FIJI SUGAR CORPORATION

Annual Report 2015

PURE

Contents

Corporate Profile

Our Organisation

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 In 2006 the Fiji Sugar Corporation Act was repealed allowing it to be governed solely under the Companies Act.

Our Shareholders

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

Our Business

The Corporation owns and operates 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 byproduct. 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 1.8 percent of GDP, generates about 8.8 percent of total exports with a total foreign earning of $201.4m in 2014 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 & Pacific Cogeneration Ltd).

Corporate Highlights

Financial Results

- Corporation's share of proceeds was $56.0 million compared to $62.5 million in the previous year.
- Consolidated trading loss was $9.3million, compared to a loss of $4.7 million in the previous year.
- Loss from operations was $26.1 million, compared to $13.5 million in the previous year.
- Operating loss for the year was $31.7 million, compared to operating profit of $6.9 million in the previous year.
- A total of $31.3 million was invested in Property Plant and Equipment, compared to $39.9 million in the previous year.
- Earnings per share was ($0.71), compared to positive $0.16 in the previous year.

Operations

- A total of 1.83 million tonnes of sugarcane was crushed from an area of 38,427 hectares compared to 1.61 million tonnes from 38,248 hectares in the previous year.
- Sugar production increased to 226,858 tonnes compared to 179,870 tonnes in the previous year primarily as a result of improved cane production and TCTS.
- Tonnes Cane to Tonnes Sugar (TCTS) ratio was 8.08 compared to 8.95 in the previous year.
- Cane Quality (POCS) improved to 12.3 compared to 11.4 in the previous season.
- The total sugar exported to EU was 184,414 tonnes compared to 165,557 tonnes in the previous year.

Financial Summary

	2015	2014
Sales and Profit ($'000)		
Total sales	197,257	223,971
Trading profit/(loss)	(9,279)	(4,697)
Interest on Government of Fiji loan waived	24,818	-
Unrealised exchange gain/(loss)	(9,835)	102
Allowance on Top Up Cane Payment	(17,168)	-
Loss due to flooding and cyclone	-	1,409
Reversal of Impairment loss	-	35,000
Operating Profit/(loss) after extraordinary items and income tax	(31,740)	6,946
Cash Flow ($'000)		
Operating activities	(24,560)	31,427
Investing activities	(26,443)	(32,559)
Financing activities	43,968	(4,170)
Net increase/(decrease) in cash	(7,035)	(5,302)
Financial Position ($'000)		
Working capital	(82,144)	(224,477)
Current assets	23,530	44,792
Total assets	266,216	279,274
Non-current liabilities	277,938	95,661
Current liabilities	105,674	269,269
Shareholders' equity	(117,396)	(85,656)
Additional Information		
Ratio of current assets to current liabilities	0.2	0.2
Ratio of debt to shareholders' equity	(3.3)	(4.3)

Corporate Governance

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

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

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

Board Responsibilities

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

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

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

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

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

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

Composition of the Board

The Board aims to bring people of the right calibre with a wide and diverse range of business experience and expertise. There are 8 directors on the Board, appointed by the shareholders. Board representation also includes key stakeholders.

Role of Shareholders

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

Management Responsibility

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

Boards of Subsidiaries and Associate Entities

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

Board of Directors

Abdul Khan *Executive Chairman*	A businessman and an Engineer by profession.
Marika Gaunavou *Deputy Chairman*	A retired Mill Chief Engineer and Factory Manager-FSC.
Ratu Deve Toganivalu	Is the Chief Executive Officer of the Fiji Development Bank.
Viliame Gucake	Is the Director Sugar of the Ministry of Sugar Industry.
Ratu Wiliame Katonivere	A businessman and Director of the I-Taukei Land Trust Board.
Arvind Singh	A businessman and a cane farmer from Ba.
Joseph Rodan	The Manager Sales, Marketing, Trade Relations - Paradise Beverages (Fiji) Limited.
Tevita Kuruvakadua	The General Manager i-Taukei Land Trust Board.

Executive Management Group

Mikaele Biukoto	General Manager Sugar Operations
Timoci Laqai	General Manager Human Resources
Thomas Peters	General Manager Major Capital Projects
Shivam Naidu	General Manager Engineering
Rajneesh Lata Charan	General Manager Information Systems
Mereani Mafi Lord	Legal Counsel/ Company Secretary
Deepak Raj	Manager Finance
Viliame Savou	General Manager Lautoka Mill
Sailasa Waitawa	General Manager Rarawai Mill
Karia Christopher	General Manager Labasa Mill
Taito Kafoa	General Manager Penang Mill

Executive Chairman's Report

The year in review saw the industry coming to terms with a very dry year and its impact on the sugarcane and sugar production. This was further compounded by depressed sugar prices throughout the world.

The major subsequent event of Tropical Cyclone Winston has affected the industry both in terms of growth in sugar cane and the infrastructure of the Corporation. The Corporation and the industry is appreciative of the assistance provided by the Fiji Government to re-establish a number of the farms as well as renew the crop that was damaged by the cyclone.

The major damage to the Corporation's asset was to its Penang Sugar Mill. To ensure a quick prudent decision is taken and the Corporation's future plan to build a new sugar syrup mill to replace the aging Penang Sugar Mill is factored into the final outcome, a preliminary investigation proved that bringing forward the development of the syrup mill was the best value based option. This is now going through the due diligence review and the outcome would be known shortly.

To ensure that the interest of all stakeholders in the industry is kept intact, the Corporation improved the cane payment to the farmers from $70.90 to $81.01 per tonne. In doing so, the profitability of the Corporation has been affected. After the annual impairment review of the independent consultant, the Corporation decided not to write back any impairment although based on the review a value of up to $10.5 million could have been written back. Another factor that influenced any possible impairment write back was the impact of weather on sugarcane production and the depressed price for raw sugar.

As part of the preparation towards the likely challenges after 1 October 2017, when the EU guaranteed quota and reference price is abolished, construction of a retail packaging plant has commenced as well as discussions with potential suppliers of a sugar refinery plant are being held. These value-adding investments are necessary to extract all possible value from sugar.

Review of Operations

Operating Results

The Corporation incurred a trading loss of $9.3 million for the financial year ended 31 May 2015 when compared to $4.7 million for the previous year. The increase in trading loss is largely the net effect of decrease in operating revenue by $26.6 million and decrease of $22.2 million in the cost of sales. The total revenue from sugar and molasses was $197.3 million compared to $224.0 million for the previous year. Despite an increase in sugar production for the year, the reduction in revenue was mainly attributed to a significant drop of 35% in the sugar export price for the year.

Whilst FSC's direct cost of operation remained at the same level as the previous year the finance costs was reduced mainly due to an interest waiver provided on Government loans. Furthermore the interest accrued aggregating to $24.8 million up to 31 May 2014 on the borrowings from the Government of Fiji has been waived. The company recorded $9.8 million unrealised exchange loss due to a strengthening of the US dollar over Fijian dollar.

During the year the Corporation booked allowance for impairment loss of $17.2 million on the $9.39 per tonne top-up cane payment made to growers for the 4th cane payment for the season over the actual price calculation which was expected to be reimbursed by Government.

The Corporation recorded an operating loss of $31.7 million for the financial year ended 31 May 2015 when compared to $6.9 million net profit for the previous year. Despite the improvements in the mill efficiency, sugar make and TCTS ratio, the Corporation took a prudent approach not to write back any impairment loss for the year considering the negative impact of Tropical Cyclone Winston in the following year.

Cane Production And Processing

A total of 1,832,146m tonnes of cane was harvested and processed at the four sugar mills. This was well below the target of 1.86m tonnes. The reduction in crop was attributed to the drought conditions (El Nino) that was encountered from the previous year and carried on through the 2014 season.

The industry has progressively moved towards mechanisation with the operation of 13 harvesters among the four mills. Such incremental changes will assist in overcoming the manual labour issues associated with sugar cane farming in general.

The Corporation in addition to its Cane Estates at Waqadra, Drasa, Rarawai, Penang and Labasa have secured and planted sugar cane in its 650 Hectares at Seaqaqa and embarked on increasing cane production by working with landowning units (mataqali) at Nagigi, Vunika in Labasa and Burenitu in Ra.

Review of Operations (Cont'd)

Raw Sugar Manufacture

The total of 226,858 tonnes of sugar was produced for both the local and overseas markets.

Sugar Quality was maintained within the buyer specification, at times the high level of burnt and delayed cane needed to be managed to avoid out of specification sugar due to dextran levels.

With the more modern boiling scheme being adopted from India there has been a noticeable improvement in sugar recovery and this would improve further when it is fully implements at Rarawai Mill in the next period.

Key Operating Data For The 4 Mills In 2014 Are As Follows:

	Lautoka	Rarawai	Labasa	Penang	Total
Tonnes Cane Crushed	554,213	553,014	544,348	180,571	1,832,146
Average Crushing Rate (Tonnes Cane Per Hour)	253.7	233.2	265.4	101.4	854.0
Average Weekly Crush (Tonnes)	29,323	25,603	32,991	11,880	99,796
Tonnes Sugar Made	71,868	66,742	67,338	20,910	226,858
Tonnes Cane To Tonnes Sugar Ratio	7.71	8.29	8.08	8.64	8.08
Tonnes Molasses Made	24,097	24,539	22,042	6,968	77,646
Molasses % Cane	4.3	4.4	4.0	3.9	4.2
Season Length	18.9	21.6	16.5	15.2	-

Major Capital Improvements

In the Corporation's endeavor to improve milling and processing operations in its sugar factories, it has ventured into added value projects such as a Co-generation plant. The installation of the new 10MW extraction/condensing turbo generator at Labasa Mill will enable the factory to earn an extra $1.0 million in revenue through the export of power to the national grid in 2015. Furthermore, the modification and commissioning of the existing 50 tonne boiler at Labasa Mill will also enable the factory to export power all year round i.e. both in the crushing as well as the off season.

Purchase/Installation Of 3 Centrifugals Complete With Accessories At Rarawai Mill

The installation and operation of these modern and efficient centrifugals has enabled the factory to fugal the introduced massecuites effectively to separate the sugar crystals and the syrup more efficiently. The quality of sugar from the TKL centrifugals is better compared to the sugar from the previous aged centrifugals.

Review of Operations (Cont'd)

Marketing

Sugar

The dispositions of DC Raws for the 2014 Financial Year are as follows:

Buyers	DC RAWS(Tonnes)
Local Merchants	24,681
South Korea	700
Employees	246
Growers	1,710
Total	27,337

Sugar loaded in 2014 Financial Year are as follows:

Destination	Tonnage(MT)
USA	10,400
United Kingdom	119,414

Molasses

Molasses export for the 2014 Financial Year are as follows:

Destination	Tonnage(MT)
Taiwan	35,000
USA	31,938
Tahiti	54

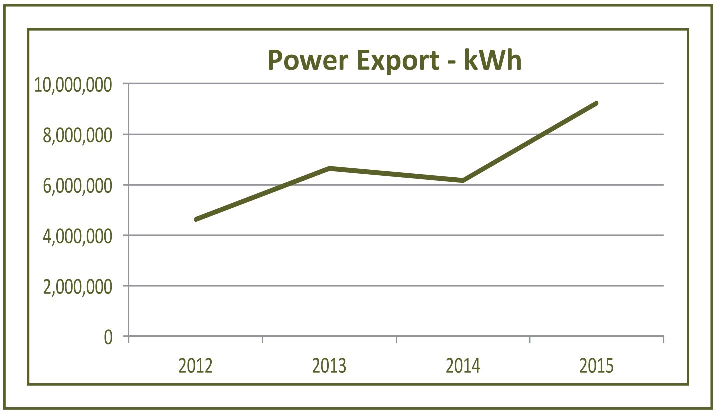
The breakdown for Molasses sold locally are as follows:

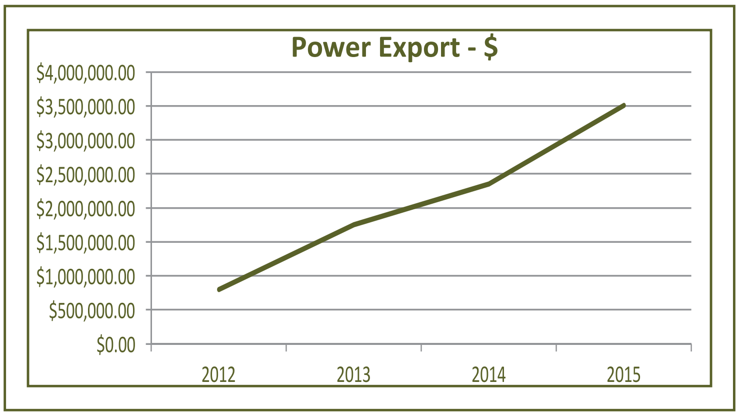
Buyers	Tonnes
Local Merchants	280
Paradise Beverages	3,660
Rewa Dairy	1,118

Review of Operations (Cont'd)

Electricity Sale

The Corporation has embarked upon the diversified program of electricity sales through cogeneration. The investment in the 10MW cogeneration facility at Labasa Sugar Mill has not only stabilised the 2 major inputs of power and steam into sugar manufacture, the surplus electricity has been on sold to the Fiji Electricity Authority..





Human Resources

Manpower

The Corporation continues to explore innovative ways to better utilize and optimize output of its Human Resources. The review of the role description of staff as well as creating awareness on staff roles and responsibilities has played a major role in this continual improvement process of maximizing staff output and performance.

Various key strategies such as reviewing and aligning HR policies and practice to best practices, engagement of required specialized expertise on key technical positions within the organization and effective employee engagement programs has been ongoing and has also contributed to gradual improvement on staff performance.

Training & Development

Training and Development remains a key priority for the Corporation in order to grow the organization through its people. The focus during the year has been on identifying and improving the skills gap that exist at all levels of the Corporation. The major focus of training during the year was on the Engineering and Supervisory disciplines. This is to strengthen areas which have been affected due to loss of skilled personnel for various reasons.

The EU support program through APTC was introduced after identification and alignment of the programs to meet the Corporation's business objectives in key areas such as leadership, management and technical disciplines. The transfer of knowledge following these programs has been effective and the programs also paved the way of identifying high potential performers and encouraging employees to upgrade and develop their skills.

Review of Operations (Cont'd)

In the mill technical areas, the engagement of the Corporation's strategic partner, the Vasantdada Sugar Institute of India (VSI) has been realized in terms of improvement in operational parameters in the factory.

Occupational Health And Safety

The Corporation is committed to continuously providing a safe and healthy environment to its staff. The implementation of various safety audits and aligning of systems and processes to world best practice has begun to meet expectation and the Corporation is adamant to continue with this for improved OHS performance.

The Corporation has comprehensively reviewed its OHS Management System manual and will continue to work with its OHS committee to further improve Health and Safety in all areas of its operation.

Environment

The Corporation continued to review its processes and practices in order to eliminate and minimize waste to the environment. Further capital injection will be provided in this area in future in order to maintain and continuously operate at a sustainable level.

Acknowledgement

Government as the major shareholder has continued its unwavering support to the Corporation and the industry. I take this opportunity to thank the Government for its confidence in the Industry through its support financially as well as ensuring that the Corporation continues with its ongoing objective of continuous improvement.

To the farmers and other stakeholders of the Industry, thank you for your support and understanding during the difficult period.

Thank you to my fellow Directors for your contribution to Board deliberations and I am sure that the healthy deliberations will continue as we address the various challenges in the Corporation's operation.

To the management and employees of the Corporation, thank you for your dedication and perseverance. With the ever-changing sugar environment worldwide and the need to meet the demands of both our shareholders as well as the industry stakeholders, the challenges are likely to be difficult at times, but with your continued dedication and support, we will continue to show good results for the coming years.

Executive Chairman.

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THE FIJI SUGAR CORPORATION LIMITED
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DIRECTORS' REPORT

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 2015 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:

K Vishnu Mohan – Chairman (Appointed on 8 August 2016)
Marika Gaunavou – Deputy Chairman
Ratu Deve Toganivalu
Viliame Gucake
Ratu Wiliame Katonivere
Abdul Khan – Chief Executive Officer
Arvind Singh – (Appointed 27 May 2015)
Tevita Kuruvakadua – (Appointed 27 May 2015)
Joseph Frances Rodan – (Appointed 27 May 2015)

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:

Entity	Principal Activities
FSC Projects Limited	Examination and development of projects relating to the utilisation of natural resources. However, no such activities carried out during the financial year.
Pacific Cogeneration Limited	Setting-up and constructing a power cogeneration plant at Rarawai, Ba.
FSC Services Pty Limited	Ceased operations from May 2006.

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

Results

The consolidated results of the Group are summarized below:	2015	2014
	$'000	$'000
Loss from operations	(26,148)	(13,479)
Finance income	31	89
Interest on loans waived – Government of Fiji loans	24,818	-
Finance costs	(3,333)	(13,357)
Unrealised exchange gain / (loss), net	(9,835)	102
Allowance for non-current inventory obsolescence	(105)	-
Loss due to flooding	-	(376)
Loss due to cyclone	-	(1,033)
Loss before Impairment loss for Top-Up Cane payment	(14,572)	(28,054)
Allowance for impairment loss on receivables – Top-Up Cane payment	(17,168)	-
Reversal of impairment loss on property, plant and equipment	-	35,000
Profit/ (loss) for the year	(31,740)	6,946

THE FIJI SUGAR CORPORATION LIMITED
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DIRECTORS' REPORT [CONT'D]

Dividends

The directors recommend that no dividends be declared for the year ended 31 May 2015.

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 Fiji. Subsequent to balance date, loan from the Government of Fiji has been converted to a long term loan with an option to convert the loan into equity. Furthermore, the Corporation will pursue revenue optimisation from large scale sugar plantations, power generation income, embark upon revenue generating investments such as ethanol, sugar refinery and retailing sugar packaging plant for local and regional markets, continue to achieve improvements in mill efficiency and mill performance together with improved quantity and quality of cane supply and thereby generate adequate profits and cash flows from future operations to meet its obligations as and when they fall due.

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

Significant events during the year were:

(i) Impairment of Property, Plant and Equipment

For the year ended 31 May 2015, 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 and directors have carried out an assessment of the recoverable amount of the assets, trend of improvement in sugar cane quality, and assessed that no further provision for impairment is required.

(ii) Restructure of Government Loan

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

Subsequent to balance date, on 15 July 2015, the loans of $173,816,930 from the Government of Fiji was restructured and converted into long term unsecured optionally convertible loan in accordance with the terms of the Loan Repayment Agreement.

THE FIJI SUGAR CORPORATION LIMITED
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DIRECTORS' REPORT [CONT'D]

Significant Events During the Year (Cont'd)

(ii) Restructure of Government Loan (Cont'd)

The Loan Repayment Agreement dated 15 July 2015 between the Government of Fiji and The Fiji Sugar Corporation Limited includes a grace period of 10 years for both loan and interest and repayments period of 20 years resulting in a maturity period of 30 years, from effective date of the loan. Interest of 3% per annum shall be payable on the drawn amount or on a semi-annual basis commencing from the 11th year from the effective date of the loan.

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

Accordingly, the Government of Fiji loan has been reclassified to non-current liabilities as at 31 May 2015.

(iii) Interest on Loans Waived- Government of Fiji Loans

In accordance with a confirmation dated 1 April 2016 from the Ministry of Finance, the interest accrued aggregating to $24,818,382 from effective date of loan draw down up to 31 May 2014 on borrowings from the Government of Fiji has been waived.

Furthermore, no interest has been charged on the borrowings from the Government of Fiji for the year ended 31 May 2015.

(iv) Government Guarantee Extension

The Government guarantee of $120 million has been extended for 5 years and expire on 31 May 2020.

(v) Top-Up Cane Payment

During the year, top-up cane payment of $9.39 per tonne aggregating to $17,167,579 was made by the Corporation to growers with the 4th cane payment for the 2014 season over the actual price calculation as per the Master Award to maintain the income of the farmers at $80 per tonne to inspire further confidence in the farmers and incentivize them to plant higher acreage of cane.

Based on discussions during the year, the directors believes that the top-up cane payment will be reimbursed by the Government. However, the Corporation has not received any confirmation or payments from the Government. Subsequent to balance date, on 21 December 2015, the Corporation has written to the Government requesting for the reimbursement of $17,167,579.

As a matter of caution, as at balance date, allowance for impairment loss on receivable has been recognized in the books of account.

(vi) Tate & Lyle Sugars

During the year, the Corporation obtained loan of US$14 million from Tate & Lyle Sugars at the interest rate of 5% to meet operational expenditure and grower cane payment. The principal loan borrowing will be settled through the supply of sugar.

Subsequent to the balance date, US$9.34 million has been repaid through the supply of sugar to Tate & Lyle Sugars.

THE FIJI SUGAR CORPORATION LIMITED
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DIRECTORS' REPORT [CONT'D]

Significant Events During the Year (Cont'd)

(vii) ANZ US$43 Million Pre-Export Finance Facility

The Corporation on 20 May 2015 obtained 3 year extension on the Pre-Export Finance Facility with ANZ Bank for sugar export proceeds to fund the Corporation's operational expenditure and grower cane payment. Each drawing against the facility is to be repaid within 180 days.

The initial EUR40 million facility was converted into US$43 million facility, which provides a natural hedge from US proceeds and US drawdown's and mitigates losses from currency fluctuations. The facility will be available on a revolving basis and expires on 31 March 2018.

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). At the balance date, the Corporation's drawdown from the facility was US$20 million.

(viii) Repayment of Bonds - $32.5 million

The Corporation has financed through the ANZ pre-export facility the repayment of bonds as follows:

- Reserve Bank of Fiji bonds of $12.5 million and $10 million which matured on 28 August 2014 and 5 November 2014, respectively.
- Fiji National Provident Fund bonds of $10 million which matured on 5 November 2014.

Bad and Doubtful Debts

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

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

Current and Non-Current Assets

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

Where necessary, these assets have been written down or adequate allowance has been made to bring the values of such assets to an amount that they might be expected to realise.

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

Unusual Transactions

Except for interest waiver on Government of Fiji loans of $24,818,382, 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.

THE FIJI SUGAR CORPORATION LIMITED
AND SUBSIDIARY COMPANIES

DIRECTORS' REPORT [CONT'D]

Events Subsequent to Balance Date

Subsequent to balance date:

(i) On 12 August 2015, the 10MW cogeneration plant at Labasa mill was commissioned. The plant has operated efficiently in the 2015 crushing season and has sold power to Fiji Electricity Authority.

(ii) To partly re-finance the bonds worth $32.5 million which matured and were repaid by the Corporation during the year ended 31 May 2015, prospectus for $15 million and $10 million bonds were floated on 19 September 2015 and 24 October 2015, respectively to raise funds. The bonds have been fully subscribed and the funds have been received.

(iii) On 2 November 2015, there was fire at Rarawai Mill which completely destroyed the main office. All the accounting records for the mill were destroyed due to the fire. The property at that time was not insured. The loss amount is not significant and estimated at $0.11 million.

(iv) In February 2016, Tropical Cyclone Winston hit Fiji and severely affected certain parts of Fiji. As a consequence, the Corporation's operations are significantly affected. The cyclone has caused significant damages to the buildings, sugarcane milling equipment, sugar and the railway network. Furthermore, subsequent to the cyclone, the Corporation's preparation for crushing season has also been disrupted, particularly at the Penang Sugar Mill where infrastructure and milling equipment have been severely damaged.

The Corporation has engaged Erasito Beca as an independent consultant to substantiate the preliminary assessment of the damages carried out by the Corporation and prepare and lodge a formal claim with the insurance underwriters. The Corporation has insurance cover for material damages and business interruptions resulting from cyclone. In the opinion of the directors, except for the insurance excess of $5 million and losses to railway network, the losses are expected to be substantially recovered from the insurance underwriters. The Corporation has received interim payment of $4.0 million with another interim payment of $3.5 million has been approved.

The financial effect of the above event, which has occurred after the balance date, will be incorporated in the financial statements for the year ending 31 May 2016.

(v) On 5 May 2016, Reform of Sugar Cane industry Bill 2016 (Bill No. 19 of 2016) was introduced in Parliament by the Government and upon enactment will commence on a date notified by the Minister in the Gazette.

Part 10 of the Bill in part deals with the transfer to the Government of all the shares currently not held by the Government in the Corporation and the conversion of Government loans and associated accrued interests into shares of the Corporation at a value derived from the most recent independent valuation of the Corporation prior to commencement of the Bill.

The Bill also provides for as soon as practicable after the commencement of the Act, all assets, interests, rights, privileges, liabilities and obligations of the Sugar Research Institute of Fiji to be transferred to and vested in the Corporation and from the date of commencement of this Act, all persons employed immediately before that date in the Sugar Research Institute of Fiji to be transferred to the Corporation.

The financial impact of the Bill when enacted will be incorporated in future financial statements.

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.

THE FIJI SUGAR CORPORATION LIMITED
AND SUBSIDIARY COMPANIES

DIRECTORS' REPORT [CONT'D]

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

(iii) no contingent liabilities or other liabilities of the Corporation or the Group has become or are likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Corporation 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 has received or become entitled to receive a benefit (other than a benefit disclosed in the financial statements and/ or included in the aggregate amount of emoluments received or due and receivable by directors shown in the financial statements or received as the fixed salary of a full-time employee of any company in the Group or of a related corporation) by reason of contract made by any company in the Group or by a related corporation with the director or with a firm of which he is a member, or with a company in which he has substantial financial interest.

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

Dated this 19th day of October 2016.

…………………………………	…………………………………
Director	Director

THE FIJI SUGAR CORPORATION LIMITED
AND SUBSIDIARY COMPANIES

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 23 in relation to going concern and support by the Government, we state that in the opinion of the directors:

(i) 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 2015;

(ii) 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 2015;

(iii) 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 2015;

(iv) 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 2015;

(v) the financial statements have been prepared in accordance with International Financial Reporting Standards;

(vi) 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

(vii) 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 19th day of October 2016.

....	....
Director	Director

INDEPENDENT AUDITOR'S REPORT

To the Members of The Fiji Sugar Corporation Limited

We have audited the accompanying financial statements of The Fiji Sugar Corporation Limited (the "Corporation") and of the Group, which comprise the statements of financial position as at 31 May 2015, 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 15 to 58.

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

Directors and management are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and with the requirements of the Companies Act, 1983, and for such internal control as the directors and management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 Corporation's and the Group'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 Corporation's and the Group'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.

Opinion

In our opinion, the accompanying financial statements give a true and fair view, in all material respects, of the financial position of the Corporation and of the Group as at 31 May 2015, and its financial performance, cash flows and changes in equity for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

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

INDEPENDENT AUDITOR'S REPORT [CONT'D]

To the Members of The Fiji Sugar Corporation Limited (Cont'd)

Continuation as a Going Concern

The Corporation incurred significant losses during recent years. During the year ended 31 May 2015, the Corporation incurred a loss from operations of $26.1million and net loss of $31.7 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 2015, total liabilities of the Corporation exceed total assets resulting in net liabilities of $118.7 million. The current liabilities exceed the current assets by $82.3 million.

The Corporation has debt repayment commitments amounting to $85.5 million during the financial year ended 31 May 2016. Furthermore, the Corporation requires further funding to meet its working capital and capital expenditure requirements.

The above conditions and other matters as disclosed in Note 23 of the financial statements indicate the existence of a material uncertainty that cast significant doubt about the Corporation's and the Group's ability to continue as a going concern.

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, to enable the Corporation to continue in operation for at least twelve months. The appropriateness of the going concern assumption is also dependent on quantity and quality of cane supply together with improvements in mill performance, timely and effective implementation of the projects in progress and other factors as outlined in Note 23.

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

Report On Other Legal and Regulatory Requirements

In our opinion:

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

b) the financial statements are in agreement with the books of account; and

c) to the best of our information and according to the explanations given to us, the financial statements 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.

BDO

SUVA, FIJI
19 OCTOBER 2016.

BDO
CHARTERED ACCOUNTANTS

THE FIJI SUGAR CORPORATION LIMITED
AND SUBSIDIARY COMPANIES
STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MAY 2015

	Notes	Consolidated		Holding Company	
		2015	2014	2015	2014
		$'000	$'000	$'000	$'000
Revenue					
Exports, sugar and molasses		163,887	194,947	163,887	194,947
Local, sugar and molasses		33,370	29,024	33,370	29,024
		197,257	**223,971**	**197,257**	**223,971**
Less: Cost of sales		(206,536)	(228,668)	(206,536)	(228,668)
Gross loss		(9,279)	(4,697)	(9,279)	(4,697)
Other income		222	301	222	301
NIR CQP costs reimbursement – Government grant	8	-	4,169	-	4,169
Realised exchange gain/(loss), net		381	(663)	381	(663)
Administrative and operating expenses		(17,472)	(12,589)	(17,463)	(12,584)
		(16,869)	(8,782)	(16,860)	(8,777)
Loss from operations	5	**(26,148)**	**(13,479)**	**(26,139)**	**(13,474)**
Finance income	6	31	89	29	87
Interest on loans waived – Government of Fiji loans	7	24,818	-	24,818	-
Finance costs	6	(3,333)	(13,357)	(3,333)	(13,357)
Unrealised exchange gain / (loss), net		(9,835)	102	(9,835)	102
Allowance for impairment loss on receivables – Top-Up Cane payment		(17,168)	-	(17,168)	-
Allowance for non-current inventory obsolescence		(105)	-	(105)	-
Loss due to flooding		-	(376)	-	(376)
Loss due to cyclone		-	(1,033)	-	(1,033)
Reversal of impairment loss on property, plant and equipment	12(e)	-	35,000	-	35,000
Profit / (loss) before income tax		**(31,740)**	**6,946**	**(31,733)**	**6,949**
Income tax expense	10(a)	-	-	-	-
Profit / (loss) for the year		**(31,740)**	**6,946**	**(31,733)**	**6,949**
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		**(31,740)**	**6,946**	**(31,733)**	**6,949**
Earnings per share					
Basic and diluted earnings (expressed in dollars per share)	11			(0.71)	0.16

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

THE FIJI SUGAR CORPORATION LIMITED
AND SUBSIDIARY COMPANIES
STATEMENTS OF FINANCIAL POSITION
AS AT 31 MAY 2015

	Notes	Consolidated		Holding Company	
		2015	2014	2015	2014
ASSETS		$'000	$'000	$'000	$'000
Non-current assets					
Property, plant and equipment	12	239,450	228,211	238,308	227,069
Available-for-sale financial assets	13(i)	-	-	12	12
Inventories	14	3,236	6,271	3,236	6,271
Total non-current assets		242,686	234,482	241,556	233,352
Current assets					
Held to maturity investments	13(ii)	89	4,822	-	4,734
Inventories	14	12,169	15,162	12,169	15,162
Trade and other receivables	15	8,067	14,419	9,222	15,570
Current tax assets	10(b)	474	469	471	466
Cash and bank balances		2,731	9,920	2,651	9,839
Total current assets		23,530	44,792	24,513	45,771
Total assets		266,216	279,274	266,069	279,123
EQUITY AND LIABILITIES					
Capital and reserves					
Issued capital	17	22,200	22,200	22,200	22,200
Accumulated losses		(139,596)	(107,856)	(140,928)	(109,195)
Total equity deficit		(117,396)	(85,656)	(118,728)	(86,995)
Non-current liabilities					
Borrowings	18	275,132	92,866	275,132	92,866
Deferred income	19	832	869	832	869
Provisions	20	1,974	1,926	1,974	1,926
Total non-current liabilities		277,938	95,661	277,938	95,661
Current liabilities					
Borrowings	18	84,347	212,091	85,532	213,279
Provisions	20	2,262	2,301	2,262	2,301
Trade and other payables	21	19,065	54,877	19,065	54,877
Total current liabilities		105,674	269,269	106,859	270,457
Total equity and liabilities		266,216	279,274	266,069	279,123

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

THE FIJI SUGAR CORPORATION LIMITED
AND SUBSIDIARY COMPANIES
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MAY 2015

	Issued Capital	Accumulated Losses	Total
Consolidated	**$'000**	**$'000**	**$'000**
Balance at 1 June 2013	22,200	(114,802)	(92,602)
Profit for the year	-	6,946	6,946
Other comprehensive income	-	-	-
Balance at 31 May 2014	22,200	(107,856)	(85,656)
Loss for the year	-	(31,740)	(31,740)
Other comprehensive income	-	-	-
Balance at 31 May 2015	22,200	(139,596)	(117,396)
Holding Company			
Balance at 1 June 2013	22,200	(116,144)	(93,944)
Profit for the year	-	6,949	6,949
Other comprehensive income	-	-	-
Balance at 31 May 2014	22,200	(109,195)	(86,995)
Loss for the year	-	(31,733)	(31,733)
Other comprehensive income	-	-	-
Balance at 31 May 2015	22,200	(140,928)	(118,728)

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

THE FIJI SUGAR CORPORATION LIMITED
AND SUBSIDIARY COMPANIES
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 MAY 2015

	Consolidated		Holding Company	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Cash flows from operating activities				
Receipts from customers and other operating activities	200,288	221,049	200,288	221,049
Payments to suppliers, employees and other operating activities	(221,476)	(189,064)	(221,467)	(189,058)
Cash generated from / (used in) operations	(21,188)	31,985	(21,179)	31,991
Finance income received	20	34	20	34
Finance cost paid	(3,392)	(4,761)	(3,392)	(4,761)
NIR CQP costs re-imbursements - government grant	-	4,169	-	4,169
Net cash flows provided by / (used in) operating activities	(24,560)	31,427	(24,551)	31,433
Cash flows from investing activities				
Payments for property, plant and equipment	(31,259)	(39,862)	(31,259)	(39,862)
Advances given to subsidiary	-	-	(5)	(3)
Proceeds from withdrawal of deposits	4,816	7,303	4,816	7,303
Net cash flows used in investing activities	(26,443)	(32,559)	(26,448)	(32,562)
Cash flows from financing activities				
Proceeds from borrowings	41,350	17,721	41,350	17,721
Repayment of borrowings	(5,782)	(4,017)	(5,782)	(4,017)
Proceeds from / (repayment of) borrowings - ANZ pre export facility	40,900	(17,874)	40,900	(17,874)
Repayment of RBF and FNPF bonds	(32,500)	-	(32,500)	-
Repayment of advances from subsidiary	-	-	(3)	(3)
Net cash flows provided by / (used in) financing activities	43,968	(4,170)	43,965	(4,173)
Net decrease in cash and cash equivalents	(7,035)	(5,302)	(7,034)	(5,302)
Effect of exchange rate movement on cash and cash equivalents	-	187	-	187
Cash and cash equivalents at the beginning of the financial year	9,766	14,881	9,685	14,800
Cash and cash equivalents at the end of the financial year (Note 16)	2,731	9,766	2,651	9,685

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

**THE FIJI SUGAR CORPORATION LIMITED
AND SUBSIDIARY COMPANIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2015**

1. GENERAL INFORMATION

The Fiji Sugar Corporation Limited (the "Corporation") is a limited liability company incorporated and domiciled in Fiji.

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

The address of its registered office and principal place of business is at Drasa Avenue, Balawa, Lautoka.

Principal activities of subsidiary companies are as follows:

Entity	Principal Activities
FSC Projects Limited	Examination and development of projects relating to the utilisation of natural resources. However, no such activities carried out during the financial year.
FSC Services Pty Limited	Ceased operations from May 2006.
Pacific Cogeneration Limited	Setting-up and constructing a power cogeneration plant at Rarawai, Ba.

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

Consolidated Financial Statements

The financial statements for the year ended 31 May 2015 comprise of 'the company' referring to The Fiji Sugar Corporation Limited and 'the Group' referring to the companies whose accounts have been consolidated therein.

Statement of Compliance

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) Basis of accounting - Going concern

The financial statements have been prepared on a going concern basis on the assumption that the Corporation will continue to receive ongoing support from the Government of Fiji. Subsequent to balance date, loan from the Government of Fiji has been converted to a long term loan with an option to convert the loan and accrued interest into equity. Furthermore, the Corporation will pursue revenue optimisation from power generation income, embark upon revenue generating investments such as ethanol, sugar refinery and retailing sugar packaging plant for local and regional markets, continue to achieve improvements in mill efficiency and mill performance together with improved quantity and quality of cane supply and thereby generate adequate profits and cash flows from future operations to meet its obligations as and when they fall due.

THE FIJI SUGAR CORPORATION LIMITED
AND SUBSIDIARY COMPANIES
NOTES TO THE FINANCIAL STATEMENTS [CONT'D]
FOR THE YEAR ENDED 31 MAY 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

a) Basis of accounting - Going concern (Cont'd)

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.

b) Basis of preparation

The financial statements of the Corporation and the Group have been prepared under the historical cost convention. Cost is based on the fair values of the consideration given in exchange for assets.

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

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

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

c) Basis of consolidation

Subsidiaries

The consolidated financial statements incorporate the financial statements of all the companies that comprises the Group, being The Fiji Sugar Corporation Limited (holding company) and its subsidiary companies. A list of subsidiaries appears in Note 13 to the financial statements.

The holding company reassess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed below.

Control is achieved when the holding company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

THE FIJI SUGAR CORPORATION LIMITED
AND SUBSIDIARY COMPANIES
NOTES TO THE FINANCIAL STATEMENTS [CONT'D]
FOR THE YEAR ENDED 31 MAY 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

c) Basis of consolidation (Cont'd)

When the holding company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The holding company considers all relevant facts and circumstances in assessing whether or not the holding company's voting rights in an investee are sufficient to give it power.

Consolidation of a subsidiary company begins when the holding company obtains control over the subsidiary company and ceases when the holding company loses control of the subsidiary company.

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

d) Changes in accounting policies

New standards, interpretations and amendments effective from 1 June 2014

One new interpretation and a number of amendments are effective for the first time for annual periods beginning on (or after) 1 January 2014. Neither the interpretation, nor the amendments have a material effect on the Group's annual financial statements.

Interpretation and amendment which is relevant to the Group is presented below.

IAS 32 – Offsetting Financial Assets and Liabilities – Amendments to IAS 32

The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realization and settlement'. The amendments require retrospective application.

IAS 36 – Recoverable Amount Disclosures – Amendments to IAS 36

The amendments align the disclosures required for the recoverable amount of an asset (or CGU) when this has been determined on the basis of fair value less costs of disposal with those required where the recoverable amount has been determined on the basis of value in use. Certain disclosures are now only required when an impairment loss has been recorded or reversed in respect of an asset or CGU. Other disclosures requirements have been clarified and expanded, for assets or CGUs where the recoverable amount has been determined on the basis of fair value less costs of disposal.

New standards, interpretations and amendments that have been issued but are not mandatorily effective as at 31 May 2015

The following new standards, interpretations and amendments, which are not yet mandatorily effective and have not been adopted early in these financial statements, will or may have an effect on the company's and the Group's future financial statements. The Group intends to adopt these standards, interpretations and amendments, if applicable, when they become effective.

THE FIJI SUGAR CORPORATION LIMITED
AND SUBSIDIARY COMPANIES
NOTES TO THE FINANCIAL STATEMENTS [CONT'D]
FOR THE YEAR ENDED 31 MAY 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

d) Changes in accounting policies (Cont'd)

New standards, interpretations and amendments that have been issued but are not mandatorily effective as at 31 May 2015 (Cont'd)

(i) IFRS 9 - Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted.

The adoption of IFRS 9 may have an effect on the classification and measurement of the Group's financial assets.

(ii) IFRS 15 - Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The Group will assess the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

(iii) Amendments to IAS 16 and IAS 38 - Clarification of Acceptable Methods of Depreciation and Amortization

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group given that the Group has not used a revenue-based method to depreciate its non-current assets.

(iv) Amendments to IAS 1 - Disclosure Initiative

The amendments clarify guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

Although the amendments do not require specific changes, they clarify a number of presentation issues and highlight that prepares are permitted to tailor the format and presentation of financial statements to their circumstances and the needs of users.

The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. The Group will assess the disclosure requirements of amendments and plans to adopt the amendments on the required effective date.

THE FIJI SUGAR CORPORATION LIMITED
AND SUBSIDIARY COMPANIES
NOTES TO THE FINANCIAL STATEMENTS [CONT'D]
FOR THE YEAR ENDED 31 MAY 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

e) 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.

f) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

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

g) Cash and cash equivalents

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

h) Comparatives

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

i) 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.

j) Earnings per share

(a) Basic earnings per share

Basic earnings per share (EPS) is determined by dividing net profit / (loss) 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.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

k) Financial assets

The Group classifies its financial assets in the following categories: loans and receivables, held-to-maturity 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 15). Bad debts are written off during the period in which they are identified.

Trade receivables and other receivables are recorded at amortised cost less impairment.

(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.

l) Employee benefits

Wages and salaries

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

Annual leave and sick leave

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

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NOTES TO THE FINANCIAL STATEMENTS [CONT'D]
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

l) Employee benefits (Cont'd)

Long service leave

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

Termination 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.

m) 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.

n) 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.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

n) Government grants (Cont'd)

Government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue in the 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.

o) 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in the 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 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.

p) Inventories

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

Spares are stated at cost. Costs are assigned to spares using the weighted average basis and comprise all costs incurred in bringing the stocks to their present location and condition. Allowances for spare parts inventory obsolescence are raised based on a review of inventories, 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.

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NOTES TO THE FINANCIAL STATEMENTS [CONT'D]
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

q) 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 lessee.

r) Income tax

Current 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 tax

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

s) Property, plant and equipment

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

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

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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:

Leasehold land	Term of lease
Buildings and improvements	2% to 10%
Plant, machinery and equipment	3% to 25%
Vehicles and transport systems	15% and 20%

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.

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

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

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

Costs incurred for capital work in progress are capitalised and are assessed by 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.

t) Provisions

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

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

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NOTES TO THE FINANCIAL STATEMENTS [CONT'D]
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

t) Provisions (Cont'd)

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

u) 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.

v) 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.

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.

w) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

THE FIJI SUGAR CORPORATION LIMITED
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NOTES TO THE FINANCIAL STATEMENTS [CONT'D]
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

w) Trade receivables (Cont'd)

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.

x) Trade and other 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.

y) Value Added Tax (VAT)

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

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

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

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

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

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (foreign exchange risk, price and volume risk, cash flow and fair value interest rate and risk regulatory risk), credit risk, liquidity 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 policy parameters.

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NOTES TO THE FINANCIAL STATEMENTS [CONT'D]
FOR THE YEAR ENDED 31 MAY 2015

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.1 Financial risk factors (Cont'd)

(a) Market risk (Cont'd)

(i) Foreign exchange risk (Cont'd)

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:

	2015	2014
	$'000	$'000
Liabilities		
US Dollar	155,074	79,009
Assets		
US Dollar	1,712	2,167
Euros	6	1,774

Foreign currency sensitivity analysis

The Group is mainly exposed to the currency of USA.

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

	Profit / (Loss) Impact			
	Strengthen		Weaken	
	2015 F$ 000's	2014 F$ 000's	2015 F$ 000's	2014 F$ 000's
Euro – EUR	-	(160)	-	196
US Dollar – USD	13,942	6,986	(17,040)	(8,538)

(ii) Price and volume risk

The Group is exposed to world sugar price for sugar exports to European Union (EU). The Group is also exposed to world molasses price for molasses exports.

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3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.1 Financial risk factors (Cont'd)

(ii) Price and volume risk (Cont'd)

The above risk is partly mitigated as the EU and the African, Caribbean & Pacific (ACP) have negotiated market access arrangements specific to sugar effective until 30 September 2017. The removal of 220,000 tonnes of raw sugar quota to EU from 1 October 2017 put at risk the present volume exported to EU at the EU reference 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 does not have significant interest-bearing assets. The term deposits 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 has significant interest-bearing borrowings denominated in foreign currency from Export Import Bank of India (EXIM) and Tate & Lyle Sugars. The borrowings from EXIM are at floating rates based on "US Dollar London Inter Bank Offered Rate (LIBOR)", and accordingly are exposed to interest rate risk. Borrowings from Tate & Lyle Sugars are not exposed to interest rate risk during borrowing term as funds are borrowed at fixed interest rates.

In relation to borrowings from Government of Fiji, ANZ Banking Group Ltd, Sugar Cane Growers Fund, Reserve Bank of Fiji and Fiji Development Bank, the Group is not exposed to interest rate risk during borrowing term 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.

(iv) 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 2017.

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

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NOTES TO THE FINANCIAL STATEMENTS [CONT'D]
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3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.1 Financial risk factors (Cont'd)

(b) Credit risk

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

(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.

	Consolidated			
	Less than 1 year	1 - 5 years	Over 5 year	Total
	$'000	$'000	$'000	$'000
At 31 May 2015				
Short term borrowings	46,102	-	-	46,102
Long term loans	21,034	33,517	173,817	228,368
Export Import Bank of India	17,211	58,522	9,276	85,009
Trade and other payables	19,065	-	-	19,065
	103,412	92,039	183,093	378,544
At 31 May 2014				
Short term borrowings	173,817	-	-	173,817
Long term loans and bonds	33,227	22,960	2,058	58,245
Export Import Bank of India	4,893	63,447	4,401	72,741
Bank overdraft	154	-	-	154
Trade and other payables	54,877	-	-	54,877
	266,968	86,407	6,459	359,834

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3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.1 Financial risk factors (Cont'd)

(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 (of same quality) on the gross loss from proceeds of sugar and molasses is shown below:

	Gross profit / (loss) ($ million)		
Cane supply for the year 2015 (000t)	For the year ended 31 May 2015	Effect of cane supply increase by 10%	Effect of cane supply decrease by 10%
1,832	(9.3)	(3.86)	(15.03)

(e) Operational risk

Operational risk is the risk of loss arising from systems failure, human error, and fraud to external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial crisis. The 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 non-current 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 allowance for doubtful debts of trade receivables and payables are assumed to approximate their fair values. The carrying values of financial liabilities are estimated to approximate their fair values.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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NOTES TO THE FINANCIAL STATEMENTS [CONT'D]
FOR THE YEAR ENDED 31 MAY 2015

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

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:

Critical accounting estimates and judgments in applying accounting policies

(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 allowance for impairment are created.

For the year ended 31 May 2015, 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 2016 to 2025 based on a scenario with cane volumes of 1.80 million tonnes for 2016 and increasing to 2.9 million tonnes by 2020 and 3.7 million tonnes by 2025. The discount rate of 9% 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 2015, management and directors have assessed that no additional provision for impairment is required.

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.

Management and director'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) Depreciation of property, plant and equipment

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

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

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FOR THE YEAR ENDED 31 MAY 2015

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

Key sources of estimation uncertainty (Cont'd)

(c) Allowances for stock obsolescence

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

(d) Impairment of accounts receivable

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

(e) Deferred tax assets

Deferred tax assets are recognized for all unused tax losses and benefits arising from temporary differences to the extent that taxable profits will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely and level of future taxable profits together with future planning strategies. The deferred tax asset relating to tax losses and temporary differences have not been brought to account as in the opinion of the management its realization is not considered to be probable. Further details are contained in Note 10(d).

(f) Deferred tax liabilities

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

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FOR THE YEAR ENDED 31 MAY 2015

5. LOSS FROM OPERATIONS

	Consolidated		Holding Company	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Loss from operations have been arrived at after crediting the following income:				
Amortisation of government grants (Note 19)	37	36	37	36
Creditors and payables written back	30	129	30	129
Gain on sale of plant and equipment	155	135	155	135
Loss from operations have been arrived after charging the following expenses:				
Auditor's remuneration for:				
- Audit services	77	69	72	65
- Other services	19	5	16	4
Bad debts written off	156	72	156	72
Depreciation and amortization:				
- Leasehold land, building and improvements	1,601	1,660	1,601	1,660
- Plant, machinery and equipment	15,880	16,140	15,880	16,140
- Vehicles and transport systems	1,565	1,460	1,565	1,460
Directors' emoluments for:				
- Directors remuneration	822	791	822	791
- Directors fees	42	42	42	42
- Other services and allowances	51	48	51	48
Impairment loss on receivables (Note 15)	18,333	68	18,333	68
Forward contract rollover fees (a)	7,032	-	7,032	-
Staff costs (Note 9)	30,676	29,586	30,676	29,576

(a) During the year, due to delays in receipt of sale proceeds, the Corporation was unable to settle the forward contracts with ANZ Banking Group Limited and accordingly, the contracts were rolled over. ANZ Banking Group Limited charged the Corporation forward contract roll over fees of $7,031,582. These fees are included under costs of sales.

6. FINANCE INCOME AND COST

FINANCE INCOME

	Consolidated 2015	Consolidated 2014	Holding Company 2015	Holding Company 2014
Interest income	31	89	29	87
FINANCE COSTS				
Finance expense:				
- Government loans (b)	-	(8,691)	-	(8,691)
- Secured and unsecured borrowings	(3,333)	(4,666)	(3,333)	(4,666)
Total finance costs	(3,333)	(13,357)	(3,333)	(13,357)

(a) Borrowing costs amounting to $853,583 (2014: $823,552) has been capitalized to capital work in progress (Note 12(b)).

(b) Loans given by the Government aggregating to $173,816,930 have been converted to an optionally fully convertible loan in accordance with the agreement dated 15 July 2015. As per the provisions of the agreement, no interest is payable on the loan for the year ended 31 May 2015 (Note 18(e)).

THE FIJI SUGAR CORPORATION LIMITED
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FOR THE YEAR ENDED 31 MAY 2015

7. INTEREST ON LOANS WAIVED – GOVERNMENT OF FIJI LOANS

In accordance with a confirmation dated 1 April 2016 from the Ministry of Finance, the interest accrued aggregating to $24,818,382 from effective date of loan draw down up to 31 May 2014 on borrowings from the Government of Fiji has been waived.

Furthermore, no interest has been charged on the borrowings from the Government of Fiji for the year ended 31 May 2015.

8. NIR CQP COSTS REIMBURSEMENT – GOVERENEMENT GRANT

The Corporation received reimbursement of $Nil (2014: $4,169,160) from the Government in respect to Near Infra-Red (NIR) Cane Quality Payout (CQP) project costs incurred by the Corporation.

9. STAFF COSTS

	Consolidated		Holding Company	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Wages and salaries	28,705	28,166	28,705	28,166
FNPF contribution	2,833	2,508	2,833	2,508
Other employee benefits	325	291	325	291
	31,863	30,965	31,863	30,965
Less: staff costs for capital works	(1,111)	(506)	(1,111)	(506)
	30,752	30,459	30,752	30,459
Provisions for employee benefits, net movement	(76)	(873)	(76)	(873)
Total staff costs	30,676	29,586	30,676	29,586

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NOTES TO THE FINANCIAL STATEMENTS [CONT'D]
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10. INCOME TAX

	Consolidated		Holding Company	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
The prima facie tax expense is reconciled to the income tax expense as follows:				
(a) Income tax expense				
Profit / (loss) before income tax expense	(31,740)	6,946	(31,733)	6,949
Prima facie tax expense/ (benefit) thereon at 20%	(6,348)	1,389	(6,347)	1,390
Tax effect of:				
Non-deductible expenses	331	312	331	312
Unrealised exchange loss, net	37	-	37	-
Amortisation of government grant	(7)	(7)	(7)	(7)
Deferred income tax asset not recognized/ (recouped),net of unrecognized deferred tax liabilities	5,987	(1,694)	5,986	(1,695)
Income tax expense	-	-	-	-
(b) Current tax asset				
Movements during the year were as follows:				
Balance at the beginning of the year	469	451	466	448
Withholding tax	5	18	5	18
Balance at the end of the year	474	469	471	466

(c) Deferred tax liability

Deferred tax liability of the Corporation and the Group amounting to $300,849 (2014: $599,002) in respect of unrealized gain on stock of sugar and molasses as at 31 May 2015 has not been recognized in view of significant unrecognized deferred tax assets relating to tax losses and other temporary differences which will be available as deduction against realization of temporary differences giving rise to tax liability.

(d) Deferred tax assets not recognised

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

The deferred tax assets of the Corporation and the Group relating to estimated tax losses and temporary differences amounting to approximately $25.81 million (2014: $31.09 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 and the Group 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 and the Group 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.

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11. 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	
	2015	**2014**
	$	**$**
Profit / (loss) attributable to shareholders	(31,733,250)	6,949,187
Weighted average number of ordinary shares in issue (nos.)	44,399,998	44,399,998
Basic earnings per share (dollar per share)	(0.71)	0.16

(b) Diluted

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

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NOTES TO THE FINANCIAL STATEMENTS [CONT'D]
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12. 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 2015							
Cost	21,904	381	70,783	405,683	48,185	59,679	606,615
Accumulated depreciation	-	(37)	(25,845)	(251,618)	(35,280)	-	(312,780)
Accumulated impairment losses	-	-	(11,249)	(41,159)	(1,977)	-	(54,385)
Balance as at 31 May 2015	**21,904**	**344**	**33,689**	**112,906**	**10,928**	**59,679**	**239,450**
At 31 May 2014							
Cost	21,904	189	70,599	387,710	48,325	56,085	584,812
Accumulated depreciation	-	(35)	(24,246)	(240,984)	(36,951)	-	(302,216)
Accumulated impairment losses	-	-	(11,249)	(41,159)	(1,977)	-	(54,385)
Balance as at 31 May 2014	**21,904**	**154**	**35,104**	**105,567**	**9,397**	**56,085**	**228,211**

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NOTES TO THE FINANCIAL STATEMENTS [CONT'D]
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12. 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 2015							
Cost	21,904	381	70,783	405,683	48,185	58,537	605,473
Accumulated depreciation	-	(37)	(25,845)	(251,618)	(35,280)	-	(312,780)
Accumulated impairment losses	-	-	(11,249)	(41,159)	(1,977)	-	(54,385)
Balance as at 31 May 2015	**21,904**	**344**	**33,689**	**112,906**	**10,928**	**58,537**	**238,308**
At 31 May 2014							
Cost	21,904	189	70,599	387,710	48,325	54,943	583,670
Accumulated depreciation	-	(35)	(24,246)	(240,984)	(36,951)	-	(302,216)
Accumulated impairment losses	-	-	(11,249)	(41,159)	(1,977)	-	(54,385)
Balance as at 31 May 2014	**21,904**	**154**	**35,104**	**105,567**	**9,397**	**54,943**	**227,069**

Consolidated and Holding Company

Note 12(a) - Impairment Assessment

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

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

Consolidated and Holding Company (Cont'd)

Note 12(a) - Impairment Assessment (Cont'd)

During the years ended 31 May 2012, 31 May 2013 and 31 May 2014, based on independent impairment assessment report, management recognized reversal of impairment loss amounting to $40 million, $45.5 million and $35 million, respectively. The reversal of impairment has been allocated on a pro-rata basis to buildings and improvements, plant, machinery and equipment, vehicles and transport systems.

For the year ended 31 May 2015, 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 and directors have assessed that no additional provision for impairment is required.

The Corporation has further carried out sensitivity analysis of assessment of recoverable amount as at 31 May 2015 with the following assumptions:

- Terminal growth rate - ± 1%
- Cane production - ± 5%
- Exchange rate - ± 2.5%
- Expenditure - ± 2.5%
- World market price - ± US$0.01
- Discount rate - ± 0.5%

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

Note 12(b) - Borrowing Costs

During the year, borrowing costs amounting to $853,583 (2014: $823,552) in relation to the 10MW power cogeneration plant at Labasa was capitalized to capital work in progress.

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NOTES TO THE FINANCIAL STATEMENTS [CONT'D]
FOR THE YEAR ENDED 31 MAY 2015

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

Note 12(c) - Revaluation of Land and Buildings as Deemed Cost

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

Note 12(d) - Insurance

During the year, property, plant and equipment of the Corporation were 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 were insured under comprehensive insurance cover. Subsequent to balance date, the Corporation has obtained insurance cover on various property, plant and equipment (but excluding railway network) subject to various terms and conditions and exclusions. (Refer Note 30).

Note 12(e) - Reconciliation of Carrying Amounts

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

Consolidated	Freehold Land	Leasehold Land	Buildings and Improvements	Plant, Machinery and Equipment	Vehicles and Transport Systems	Capital Work In Progress	Total 2015	Total 2014
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance as at 1 June	21,904	154	35,104	105,567	9,397	56,085	228,211	172,738
Additions	-	-	-	-	-	32,272	32,272	40,855
Transfer from CWIP	-	192	190	23,399	3,327	(27,108)	-	-
Disposals / write off	-	-	(6)	(180)	(231)	(1,570)	(1,987)	(1,122)
Depreciation (Note 5)	-	(2)	(1,599)	(15,880)	(1,565)	-	(19,046)	(19,260)
Reversal of impairment loss (Note 12(a))	-	-	-	-	-	-	-	35,000
Balance as at 31 May	21,904	344	33,689	112,906	10,928	59,679	239,450	228,211

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NOTES TO THE FINANCIAL STATEMENTS [CONT'D]
FOR THE YEAR ENDED 31 MAY 2015

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

Note 12(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 2015	Total 2014
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance as at 1 June	21,904	154	35,104	105,567	9,397	54,943	227,069	171,596
Additions	-	-	-	-	-	32,272	32,272	40,855
Transfer from CWIP	-	192	190	23,399	3,327	(27,108)	-	-
Disposals / write off	-	-	(6)	(180)	(231)	(1,570)	(1,987)	(1,122)
Depreciation (Note 5)	-	(2)	(1,599)	(15,880)	(1,565)	-	(19,046)	(19,260)
Reversal of impairment loss (Note 12(a))	-	-	-	-	-	-	-	35,000
Balance as at 31 May	21,904	344	33,689	112,906	10,928	58,537	238,308	227,069

Note 12(f) - Capital Work-in-Progress

Capital Work-in-Progress balance of the group $59.679 million (the Corporation $58.537 million) as at 31 May 2015 includes:

- Leasehold Land, Buildings and Improvements - $5.593 million (the Corporation $5.593 million)
- Sugar Mills – Plant, Machinery and Equipment - $16.549 million (the Corporation $16.549 million)
- Vehicles and Transport Systems - $1.291 million (the Corporation $1.291 million)
- Co-generation Plant and Improvements - $36.246 million (the Corporation $35.104 million)

Subsequent to balance date, the proposed Co-generation Project at Rarawai Mill with Capital WIP balance of around $4.23 million is temporarily put on hold pending further independent feasibility studies.

Note 12(g) - Security

Certain plant, machinery and equipment are subject to security (including Bill of Sale) to Fiji Development Bank (Note 18(g)).

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NOTES TO THE FINANCIAL STATEMENTS [CONT'D]
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13(i) AVAILABLE-FOR-SALE FINANCIAL ASSETS	**Consolidated**		**Holding Company**	
	2015	**2014**	**2015**	**2014**
	$'000	**$'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**	
		2015	**2014**	**2015**	**2014**	**2015**	**2014**
		$	**$**	**$**	**$**	**%**	**%**
Unlisted Companies							
FSC Projects Limited	Fiji	(1,841)	(664)	100	100	100	100
FSC Services Pty Limited	Australia	-	-	11,875	11,875	100	100
Pacific Cogeneration Limited	Fiji	(4,804)	(2,592)	2	2	100	100
		(6,645)	(3,256)	11,977	11,977		

The financial statements of FSC Projects Limited and Pacific Cogeneration Limited are audited by BDO. The financial statements of FSC Services Pty Limited have not been audited. FSC Services Pty Limited is non-operating.

13(ii) HELD TO MATURITY INVESTMENTS

	Consolidated 2015	Consolidated 2014	Holding Company 2015	Holding Company 2014
Current				
Cyclone reserve deposit - ANZ Banking Group Limited	-	2,571	-	2,571
Term deposits				
-Westpac Banking Corporation	89	88	-	-
-ANZ Banking Group Limited (a)	-	2,163	-	2,163
Total current held to maturity investments	89	4,822	-	4,734

(a) Term deposits of $Nil (2014: $2,163,249) were placed with ANZ Banking Group Limited as security against letters of credit.

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14. INVENTORIES

	Consolidated		Holding Company	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Non-Current				
Capital spare parts and spare gears- at cost	8,033	10,963	8,033	10,963
Less: Allowance for inventory obsolescence	(4,797)	(4,692)	(4,797)	(4,692)
Total non-current inventories, net	3,236	6,271	3,236	6,271
Current				
Sugar and molasses	5,014	9,317	5,014	9,317
Maintenance spares and consumables – at cost	7,155	5,845	7,155	5,845
Total current inventories	12,169	15,162	12,169	15,162

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

15. TRADE AND OTHER RECEIVABLES

	Consolidated 2015	Consolidated 2014	Holding Company 2015	Holding Company 2014
Current				
Trade receivables	1,064	2,151	1,064	2,151
Receivable from subsidiary	-	-	1,155	1,151
Receivable from liquidation of Fiji Sugar Marketing	1,032	1,030	1,032	1,030
Receivable from the Government of Fiji – Grants (a)	822	1,705	822	1,705
Receivable from the Government of Fiji - Top-Up Cane Payment (b)	17,168	-	17,168	-
Receivable from Joint Ventures (c)	739	194	739	194
VAT receivable	555	2,066	555	2,066
Recoverable expenses from contractors	943	599	943	599
Other receivables	3,427	4,023	3,427	4,023
	25,750	11,768	26,905	12,919
Less: Impairment loss	(19,082)	(749)	(19,082)	(749)
	6,668	11,019	7,823	12,170
Prepayments and deposits	1,399	3,400	1,399	3,400
Total current trade and other receivables, net	8,067	14,419	9,222	15,570

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NOTES TO THE FINANCIAL STATEMENTS [CONT'D]
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15. 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 allowance for impairment of trade and other receivables are as follows:

	Consolidated		Holding Company	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Opening balance	749	733	749	733
Impairment loss on receivables (Note 5)	18,333	68	18,333	68
Amounts written off during the year	-	(52)	-	(52)
Closing balance	19,082	749	19,082	749

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

(a) As at balance date, the Corporation has submitted acquittals of $821,521 to the Government for Grant under the Sugar Development Program.

As at 31 May 2014, the Corporation had submitted acquittals of $1,704,734 to the Government for Grant under Sugar Cane Planting Programme.

(b) During the year, top-up cane payment of $9.39 per tonne aggregating to $17,167,579 was made by the Corporation to growers with the 4th cane payment for the 2014 season over the actual price calculation as per the Master Award to maintain the income of the farmers at $80 per tonne to inspire further confidence in the farmers and incentivize them to plant higher acreage of cane.

Based on discussions during the year, the directors believes that the top-up cane payment will be reimbursed by the Government. However, the Corporation has not received any confirmation or payments from the Government. Subsequent to balance date, on 21 December 2015, the Corporation has written to the Government requesting for the reimbursement of $17,167,579.

As a matter of caution, as at balance date, allowance for impairment loss on receivable has been recognized in the books of account.

(c) The Corporation has entered into various Joint Ventures. The purpose of the Joint Venture is to undertake commercial cane plantation. As at balance date, receivable of $739,094 (2014: $193,650) relates to costs incurred by the Corporation on account of the Joint Ventures. These balances will be recovered progressively from the cane proceeds received by the Joint Venture.

16. NOTES TO THE STATEMENTS OF CASH FLOWS

Reconciliation of 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	2,731	9,920	2,651	9,839
Bank overdraft	-	(154)	-	(154)
Total cash and cash equivalents, net	2,731	9,766	2,651	9,685

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17. SHARE CAPITAL

	Consolidated		Holding Company	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
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

18. BORROWINGS

	Consolidated		Holding Company	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Non-current				
Export Import Bank of India (a)	67,798	67,848	67,798	67,848
Reserve Bank of Fiji – Loan (c)	7,000	7,000	7,000	7,000
Loans from Sugar Cane Growers Fund (b)	-	4,201	-	4,201
Loans from Fiji Development Bank (g)	14,006	13,817	14,006	13,817
Loans from Government of Fiji (e)	173,817	-	173,817	-
Loans from Tate & Lyle (i)	12,511	-	12,511	-
Total non-current borrowings	275,132	92,866	275,132	92,866
Current				
Bank overdraft	-	154	-	154
Export Import Bank of India (a)	17,211	4,893	17,211	4,893
Loans from Sugar Cane Growers Fund (b)	5,201	-	5,201	-
Loans from Government of Fiji (e)	-	173,817	-	173,817
Pre export facility - ANZ Banking Group Limited (f)	40,901	-	40,901	-
Fiji National Provident Fund - Bonds (d)	-	10,000	-	10,000
Reserve Bank of Fiji - Bonds (c)	-	22,500	-	22,500
Loans from Fiji Development Bank (g)	4,681	686	4,681	727
Loans from subsidiaries (h)	-	-	1,185	1,188
Loans from Tate & Lyle (i)	16,353	-	16,353	-
Total current borrowings	84,347	212,091	85,532	213,279
Total borrowings	359,479	304,957	360,664	306,145

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 was 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. A further extension to the moratorium period was granted by 3 years to a total of 8 years. Interest is payable at the rate of London Inter Bank Offered Rate (LIBOR) plus 0.5%.

Accordingly, the loan repayment for the Corporation has commenced from February 2015.

THE FIJI SUGAR CORPORATION LIMITED
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NOTES TO THE FINANCIAL STATEMENTS [CONT'D]
FOR THE YEAR ENDED 31 MAY 2015

18. BORROWINGS (CONT'D)

Particulars relating to borrowings: (Cont'd)

(b) Sugar Cane Growers Fund

During the year, the Corporation received additional short term loan from Sugar Cane Growers Fund of $1 million. The loans aggregating $5.2 million (including earlier borrowing of $4.2 million) are repayable on 31 December 2015. Both loans are subject to an interest of 3.5% and secured by Government guarantee.

Subsequent to balance date, on 23 March 2016, the Corporation has repaid $1 million.

(c) Reserve Bank of Fiji

Bonds

The bonds issued by the Corporation to Reserve Bank of Fiji (RBF) were subject to interest at the rate of 7%-8% per annum (payable bi-annually)and were secured by the Government guarantee. During the year, the bonds have been repaid on maturity.

Flood Rehabilitation Loan

The Corporation has borrowed $7,000,000 from RBF to finance rehabilitation work 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 1%-2% per annum and repayable by 9 May 2017. This borrowing is secured by the Government guarantee.

(d) Fiji National Provident Fund

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

(e) Government of Fiji

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

Subsequent to balance date, on 15 July 2015, the loans of $173,816,930 from the Government of Fiji was restructured and converted into long term unsecured convertible loan in accordance with the terms of the Loan Repayment Agreement.

The Loan Repayment Agreement dated 15 July 2015 between the Government of Fiji and The Fiji Sugar Corporation Limited includes a grace period of 10 years and repayments period of 20 years resulting in a maturity period of 30 years, from effective date of the loan. Interest of 3% per annum shall be payable on the drawn amount or on a semi-annual basis commencing from the 11th year from the effective date of the loan.

The Ministry of Finance may at its absolute discretion convert the full amount or part of the loan into fully paid new conversion shares.

Accordingly, the Government of Fiji loan has been reclassified to non-current liabilities as at 31 May 2015.

THE FIJI SUGAR CORPORATION LIMITED
AND SUBSIDIARY COMPANIES
NOTES TO THE FINANCIAL STATEMENTS [CONT'D]
FOR THE YEAR ENDED 31 MAY 2015

18. BORROWINGS (CONT'D)

Particulars relating to borrowings (Cont'd):

(f) Pre Export Facility – ANZ Banking Group Limited

The Corporation on 20 May 2015 obtained 3 year extension on the Pre-Export Finance Facility with ANZ Bank for sugar export proceeds to fund the Corporation's operational expenditure and grower cane payment. Each drawing against the facility is to be repaid within 180 days.

The initial EUR40 million facility was converted into US$43 million facility, which provides a natural hedge from US proceeds and US drawdown's and mitigates losses from currency fluctuations. The facility will be available on a revolving basis and expires on 31 March 2018.

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). At the balance date, the Corporation's drawdown from the facility was US$20 million.

(g) Fiji Development Bank

The Corporation received $3,288,466 balance of the secured funding of $17,010,000 from Fiji Development Bank for construction of 10MW power generation plant at Labasa. The loan is subject to interest at the rate of 4.5% per annum, and is payable in monthly installments of $390,100 (including principal, interest, stamp duty and bank fees).

Repayment of loan and interest will commence from August 2015.The loan is secured against government guarantee and bill of sale over plant, machinery and equipment acquired for the Labasa mill cogeneration enhancement project.

(h) Advances from Subsidiaries

(i) Advance from FSC Projects Limited as at balance date amounted to $1,167,141. 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.

(i) Tate & Lyle Sugars

During the year, the Corporation obtained loan of US$14 million from Tate & Lyle Sugars at the interest rate of 5% to meet operational expenditure and grower cane payment. The principal loan borrowing will be settled through supply of sugar.

Subsequent to balance date, US$9.34 million has been repaid through the supply of sugar to Tate & Lyle Sugars.

THE FIJI SUGAR CORPORATION LIMITED
AND SUBSIDIARY COMPANIES
NOTES TO THE FINANCIAL STATEMENTS [CONT'D]
FOR THE YEAR ENDED 31 MAY 2015

19. DEFERRED INCOME	**Consolidated**		**Holding Company**	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Government grants	1,847	1,847	1,847	1,847
Less: Accumulated amortization	(1,015)	(978)	(1,015)	(978)
Deferred income, net	832	869	832	869

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%.

20. PROVISIONS	**Employee entitlements**	**Litigation claims**	**Unpaid Rent**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Consolidated				
As at 1 June 2014	3,349	255	623	4,227
Additional provisions recognised / (paid) during the year, net	(76)	-	85	9
Carrying amount as at 31 May 2015	3,273	255	708	4,236
Holding Company				
As at 1 June 2014	3,349	255	623	4,227
Additional provisions recognised / (paid) during the year, net	(76)	-	85	9
Carrying amount as at 31 May 2015	3,273	255	708	4,236

	Consolidated		**Holding Company**	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Analysis of Total Provisions				
Non-current	1,974	1,926	1,974	1,926
Current	2,262	2,301	2,262	2,301
Total provisions	4,236	4,227	4,236	4,227
Employee entitlements consist of the following:				
Annual and sick leave	1,299	1,423	1,299	1,423
Long service leave	1,974	1,926	1,974	1,926
Total employee entitlements	3,273	3,349	3,273	3,349

THE FIJI SUGAR CORPORATION LIMITED
AND SUBSIDIARY COMPANIES
NOTES TO THE FINANCIAL STATEMENTS [CONT'D]
FOR THE YEAR ENDED 31 MAY 2015

20. PROVISIONS (CONT'D)

Annual Leave

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

Long service leave and termination benefits

Long service leave and termination benefits are accrued for employees entitled to the same under their terms of employment. Note 2(l) outline the accounting policy and underlying basis for these accruals. The expected future payments are discounted at the rate of 5.5%.

21. TRADE AND OTHER PAYABLES

Current				
Trade creditors – Supplies and general	3,047	3,864	3,047	3,864
Trade creditors – Capital project contractors	2,213	5,829	2,213	5,829
Other creditors and accruals	5,900	5,450	5,900	5,450
Growers creditors	3,185	13,439	3,185	13,439
Cane access road, ACRP and other grants payable	2,257	889	2,257	889
Income in advance (a)	2,198	-	2,198	-
Interest payable (Note 7)	265	25,406	265	25,406
Total trade and other payables	19,065	54,877	19,065	54,877

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 non-interest bearing and are normally settled on 30 – 60 days term.

(a) The Corporation had received income in advance of $2,197,516 for sugar that will be exported from 2015 season crop.

22. CONTINGENT LIABILITIES

	Consolidated		Holding Company	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Wage claims and litigations (a)	341	535	341	535
Letters of credit undertakings by the bank (b)	-	1,672	-	1,672
Guarantees or bonds given by the bank	74	107	74	107
Total contingent liabilities	415	2,314	415	2,314

THE FIJI SUGAR CORPORATION LIMITED
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NOTES TO THE FINANCIAL STATEMENTS [CONT'D]
FOR THE YEAR ENDED 31 MAY 2015

22. CONTINGENT LIABILITIES (CONT'D)

(a) Litigations

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

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.

As at balance date, provision of $255,000 (2014: $255,000) was made in respect of various court actions against the Corporation (Refer Note 20).

(b) Letters of credit

The letters of credit (LC) aggregating to $Nil (2014: $1,671,690) was 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.

23. GOING CONCERN AND FINANCIAL SUPPORT

The Corporation incurred significant losses during recent years. During the year ended 31 May 2015, the Corporation has incurred loss from operations of $26.1 million (2014: $13.5 million) and loss (before reversal of impairment loss) of $31.7 million (2014: $28.1 million).

As at 31 May 2015, total liabilities of the Corporation exceed total assets resulting in net liability of $118.7million (2014: $87 million). The current liabilities exceed the current assets by $82.3 million, representing the ratio of 4.36: 1 (2014: $224.7 million, representing the ratio of 5.91: 1).

The Corporation has debt repayment commitments amounting to $85.5 million during the next twelve months. The Corporation may require further funding to meet its working capital requirements, capital expenditure and fund the operating losses.

The mill upgrade in the past was undertaken to improve plant reliability, sugar extraction, sugar quality, energy efficiency and environmental controls. The cane supply has increased from 1.610 million tonnes (2013 season) to 1.832 million tonnes (2014 season) and the TCTS is 8.1 against 9 for the 2013 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.
- 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 FIJI SUGAR CORPORATION LIMITED
AND SUBSIDIARY COMPANIES
NOTES TO THE FINANCIAL STATEMENTS [CONT'D]
FOR THE YEAR ENDED 31 MAY 2015

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

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 been extended till 31 May 2020.
- The loans from the Government of Fiji aggregating to $173,816,930 have been converted into long term loan optionally convertible loan in accordance with the Loan Repayment Agreement dated 15 July 2015. Furthermore, accrued interest up to 31 May 2014 was waived by the Government during the year, and no further interest has been charged on the Government loans during year ended 31 May 2015.
- Government guarantee to Sugar Cane Growers Fund for borrowing of $5.2 million.
- Guarantee for funding of $17,010,000 from Fiji Development Bank for construction of 10MW power generation plant at Labasa.
- In Fiji Government's 2016 National Budget announcement, the Government had allocated a $5 million grant to the Corporation in relation to the Sugar Development Program. Furthermore, the Government allocated $11 million for Sugar Development and Farmer Assistance Programme in 2016/17 National Budget. The allocation caters for cane development grant and cash-back incentive initiatives. The Cane Development Grant assists farmers and not the Corporation with large sections of uncultivated land and new growers that require start-up capital.

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.

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) Government continue to implement the Sugarcane Industry Strategic Action Plan 2013 to 2022 to revitalise and sustain the industry by focusing on six core areas: (i) crop production & grower advisory services; (ii) harvesting & transport; (iii) milling & processing; (iv) cane quality payment system; (v) revenue generation; and (vi) industry restructuring & legislation.

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

vi) Initiatives and strategies for revenue optimization from power generation income, embark upon revenue generating investments such as ethanol, sugar refinery and retailing sugar packaging plant.

THE FIJI SUGAR CORPORATION LIMITED
AND SUBSIDIARY COMPANIES
NOTES TO THE FINANCIAL STATEMENTS [CONT'D]
FOR THE YEAR ENDED 31 MAY 2015

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

The directors consider the application of the going concern principle to be appropriate in the preparation of the financial statements as the directors anticipate the Government will continue to provide necessary support and improvements will be achieved in cane supply and mill performance and thereby the Corporation 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.

24. COMMITMENTS	**Consolidated**		**Holding Company**	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
(a) Capital commitments				
Capital commitments contracted but not provided for in the financial statements	3,121	10,504	3,121	10,504
Capital commitments approved by the directors but not yet contracted	7,532	15,918	7,532	15,918
Total capital commitments	10,653	26,422	10,653	26,422
(b) Operating lease commitments				
Non-cancelable operating land and vehicles lease rental commitments are payable as follows:				
Not later than one year	590	556	590	556
Later than one year but not later than five years	1,570	1,790	1,570	1,790
Later than five years	9,804	7,975	9,804	7,975
Total operating lease commitments	11,964	10,321	11,964	10,321

(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 25 for further details.

THE FIJI SUGAR CORPORATION LIMITED
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NOTES TO THE FINANCIAL STATEMENTS [CONT'D]
FOR THE YEAR ENDED 31 MAY 2015

25. 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 2014 crushing season (during year ended 31 May 2015), the growers supplied to the Corporation a total of 1.83 million tonnes of cane from which 226,855 tonnes of sugar has been produced. The Corporation expects to export approximately 200,000 tonnes of sugar against its supply commitments to the buyers.

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 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 is equivalent to about 220,000 tonnes raw sugar from 2011/12 and beyond. This is sold to Tate & Lyle Sugars Limited, UK or any other buyer giving better price under a Long Term Agreement which is for 9.5 years commencing 1 March 2008 and expiring on 30 September 2017.

26. RELATED PARTY INFORMATION AND TRANSACTIONS

(a) Ownership interests in related parties

Interests held in subsidiaries and associate companies are set out in Note 14 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:

Abdul Khan – Executive Chairman
Marika Gaunavou - Deputy Chairman
Ratu Deve Toganivalu
Ratu Wiliame Katonivere
Viliame Gucake
Tevita Kuruvakadua – (Appointed 27 May 2015)
Joseph Frances Rodan – (Appointed 27 May 2015)
Arvind Singh – (Appointed 27 May 2015)
Alipate Qetaki – (Resigned 27 May 2015)
Dijendra Singh – (Resigned 27 May 2015)

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

(c) Transactions with related parties

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

THE FIJI SUGAR CORPORATION LIMITED
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NOTES TO THE FINANCIAL STATEMENTS [CONT'D]
FOR THE YEAR ENDED 31 MAY 2015

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

(d) Key management personnel remuneration

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

During the year, twelve executives, (executive chairman, general manager engineering, four mill general managers, general manager-major capital projects, general manager information, general manager human resources, legal counsel, manager finance and general manager sugar operations) were identified as key management personnel, with the greatest authority and responsibility for the planning, directing and controlling the activities of the Corporation and the Group.

The aggregate remuneration to the executive management group for year ended 31 May 2015 and 2014 were:

	Consolidated		Holding Company	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Short-term benefits	1,990	1,874	1,990	1,874
Long term benefits	14	9	14	9

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

	Consolidated 2015	Consolidated 2014	Holding Company 2015	Holding Company 2014
Receivables from related parties (Note 15):				
- Subsidiary company	-	-	1,155	1,151

(f) Loans and advances from related parties

	Consolidated 2015	Consolidated 2014	Holding Company 2015	Holding Company 2014
Advance from subsidiary company (Note 18)	-	-	1,185	1,188

(g) 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 27 for the details of the guarantees provided.

ii) In the prior years, the Government of Fiji provided funding to meet repayment of Government guaranteed loans and to fund on-going working capital requirements of the Corporation. The borrowings from the Government of Fiji aggregated to $173,816,930 as at balance date (2014: $173,816,930 (Refer Note 18)).

iii) The Government has approved guarantees to allow the Corporation to seek funding from banks and other financial institutions. The Corporation has secured additional funding from Fiji Development Bank and Sugar Cane Growers Fund during the year (Refer Note 18).

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NOTES TO THE FINANCIAL STATEMENTS [CONT'D]
FOR THE YEAR ENDED 31 MAY 2015

27. GOVERNMENT GUARANTEE

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

(a) The Government had approved a guarantee limited to $120 million, valid until 31 May 2020, as per parliament approval dated 25May 2015, to enable the Corporation to raise short-term loan finance to meet its working capital requirements. The Guarantee Agreement is in the process of being finalized between the Corporation and the Government.

(b) The Government has 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$41.1 million under this guarantee.

Furthermore, 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.

28. SIGNIFICANT EVENTS DURING THE YEAR

Significant events during the year were:

(i) Impairment of Property, Plant and Equipment

For the year ended 31 May 2015, 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 and directors have carried out an assessment of the recoverable amount of the assets, trend of improvement in sugar cane quality, and assessed that no further provision for impairment is required.

(ii) Restructure of Government Loan

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

Subsequent to balance date, on 15 July 2015, the loans of $173,816,930 from the Government of Fiji was restructured and converted into long term unsecured optionally convertible loan in accordance with the terms of the Loan Repayment Agreement.

The Loan Repayment Agreement dated 15 July 2015 between the Government of Fiji and The Fiji Sugar Corporation Limited includes a grace period of 10 years and repayments period of 20 years resulting in a maturity period of 30 years, from effective date of the loan. Interest of 3% per annum shall be payable on the drawn amount or on a semi-annual basis commencing from the 11th year from the effective date of the loan.

The Ministry of Finance may at its absolute discretion convert the full amount or part of the loan into fully paid new conversion shares.

Accordingly, the Government of Fiji loan has been reclassified to non-current liabilities as at 31 May 2015.

THE FIJI SUGAR CORPORATION LIMITED
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NOTES TO THE FINANCIAL STATEMENTS [CONT'D]
FOR THE YEAR ENDED 31 MAY 2015

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

Significant events during the year were (Cont'd):

(iii) Interest on Loans Waived - Government of Fiji Loans

In accordance with a confirmation dated 1 April 2016 from the Ministry of Finance, the interest accrued aggregating to $24,818,382 from effective date of loan draw down up to 31 May 2014 on borrowings from the Government of Fiji has been waived.

Furthermore, no interest has been charged on the borrowings from the Government of Fiji for the year ended 31 May 2015.

(iv) Government Guarantee Extension

The Government guarantee of $120 million has been extended for 5 years and expire on 31 May 2020.

(v) Top-Up Cane Payment

During the year, top-up cane payment of $9.39 per tonne aggregating to $17,167,579 was made by the Corporation to growers with the 4th cane payment for the 2014 season over the actual price calculation as per the Master Award to maintain the income of the farmers at $80 per tonne to inspire further confidence in the farmers and incentivize them to plant higher acreage of cane.

Based on discussions during the year, the directors believes that the top-up cane payment will be reimbursed by the Government. However, the Corporation has not received any confirmation or payments from the Government. Subsequent to balance date, on 21 December 2015, the Corporation has written to the Government requesting for the reimbursement of $17,167,579.

As a matter of caution, as at balance date, allowance for impairment loss on receivable has been recognized in the books of account.

(vi) Tate & Lyle Sugars

During the year, the Corporation obtained loan of US$14 million from Tate & Lyle Sugars at the interest rate of 5% to meet operational expenditure and grower cane payment. The principal loan borrowing will be settled through the supply of sugar.

Subsequent to the balance date, US$9.34 million has been repaid through the supply of sugar to Tate & Lyle Sugars.

(vii) ANZ US$43 Million Pre-Export Finance Facility

The Corporation on 20 May 2015 obtained 3 year extension on the Pre-Export Finance Facility with ANZ Bank for sugar export proceeds to fund the Corporation's operational expenditure and grower cane payment. Each drawing against the facility is to be repaid within 180 days.

The initial EUR40 million facility was converted into US$43 million facility, which provides a natural hedge from US proceeds and US drawdown's and mitigates losses from currency fluctuations. The facility will be available on a revolving basis and expires on 31 March 2018.

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). At the balance date, the Corporation's drawdown from the facility was US$20 million.

THE FIJI SUGAR CORPORATION LIMITED
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NOTES TO THE FINANCIAL STATEMENTS [CONT'D]
FOR THE YEAR ENDED 31 MAY 2015

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

Significant events during the year were (Cont'd):

(viii) Repayment of Bonds - $32.5 million

The Corporation has financed through the ANZ pre-export facility the repayment of bonds as follows:

- Reserve Bank of Fiji bonds of $12.5 million and $10 million which matured on 28 August 2014 and 5 November 2014, respectively.
- Fiji National Provident Fund bonds of $10 million which matured on 5 November 2014.

29. EVENTS SUBSEQUENT TO BALANCE DATE

Subsequent to balance date:

(i) On 12 August 2015, the 10MW cogeneration plant at Labasa mill was commissioned. The plant has operated efficiently in the 2015 crushing season and has sold power to Fiji Electricity Authority.

(ii) To partly re-finance the bonds worth $32.5 million which matured and were repaid by the Corporation during the year ended 31 May 2015, prospectus for $15 million and $10 million bonds were floated on 19 September 2015 and 24 October 2015, respectively to raise funds. The bonds have been fully subscribed and the funds have been received.

(iii) On 2 November 2015, there was fire at Rarawai Mill which completely destroyed the main office. All the accounting records for the mill were destroyed due to the fire. The property at that time was not insured. The loss amount is not significant and estimated at $0.11 million.

(iv) In February 2016, tropical cyclone Winston hit Fiji and severely affected certain parts of Fiji. As a consequence, the Corporation's operations are significantly affected. The cyclone has caused significant damages to the buildings, sugarcane milling equipment, sugar and the railway network. Furthermore, subsequent to the cyclone, the Corporation's preparation for crushing season has also been disrupted, particularly at the Penang Sugar Mill where infrastructure and milling equipment have been severely damaged.

The Corporation has engaged Erasito Beca as an independent consultant to substantiate the preliminary assessment of the damages carried out by the Corporation and prepare and lodge a formal claim with the insurance underwriters. The Corporation has insurance cover for material damages and business interruptions resulting from cyclone. In the opinion of the directors, except for the insurance excess of $5 million and losses to railway network, the losses are expected to be substantially recovered from the insurance underwriters. The Corporation has received interim payment of $4.0 million with another interim payment of $3.5 million has been approved.

The financial effect of the above event, which has occurred after the balance date, will be incorporated in the financial statements for the year ending 31 May 2016.

THE FIJI SUGAR CORPORATION LIMITED
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NOTES TO THE FINANCIAL STATEMENTS [CONT'D]
FOR THE YEAR ENDED 31 MAY 2015

29. EVENTS SUBSEQUENT TO BALANCE DATE (CONT'D)

Subsequent to balance date (Cont'd):

(v) On 5 May2016, Reform of Sugar Cane industry Bill 2016 (Bill No. 19 of 2016) was introduced in Parliament by the Government and upon enactment will commence on a date notified by the Minister in the Gazette.

Part 10 of the Bill in part deals with the transfer to the Government of all the shares currently not held by the Government in the Corporation and the conversion of Government loans and associated accrued interests into shares of the Corporation at a value derived from the most recent independent valuation of the Corporation prior to commencement of the Bill.

The Bill also provides for as soon as practicable after the commencement of the Act, all assets, interests, rights, privileges, liabilities and obligations of the Sugar Research Institute of Fiji to be transferred to and vested in the Corporation and from the date of commencement of this Act, all persons employed immediately before that date in the Sugar Research Institute of Fiji to be transferred to the Corporation.

The financial impact of the Bill when enacted will be incorporated in future in the relevant financial statements.

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.

30. INSURANCE

During the year ended 31 May 2015, property, plant and equipment of the Corporation were not insured for various risks including risk of losses arising from fire, cyclone, flooding, business interruption and others as the cost of insurance cover was significant. Vehicles are insured under comprehensive insurance cover.

Subsequent to balance date, in January 2016, the Corporation has obtained insurance cover for property, plant and equipment, excluding railway network and various exclusions, for material damage and business interruption. The insurance cover is subject to various terms and conditions and insurance excess.

31. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were authorised for issue by the directors on 19 October 2016.

THE FIJI SUGAR CORPORATION LIMITED
AND SUBSIDIARY COMPANIES

10-YEAR STATISTICAL REVIEW

Financial statistics											
for year ended 31 May		**2015**	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**	**2007**	**2006**
Turnover	($m)	197.3	224.0	199.0	203.6	141.5	194.7	245.8	234.9	274.3	235.2
Profit/(Loss) before taxation	($m)	(31.7)	6.9	6.3	1.8	(36.6)	(198.0)	(40.1)	(19.7)	6.9	(6.9)
Income Tax (expense)/benefit	($m)	-	-	-	-	-	22.9	3.3	0.4	(0.3)	3.3
Profit/Loss after taxation & Extra-ordinary items		(31.7)	6.9	6.3	1.8	(36.6)	(175.1)	(36.8)	(19.3)	6.6	(3.6)
Total Assets	($m)	266.2	279.3	254.6	196.1	148.7	140.3	312.0	273.5	249.8	211.4
Net Assets	($m)	(117.4)	(85.7)	(92.6)	(98.9)	(100.7)	(64.0)	111.0	147.8	167.1	168.4
Proceeds of Sugar & Molasses	($m)	191.7	214.6	185.7	200.8	121.6	180.5	204.5	206.1	272.1	231.6
FSC's share of proceeds	($m)	56.0	62.5	55.7	60.2	36.5	54.1	61.3	61.8	81.6	69.5
Price per tonne cane	($)	81.01	88.49	81.83	65.67	49.16	56.23	61.65	58.21	59.06	58.13

Production statistics											
Season		**2014**	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**
Cane Crushed	(000t)	1,832	1,610	1,547	2,095	1,780	2,247	2,321	2,479	3,226	2,789
Sugar Produced	(000t)	227	179	155	167	132	168	208	237	310	289
Molasses Produced	(000t)	78	59	67	107	113	136	120	115	157	118
Tonnes Cane/Tonnes Sugar		8.1	9.0	10.0	12.6	13.5	13.4	11.2	10.0	10.4	10.0
Molasses % Cane		4	4	4	5	6	6	5	5	5	4
POCS %		12	11	11	10	10	10	11	11	11	11
Cane Purity %		82	82	82	80	79	79	80	81	81	82
Fibre in Cane %		12	12	12	11	12	12	12	11	12	12
Average Crushing Rate for all mills (tcph)		853	834	811	834	794	789	843	885	919	953
Actual Crushing Time as % of Available Time		70	63	61	60	53	60	68	68	76	75

Field statistics										
Season	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**
Number of Growers	16,348	15,528	15,948	16,259	16,609	17,762	18,683	18,691	18,649	20,290
Number of Active Growers	12,681	12,633	12,848	12,791	13,251	13,903	14,096	14,948	15,730	16,527
Tonnes Cane per Hectare	48	42	37	49	40	46	46	46	58	48
Average Tonnes Cane per Grower	144	127	120	164	134	162	165	166	205	172
Number of Cane Cutters	10,341	8,973	8,109	10,285	9,650	9,649	9,993	11,536	15,205	15,652
Output per Cutter (tonnes)	173	179	191	203	184	228	225	117	212	172
Burnt Cane %	41	29	36	25	23	32	50	33	51	36

Sugar exports - destinations and quantities (metric tonnes)										
Season	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**
UK/EU	184,414	165,557	146,656	138,222	110,731	152,906	207,575	187,858	209,053	178,905
MALAYSIA	-	-	-	-	-	-	-	-	-	-
USA	16,254	-	-	-	-	-	-	9,157	13,442	10,111
JAPAN	-	-	-	-	-	-	-	20,000	40,000	57,481
KOREA	766	-	-	-	-	-	-	-	-	-
CHINA	-	-	-	-	-	-	-	-	-	-
INDONESIA	-	-	-	-	-	-	-	-	-	-
SPECIAL PREFERENTIAL MARKET	-	-	-	-	-	-	-	-	-	-
TAIWAN	-	-	-	-	-	-	-	-	-	-
PORTUGAL	-	-	-	-	-	-	-	-	-	-
TOTAL	201,434	165,557	146,656	135,462	110,731	152,906	207,575	217,015	262,495	246,497

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