility	(1,820)	-	(1,820)	-
Total finance costs	(13,683)	(10,052)	(13,683)	(10,052)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 31 MAY 2013

7. STAFF COSTS

	Consolidated		Holding Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Wages and salaries	25,025	25,253	25,025	25,253
FNPF contribution	2,296	2,408	2,296	2,408
Other employee benefits	251	256	251	256
	27,572	27,917	27,572	27,917
Less: staff costs for capital works	(444)	(556)	(444)	(556)
	27,128	27,361	27,178	27,361
Provisions for employee benefits, net movement	(761)	487	(761)	487
Total staff costs	26,367	27,848	26,367	27,848
Number of permanent employees as at balance date. This increases by approximately 900 employees during the crushing period.	1,082	1,111	1,082	1,111

8. INCOME TAX

The prima facie tax expense is reconciled to the income tax expense as follows:

(a) Income tax expense

	Consolidated		Holding Company	
	2013	2012	2013	2012
Profit before income tax expense	6,254	1,804	6,257	1,852
Prima facie tax expense thereon at 20% (2012: 28%)	1,251	505	1,251	519
Tax effect of:				
Non-deductible expenses	230	14	230	-
Unrealised exchange gain/ (loss), net	(74)	1,242	(74)	1,242
Amortisation of government grant	(7)	(10)	(7)	(10)
Deferred income tax asset not recognized, net of unrecognized deferred tax liabilities	(1,400)	(1,751)	(1,400)	(1,751)
Income tax expense	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE YEAR ENDED 31 MAY 2013

8. INCOME TAX (CONT'D)

(b) Deferred tax liability

Deferred tax liability of $1.65 million (2012: $1.08 million) in respect of unrealized gain on stock of sugar and molasses and cyclone reserve deposit as at 31 May 2013 has not been recognized in view of significant unrecognized deferred tax assets relating to tax losses and other temporary differences which will be available as deduction against realization of temporary differences giving rise to tax liability.

(c) Deferred tax assets not recognised

The deferred tax assets relating to estimated tax losses and temporary differences amounting to approximately $38.27 million (2012: $42.16 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 PER SHARE

(a) Basic

Basic earnings 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.

	Holding Company	
	2013	2012
	$	$
Profit attributable to shareholders	6,256,954	1,852,252
Weighted average number of ordinary shares in issue (nos.)	44,399,998	44,399,998
Basic earnings per share (dollar per share)	0.14	0.04

(b) Diluted

Diluted earnings per share is same as basic earnings per share.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE YEAR ENDED 31 MAY 2013

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 2013							
Cost	21,904	189	69,399	383,806	48,060	25,498	548,856
Accumulated depreciation	-	(33)	(22,822)	(227,371)	(36,307)	-	(286,533)
Accumulated impairment losses	-	-	(18,489)	(67,647)	(3,249)	(200)	(89,585)
Balance as at 31 May 2013	**21,904**	**156**	**28,088**	**88,788**	**8,504**	**25,498**	**172,738**
At 31 May 2012							
Cost	21,904	189	69,236	379,228	43,885	22,078	536,520
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**

NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE YEAR ENDED 31 MAY 2013

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 2013							
Cost	21,904	189	69,399	383,806	48,060	24,356	547,714
Accumulated depreciation	-	(33)	(22,822)	(227,371)	(36,307)	-	(286,533)
Accumulated impairment losses	-	-	(18,489)	(67,647)	(3,249)	(200)	(89,585)
Balance as at 31 May 2013	**21,904**	**156**	**28,088**	**88,788**	**8,504**	**24,156**	**171,596**
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**

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 years ended 31 May 2013 and 31 May 2012, based on independent impairment assessment report, management has recognized reversal of impairment loss amounting to $45.5 million and $40 million respectively. The reversal of impairment 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 2013

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

Consolidated and Holding Company (Cont'd)

Note 10(a) (Cont'd)

For the year ended 31 May 2013, 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 mill efficiency and TCTS ratio together with expected improvement in quality and quantity of cane supply, the expected recoverable amount and thereby the carrying value of property, plant and equipment has been assessed to have improved. Accordingly management has recognised reversal of impairment loss amounting to $45.5 million.

The Corporation has further carried out sensitivity analysis of assessment of recoverable amount as at 31 May 2013 with the following assumptions:

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

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. During the year, based on management assessment, impairment loss amounting to $200,000 has been recongnised on capital works in progress.

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 2013

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 2013	Total 2012
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance as at 1 June	21,904	158	20,063	62,239	3,516	22,078	129,958	90,598
Additions	-	-	-	-	-	17,724	17,724	18,780
Transfer from CWIP	-	-	318	8,751	4,885	(13,954)	-	-
Disposals / write off	-	-	(68)	(556)	(3)	(350)	(977)	(773)
Depreciation (Note 5)	-	(2)	(1,636)	(16,081)	(1,548)	-	(19,267)	(18,647)
Reversal of impairment loss (Note 10(a))	-	-	34,435	9,411	1,654	-	45,500	40,000
Impairment loss (Note 10(b))	-	-	-	-	-	(200)	(200)	-
Balance as at 31 May	**21,904**	**156**	**53,112**	**63,764**	**8,504**	**25,298**	**172,738**	**129,958**

NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE YEAR ENDED 31 MAY 2013

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 2013	Total 2012
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance as at 1 June	21,904	158	20,063	62,239	3,516	21,193	129,073	90,598
Additions	-	-	-	-	-	17,467	17,467	17,895
Transfer from CWIP	-	-	318	8,751	4,885	(13,954)	-	-
Disposals / write off	-	-	(68)	(556)	(3)	(350)	(977)	(773)
Depreciation (Note 5)	-	(2)	(1,636)	(16,081)	(1,548)	-	(19,267)	(18,647)
Reversal of impairment loss (Note 10(a))	-	-	34,435	9,411	1,654	-	45,500	40,000
Impairment loss (Note 10 (b))	-	-	-	-	-	(200)	(200)	-
Balance as at 31 May	**21,904**	**156**	**53,112**	**63,764**	**8,504**	**24,156**	**171,596**	**129,073**

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 31 MAY 2013

11(i) AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Consolidated		Holding Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Non-current				
Subsidiary companies				
Shares in subsidiary companies, at cost (a)	-	-	12	12

(a) Investments in subsidiaries

Name of Company	Place of Incorporation	Contribution to Group Results		Book Value of Holding Company Investments (Ordinary shares)		% Shareholding	
		2013	2012	2013	2012	2013	2012
		$	$	$	$	%	%
Unlisted Companies							
FSC Projects Ltd	Fiji	(431)	(46,032)	100	100	100	100
FSC Services Pty Ltd	Australia	-	-	11,875	11,875	100	100
Pacific Cogeneration Limited	Fiji	(2,537)	(2,502)	2	2	100	100
		(2,968)	(48,534)	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 non-operating.

11(ii) HELD TO MATURITY INVESTMENTS

	Consolidated 2013	Consolidated 2012	Holding Company 2013	Holding Company 2012
Current				
Cyclone reserve deposit - ANZ Banking Group Limited	2,535	5,000	2,535	5,000
Term deposits				
- Westpac Banking Corporation	86	85	-	-
- ANZ Banking Group Limited (a)	9,162	-	9,162	-
Total current held to maturity investments	11,783	5,085	11,697	5,000

(a) Term deposits of $9,161,986 placed with ANZ Banking Group Limited is held as security against letters of credit facility of an equivalent amount.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 31 MAY 2013

12. INVENTORIES

	Consolidated		Holding Company	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Non-Current				
Capital spare parts and spare gears	11,432	11,485	11,432	11,485
Less: Allowance for inventory obsolescence	(4,692)	(4,068)	(4,692)	(4,068)
Total non-current inventories, net	6,740	7,417	6,740	7,417
Current				
Sugar and molasses	27,551	9,784	27,551	9,784
Maintenance spares and consumables	5,950	5,132	5,950	5,132
Goods in transit	629	1,782	629	1,782
Total current inventories	34,130	16,698	34,130	16,698

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

13. TRADE AND OTHER RECEIVABLES

	Consolidated 2013	Consolidated 2012	Holding Company 2013	Holding Company 2012
Current				
Trade receivables	939	838	939	838
Receivable from subsidiary	-	-	1,148	887
Receivable from liquidation of Fiji Sugar Marketing	1,030	1,028	1,030	1,028
VAT receivable	2,942	1,329	2,942	1,329
Growers advances	340	487	340	487
Advance to cane growers	-	2,941	-	2,941
Receivable from Sugar Research Institute of Fiji	-	2,239	-	2,239
Recoverable expenses from contractors	1,334	1,268	1,334	1,268
Other receivables	2,317	2,367	2,317	2,367
	8,902	12,497	10,050	13,384
Less: Impairment loss	(733)	(69)	(733)	(69)
	8,169	12,428	9,317	13,315
Prepayments and deposits	5,715	2,626	5,715	2,626
Total current trade and other receivables, net	13,884	15,054	15,032	15,941

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 31 MAY 2013

13. TRADE AND OTHER RECEIVABLES (CONT'D)

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:

	Consolidated		Holding Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Opening balance	69	137	69	137
Impairment loss on receivables (Note 5)	733	69	733	69
Amounts written off during the year	(69)	(137)	(69)	(137)
Closing balance	733	69	733	69

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

14. NOTES TO THE STATEMENTS OF CASH FLOWS

Cash and cash equivalents

For the purpose of the statements of cash flows, the cash and cash equivalents comprise of the following:

Cash and bank balances	14,881	21,440	14,800	21,361
Total cash and cash equivalents, net	14,881	21,440	14,800	21,361

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 31 MAY 2013

16. BORROWINGS

	Consolidated		Holding Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Non-current				
Export Import Bank of India (a)	72,659	66,527	72,659	66,527
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	7,000	7,000
	112,159	106,027	112,159	106,027
Current				
Export Import Bank of India (a)	-	6,669	-	6,669
Advance from Sugar Cane Growers Fund (b)	4,201	4,201	4,201	4,201
Advances from subsidiaries (e)	-	-	1,190	1,193
Government of Fiji (f)	173,817	138,805	173,817	138,805
Pre export facility - ANZ Banking Group Limited (g)	17,874	-	17,874	-
Total current borrowings	195,892	149,675	197,082	150,868
Total borrowings	308,051	255,702	309,241	256,895

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 2013 has been expensed.

During the financial year, 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 (SCGF)

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 SCGF. The interest cost in respect to the short term finance was being met by the Government. The Corporation's share of 30% amounting to $2,520,719 was accounted as cost of sales in the Statements of profit or loss and other 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. 50% payment of $4,201,199 was settled in 2012 financial year.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 31 MAY 2013

16. BORROWINGS (CONT'D)

(b) Sugar Cane Growers Fund (SCGF) (Cont'd)

In March 2013, $4.2 million, of which 70% being growers share was deducted from 2012 season's payments to growers, was due for repayment to SCGF. SCGF at the Corporation's request has extended the repayment term by 9 months. The interest for 6 months at 4% per annum is to be borne by the Corporation. This borrowing was secured by the Government guarantee.

(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.

(d) Fiji National Provident Fund

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) Advances from Subsidiaries

(i) Advance from FSC Projects Limited as at balance date amounted to $1,172,793. 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.

(f) Government of Fiji

The borrowings from Government of Fiji aggregated $ 173,816,930 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 drawn down dates. However, the Corporation has not met its loan repayment commitments during the year ended 31 May 2013. 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 31 MAY 2013

16. BORROWINGS (CONT'D)

Particulars relating to borrowings (Cont'd)

(g) Pre Export Facility – ANZ Banking Group Limited

The Corporation has signed a pre-export finance facility for EUR 40 million with ANZ Bank on 15 August 2012 to fund the Corporation's operational expenditure and growers cane payment. The facility is available on revolving basis from May to January of each fiscal year and expires on 31 March, 2015. As at balance date the Corporation had drawn down of EUR 7.5 million (equivalent to FJ$ 17,874,166). 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 the 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).

17. DEFERRED INCOME

	Consolidated		Holding Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Government grants	1,847	1,800	1,847	1,800
Less: Accumulated amortization	(942)	(906)	(942)	(906)
Deferred income, net	905	894	905	894

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

18. PROVISIONS

	Employee entitlements	Litigation claims	Unpaid Rent	Total
	$'000	$'000	$'000	$'000
Consolidated				
As at 1 June 2012	4,692	255	476	5,423
Additional provisions recognised / (paid) during the year , net	(761)	-	73	(688)
Carrying amount as at 31 May 2013	3,931	255	549	4,735
Holding Company				
As at 1 June 2012	4,692	255	476	5,423
Additional provisions recognised / (paid) during the year , net	(761)	-	73	(688)
Carrying amount as at 31 May 2013	3,931	255	549	4,735

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 31 MAY 2013

18. PROVISIONS (CONT'D)

	Consolidated		Holding Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Analysis of Total Provisions				
Non-current	1,888	1,866	1,888	1,866
Current	2,847	3,557	2,847	3,557
Total provisions	4,735	5,423	4,735	5,423
Employee entitlements consist of the following:				
Annual and sick leave	1,595	1,880	1,595	1,880
Long service leave	1,888	1,866	1,888	1,866
Others	448	946	448	946
Total employee entitlements	3,931	4,692	3,931	4,692

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 2.11 outlines the accounting policy and underlying basis for these accruals. As referred to in Note 2.11, the expected future payments are discounted at the rate of 5.5%.

19. TRADE AND OTHER PAYABLES

	Consolidated 2013	Consolidated 2012	Holding Company 2013	Holding Company 2012
Trade creditors – Supplies and general	3,955	4,933	3,955	4,933
Trade creditors – Capital project contractors	5,826	5,865	5,826	5,865
Other creditors and accruals	4,180	6,268	4,180	6,268
Growers creditors	1,921	6,361	1,921	6,361
Cane access road, ACRP and other grants payable	797	889	797	889
Interest payable	16,839	8,586	16,839	8,586
Total trade and other payables	33,518	32,902	33,518	32,902

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE YEAR ENDED 31 MAY 2013

20. CONTINGENT LIABILITIES

	Consolidated		Holding Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Wage claims and litigations (a)	490	470	490	470
Letters of credit undertakings by the bank (b)	8,823	-	8,823	-
Guarantees or bonds given by the bank	143	282	143	282
Total contingent liabilities	9,456	752	9,456	752

(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 (2012: $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

The letters of credit (LC) aggregating to $8,822,900 issued by ANZ Banking Group Limited is in favor of suppliers and engineering entity in relation to the construction of 10 MW power cogeneration plant at Labasa mill by the Corporation and 5 MW TG set at Rarawai mill.

21. GOING CONCERN AND FINANCIAL SUPPORT

The Corporation incurred significant losses during recent years. During the year ended 31 May 2013, the Corporation has incurred loss (before reversal of impairment loss) of $39 million (2012: $38.1 million). As at 31 May 2013, total liabilities of the Corporation exceed total assets resulting in net liability of $93.9 million (2012: $100.2 million). The current liabilities exceed the current assets by $157.3 million, representing the ratio of 3.07: 1 (2012: $127.9 million, representing the ratio of 3.16: 1).

The Corporation has significant debt repayment commitments amounting to $197.1 million during the next twelve months, including $173.8 million repayable to the Government. The Corporation may require further funding to meet its working capital requirements, capital expenditure and fund the operating losses.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 31 MAY 2013

21. GOING CONCERN AND FINANCIAL SUPPORT (CONT'D)

The Mill Upgrade Program has been completed. The mill upgrade was undertaken to improve plant reliability, sugar extraction, sugar quality, energy efficiency and environmental controls. For the year ended 31 May 2013 (2012 crush season), the performance of the mills has significantly 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, these 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 thereby:

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

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

- The Government guarantee of $120 million which has now been extended till 31 May 2015.
- Funding of $35 million provided during the year bringing total funding as at 31 May 2013 to $173.8 million. These loans are being provided at an interest rate of 5%.
- The funding of $8.4 million from the Sugar Cane Growers Fund (SCGF) up to March 2013 is secured by Government guarantee. SCGF at the Corporation's request has extended the repayment term by 6 months.

Furthermore:

i) 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.

ii) Management is undertaking a number of initiatives with the Government and the sugar buyers Tate & Lyle Sugars Limited of UK to increase cane production.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE YEAR ENDED 31 MAY 2013

21. GOING CONCERN AND FINANCIAL SUPPORT (CONT'D)

iii) 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.

iv) To address the challenges that the industry faces a Stakeholder Action Group (SAG) has been established. The SAG has prepared the Sugar Cane Industry Action Plan. The SAG is taking responsibility for problem identification, analysis and implementation and monitoring of agreed actions.

The directors consider the application of the going concern principle to be appropriate in the preparation of the financial statements as the directors anticipate the Government will continue to provide necessary support and 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	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
(a) Capital commitments				
Capital commitments contracted but not provided for in the financial statements	10,888	4,214	10,888	4,138
Capital commitments approved by the directors but not yet contracted	28,017	24,644	28,017	24,494
Total capital commitments	38,905	28,858	38,905	28,632
(b) Operating lease commitments				
Non-cancelable operating land lease rental commitments are payable as follows:				
Not later than one year	191	194	191	194
Later than one year but not later than five years	759	770	759	770
Later than five years	8,131	8,082	8,131	8,082
Total operating lease commitments	9,081	9,046	9,081	9,046

(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 2013 crushing season, the growers are expected to supply to the Corporation a total of 1.75 million tonnes of cane from which approximately 176,869 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 2017.

Under the EPA, the minimum regional safeguard threshold for the Pacific Region is 181,570.5 tonnes of white sugar equivalent and 190,918.6 tonnes of white sugar equivalent for 2009/10 and 2010/11, respectively increasing to 210,950.3 tonnes of white sugar equivalent for 2011/12 to 2016/17.

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

The above are equivalent to about 190,000 tonnes raw sugar for 2009/10, 200,000 tonnes raw sugar for 2010/11 and about 220,000 tonnes 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 – Executive Chairman
Mr Marika Gaunavou - Deputy Chairman
Ratu Deve Toganivalu
Mr Dijendra Singh
Mr Viliame Gucake
Mr Alipate Qetaki
Ratu Aisea Katonivere

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 31 MAY 2013

24. RELATED PARTY INFORMATION AND TRANSACTIONS (CONT'D)

(c) Transactions with related parties

All transactions with related parties are made on normal commercial terms and conditions. There were no material transactions during the year.

(d) Other transactions

As per agreement dated 3 October 2011, the Corporation was providing ICT facilities management services to director related entity, AJYNK Electrical Limited. However on 31st August 2012, AJYNK Ltd withdrew the contract.

(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.

During the year, eleven executives, (executive chairman, four production managers, manager special projects, manager information, human resources manager, manager legal counsel, manager engineering and manager relationships) were identified as key management personnel, with the greatest authority and responsibility for the planning, directing and controlling the activities of the Corporation and the Group.

The aggregate remuneration to the executive management group for year ended 31 May 2013 and 2012 were:

	Consolidated		Holding company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Short-term benefits	1,583	1,582	1,583	1,582
Long term benefits	22	26	22	26

(f) Year-end balances arising from sales / purchases of services

Receivables from related parties (Note 13):				
- Subsidiary company	-	-	1,148	887

(g) Loans and advances from related parties

Advance from subsidiary company (Note 16)	-	-	1,190	1,193

(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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 31 MAY 2013

24. RELATED PARTY INFORMATION AND TRANSACTIONS (CONT'D)

(h) Government guarantee and assistance (Cont'd)

ii) During years ended 31 May 2012 and 31 May 2013, the Government of Fiji provided funding to meet repayment of Government guaranteed loans and to fund on-going working capital requirements of the Corporation. The borrowings from the Government of Fiji aggregated to $173,816,930 as at balance date (2012: $138,804,930 (Refer Note 16)).

iii) The Government has approved guarantees to allow the Corporation to borrow in the short term. 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 (SCGF). The balance 50% of $4,201,199 was to be repaid to SCGF in March 2013, however has been rolled over for 6 months at the interest of 4% per annum to be borne by the Corporation. This borrowing was secured by the Government guarantee (Refer Note 16)).

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) Impairment of Property, Plant and Equipment

For the year ended 31 May 2013, 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 of the assets. Due to improvement in sugar cane supply and quality, sugar prices and the improvements 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 $45.5 million.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 31 MAY 2013

26. SIGNIFICANT EVENTS DURING THE YEAR (CONT'D)

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

The Corporation has entered into 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 is 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 required to be repaid within 180 days and the facility is required to be fully repaid by 31 March of each year. As at balance date, the Corporation has drawn down EUR 7.5 million against the facility.

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 the year, the Corporation obtained funding of $35 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, which was subsequently repaid in December 2012.

In March 2013, $4.2 million, of which 70% being growers share was deducted from 2012 season's payments to growers, was due for repayment to SCGF. SCGF at the Corporation's request has extended the repayment term by 9 months. The interest for 6 months at 4% per annum is to be borne by the Corporation.

e) Cyclone Damage

In December 2012 there was a severe cyclone; as a consequence, the Corporation's infrastructure was severely affected. The cyclone caused significant damage to the infrastructure and buildings.

The Corporation is carrying out rehabilitation work arising due to the cyclone damage, which is projected to cost approximately $ 2.2 million. As at balance date, the expenditure incurred amounted to $ 1,209,283.

Since the Corporation has not insured its assets, the rehabilitation works is funded through internal sources.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 31 MAY 2013

26. SIGNIFICANT EVENTS DURING THE YEAR (CONT'D)

f) Flood Cost

In January 2012 and March/April 2012, there was severe flooding in the western division of the island of Viti Levu. The total rehabilitation costs are approximately $15 million.

The expenditure of flood rehabilitation works from damages incurred in the year ended 31 May 2013 amounted to $5,339,451 (2012: $3,022,404).

The Corporation has not insured its assets; accordingly 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, the Corporation has drawn down EUR 13 million from the ANZ Pre-export facility to fund the grower cane payment.

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 Corporation and the Group, the results of those operations, or the state of affairs of the Corporation and 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 29 January 2014.

10-YEAR STATISTICAL REVIEW

Financial statistics										
for year ended 31 May (Prior to 2004 -31 March)	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**	**2004**
Turnover ($m)	199.0	2 03.6	141.5	194.7	245.8	234.9	274.3	235.2	242.7	227.5
Profit/(Loss) before taxation ($m)	6 .3	1.8	(36.6)	(198.0)	(40.1)	(19.7)	6.9	(6.9)	(2.7)	0.7
Income Tax (expense)/benefit ($m)	-	-	-	22.9	3.3	0.4	(0.3)	3.3	0.7	1.6
Profit/Loss after taxation & Extra-ordinary items	6 .3	1.8	(36.6)	(175.1)	(36.8)	(19.3)	6.6	(3.6)	51.9	2.3
Total Assets ($m)	254.6	196.1	148.7	140.3	312.0	273.5	249.8	211.4	2 22.8	220.1
Net Assets ($m)	(92.6)	(98.9)	(100.7)	(64.0)	111.0	147.8	167.1	168.4	168.6	116.6
Proceeds of Sugar & Molasses ($m)	185.7	200.8	121.6	180.5	204.5	206.1	272.1	231.6	237.8	223.6
FSC's share of proceeds ($m)	54.5	60.2	36.5	54.1	61.3	61.8	81.6	69.5	71.4	67.1
Price per tonne cane ($)	81.83	65.67	49.16	56.23	61.65	58.21	59.06	58.13	55.48	60.12
Production statistics										
Season	**2012**	**2011**	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**	**2004**	**2003**
Cane Crushed (000t)	1 ,547	2 ,095	1 ,780	2 ,247	2 ,321	2 ,479	3 ,226	2 ,789	3 ,001	2,610
Sugar Produced (000t)	155	167	132	168	208	237	310	289	314	294
Molasses Produced (000t)	67	107	113	136	120	115	157	118	113	107
Tonnes Cane/Tonnes Sugar	10.0	12.6	13.5	13.4	11.2	10.0	10.4	10.0	10.0	9
Molasses % Cane	4	5	6	6	5	5	5	4	4	4
POCS %	11	10	10	10	11	11	11	11	12	13
Cane Purity %	82	80	79	79	80	81	81	82	83	84
Fibre in Cane %	12	11	12	12	12	11	12	12	12	12
Average Crushing Rate for all mills (tcph)	811	834	794	789	843	885	919	953	972	895
Actual Crushing Time as % of Available Time	61	60	53	60	68	68	76	75	79	82
Field statistics										
Season	**2012**	**2011**	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**	**2004**	**2003**
Number of Growers	15,948	16,259	16,609	1 7,762	18,683	1 8,691	1 8,649	20,290	20,492	20,693
Number of Active Growers	12,848	12,791	13,251	13,903	14,096	1 4,948	15,730	16,527	17,639	17,362
Tonnes Cane per Hectare	37	49	40	46	46	46	58	48	49	43
Average Tonnes Cane per Grower	120	164	134	162	165	166	205	172	170	126
Number of Cane Cutters	8,109	10,285	9,650	9,649	9,993	11,536	15,205	15,652	15,270	15,285
Output per Cutter (tonnes)	191	203	184	228	225	117	212	172	196	170
Burnt Cane %	36	25	23	32	50	33	51	36	34	33
Sugar exports - destinations and quantities (metric tonnes)										
Season	**2012**	**2011**	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**	**2004**	**2003**
UK/EU	143,707	135,462	110,731	152,906	207,575	187,858	209,053	178,905	170,742	167,585
MALAYSIA	-	-	-	-	-	-	-	-	-	-
USA	-	-	-	-	-	9 ,157	13,442	10,111	9,006	9,061
JAPAN	-	-	-	-	-	2 0,000	40,000	57,481	62,000	37,008
KOREA	-	-	-	-	-	-	-	-	-	-
CHINA	-	-	-	-	-	-	-	-	-	25,000
INDONESIA	-	-	-	-	-	-	-	-	25,425	-
SPECIAL PREFERENTIAL MARKET	-	-	-	-	-	-	-	-	6,475	-
TAIWAN	-	-	-	-	-	-	-	-	-	-
PORTUGAL	-	-	-	-	-	-	-	-	-	17,000
TOTAL	143,707	135,462	110,731	152,906	207,575	217,015	262,495	246,497	273,648	255,654


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