FIJI SUGAR CORPORATION

2022 ANNUAL REPORT

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CORPORATE Profile

Our Organisation

The Fiji Sugar Corporation Limited was incorporated in Fiji by an Act of Parliament in 1972 to take over the milling activities with effect from 1st April 1973. It is a 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 In 2006, the Fiji Sugar Corporation Act was repealed allowing it to be governed solely under the Companies Act.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 while statutory bodies, local companies and individuals own the rest of the shares.

Our Business

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

The Corporation is responsible for the manufacture and sale of raw sugar together with molasses as a by-product. The Corporation owns and maintains a railway network which transports sugar to the mills. The Corporation is one of the largest sector employers with a workforce of around 1,700 individuals during the peak crushing season.

The Sugar Industry is important to Fiji's economy as it contributes about 1.1% of GDP, and generates about 5.0% of domestic exports in 2021 based on the provisional data from the Reserve Bank of Fiji. Unlike many other export-oriented businesses, most production inputs are domestic and have a high regional impact and cross-sectoral linkages.

CORPORATE Highlights

Financial Results

- The Corporation's share of proceeds was $38.3 million compared to $42.8 million in the previous year.
- The consolidated trading loss was $16.8 million, compared to a loss of $16.8 million in the previous year.
- Loss from operations was $23.9 million, compared to a loss of $19.1 million in the previous year.
- Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) was negative $6.7 million compared to positive $4.4 million in the previous year.
- Operating loss for the year was $44.3 million, compared to a loss of $32.8 million in the previous year.
- A total of $5.3 million was invested in Property Plant and Equipment, compared to $7.5 million in the previous year.

Operations

- A total of 1.42 million tonnes of sugarcane was crushed from an area of 33,504 hectares compared to 1.73 million tonnes from 36,733 hectares in the previous year.
- Sugar production was 133,209 tonnes compared to 151,589 tonnes in the previous year.
- The tonnes Cane to Tonnes Sugar (TCTS) ratio was 10.6 compared to 11.4 in the previous year.
- Cane Quality (POCS) was 10.00 compared to 9.80 in the previous season.
- The total sugar exported was 80,369 tonnes compared to 124,857 tonnes in the previous year.

FINANCIAL
Summary

	2022	2021
Sales and Profit ($'000)		
Total sales	135,923	147,712
Trading profit/(loss)	(16,806)	(16,805)
Unrealised exchange gain/(loss)	(6,250)	6,967
Operating Profit/(loss) for the year	(44,296)	(32,787)
Cash Flow ($'000)		
Operating activities	(35,505)	2,041
Investing activities	(3,241)	(7,225)
Financing activities	16,230	(4,093)
Net increase/(decrease) in cash	(22,516)	(9,277)
Financial Position ($'000)		
Working capital	(211,511)	(222,195)
Current assets	42,986	43,183
Total assets	180,296	199,294
Non-current liabilities	302,846	266,667
Current liabilities	254,497	265,378
Shareholders' equity	(377,047)	(332,751)
Additional Information		
Ratio of current assets to current liabilities	0.17	0.16
Ratio of debt to shareholders' equity	(1.48)	(1.60)

CORPORATE Governance

FSC views corporate governance in the 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 a continuous process of realizing the Corporation's objectives to make of every opportunity. It involves leveraging its resources and aligning its activities to consumer needs, shareholder benefit and employee growth. Thereby the Corporation succeeds in delighting its stakeholders whilst minimizing risks.

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

BOARD Responsibilities

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

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

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

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

In addition to disclosure on commercial objectives, the Board encourages disclosure of policies relating to the environment and the communities in which the Corporation operates. The Board meets regularly and receives full information in advance to help it discharge its duties. A Director's Package comprising pertinent background information and critical information on major risks, global industry trends and the 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 eight directors on the Board, appointed by the shareholders. Board representation also includes key stakeholders.

ROLE OF Shareholders

The role of shareholders is pivotal in our governance structure. The Board ensures shareholders are well-informed about major developments impacting the Corporation's business. We actively encourage shareholder participation to ensure high accountability in shaping the Corporation's strategic direction 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 assessments and reviews of its internal accounting controls, policies and procedures.

BOARD Committees

The Board establishes subcommittees to fulfil specific functions aligned with global governance practices and the Corporation's needs. Committees such as the Finance & Audit Committee, Remuneration & Nomination Committee, Governance & Risk Committee, Cane Development, and Property Committee play a vital role in fostering effective governance.

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

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

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

The Property Committee looks after the sale of non-core assets to support the cash flow of the Corporation. Its members are Mr Tevita Kuruvakadua (Chairman), Mr Savendra P Dayal and Mr Pradeep Lal.

Cane Development Committee was set up to focus on improving sugarcane production and grower-related services. Its members are Mr Prakash Chand (Chairman), Mr Arvind Singh and Mr Tevita Kuruvakadua.

A Sales & Marketing Committee has been set up to look after the sugar and molasses for both domestic and export. Its members are Savendra P Dayal (Chairman), Mr Pradeep Lal and Mr Athil Narayan.

BOARD OF Directors

PRADEEP LAL

Appointed as Chairman of the Board in May 2021 and have been with the Board from November 2016. Mr Lal is the Regional Chief Executive Officer for Vodafone and a Chartered Accountant by profession.

SAVENDRA DAYAL

Appointed as Deputy Chairman to the Board in May 2021 and have been with the Board from December 2019. Mr Dayal is the Managing Director Healthcare Products International, Fiji (Johnson & Johnson).

RATU WILIAME KATONIVERE

Appointed to the Board on 27 May 2015. Ratu Wiliame is a former Civil Servant. He is now a businessman and a Director of Fiji Pine Limited and Airports Fiji Limited. He resigned in 21 October 2021.

TEVITA KURUVAKADUA

Appointed to the Board on 27 May 2015. A career Accountant, Mr Kuruvakadua is the Chief Executive Officer for the iTaukei Land Trust Board.

ATHIL NARAYAN

Appointed to the Board in December 2019. Mr Narayan is the Executive GM Airports & Cargo Operations, Fiji Airways.

ARVIND SINGH

Appointed to the Board on 27 May 2015. Mr Singh is a business man and sugar cane farmer.

PRAKASH CHAND

Appointed to the Board in July 2020. Mr Chand is a Managing Director of Rotomould Group of Companies.

EXECUTIVE MANAGEMENT
Team

BHAN PRATAP SINGH
Chief Executive Officer

MANOJ RAM
Chief Financial Officer/
Company Secretary

MIKAELE BIUKOTO
Chief Operating Officer

ASHWIN GOUNDER
Chief Human Resources
Officer

SACHIN DEO
(LATE)
Chief Information &
Commerical Officer

LEELA RAMESH
General Manager Lautoka

ILIYAZ KHAN
General Manager Rarawai

LAKSHMAN JAYARAMAN
Head of Agriculture

MICHAEL FAKTAUFON
General Manager Labasa

Chairman's Report

PRADEEP LAL

I am pleased to present the Annual Report of the Fiji Sugar Corporation Limited (FSC) for the fiscal year ending on 31 May 2022. This year has been a testament to our unwavering commitment to progress as we navigated our way out of the impacts of the COVID pandemic and the challenges posed by the war in Ukraine affecting the global supply chain.

The year commenced with a series of natural disasters that tested our mettle. Cyclone Yasa, followed by Cyclone Ana and ensuing floods, wreaked havoc across Fiji, leaving no corner untouched. The Northern division, in particular, bore the brunt of Cyclone Yasa's wrath, resulting in widespread destruction that deeply impacted grower farms. The fallout was evident in the crop yield, as Labasa's sugar production fell by approximately 46%, from 671,285 tonnes in the preceding year to 362,236 tonnes in 2021.

Adding to the formidable challenges, the global landscape was marred by the persistent grip of the COVID-19 pandemic. The pandemic's unpredictable course, marked by multiple variants and ever-changing restrictions, continued to disrupt supply chains and reshape international trade dynamics and consumer behaviour. This was compounded by the surge in fuel prices, amplifying operational complexities and logistical hurdles. FSC, undeterred, steered through these uncharted waters, responding with agility to disruptions, managing escalated transportation costs, and navigating the intricate web of economic uncertainties.

Despite these hardships, FSC's management, backed by Board, demonstrated immense zeal and remained steadfast in rising against all odds. With a commitment to progress, the Corporation pursued its transformational blueprint, built on five key pillars. These pillars, thoughtfully designed and pursued with dedication, covered every facet of FSC's operations. A comprehensive Balance Sheet Restructure initiative was undertaken, showcasing commitment to achieving financial stability and flexibility. Simultaneously, our focus on enhancing milling performance was evident in our pursuit of operational excellence.

Significant effort was also directed towards crop rehabilitation, emphasising commitment to nurturing and revitalising our agricultural foundation. The drive for continuous growth was reflected in our unrelenting focus on improving financial performance and overall profitability. This commitment was matched by our emphasis on nurturing and developing our invaluable Human Capital, underlining our belief in the crucial role employees play in driving our aspirations. In the midst of uncertain times, the Corporation remained firm in these five strategic pillars, charting a course towards a future defined by sustainable success.

At FSC, we regard corporate governance as more than a mere obligation; it is a philosophy, a guiding value deeply entrenched in our corporate DNA. Our commitment to governance transcends compliance, embodying a philosophy of achieving our objectives while prudently managing risks. Our aim is to cultivate a culture of conscientiousness, transparency, and openness, thereby delighting stakeholders while generating sustainable value. In this pursuit, we endeavour to unearth opportunities and cultivate capabilities that harmonise with these ideals.

Board Stewardship

Central to effective governance is the stewardship of our Board. Upholding integrity and transparency in our governance remains our lodestar. Our adherence to globally recognised best practices is a testament to our commitment to managing relationships and safeguarding stakeholders' interests.

This commitment is fortified by strategic acumen, collective teamwork, visionary leadership, experiential wisdom, diverse skills, enduring relationships, and judicious risk management. The Board staunchly advocates for a robust disclosure framework, recognising transparency as an elemental cornerstone of effective corporate governance.

Role of Shareholders.

The role of shareholders is pivotal in our governance structure. The Board ensures shareholders are well-informed about major developments impacting the Corporation's business. We actively encourage shareholder participation to ensure high accountability in shaping the Corporation's strategic direction and goals.

Board Committees

The Board establishes subcommittees to fulfil specific functions aligned with global governance practices and the Corporation's needs. Committees such as the Finance & Audit Committee, Remuneration & Nomination Committee, Governance & Risk Committee, Cane Development, and Property Committee play a vital role in fostering effective governance.

While the financial results for the year were challenging, the Corporation remains focused on its objectives and committed to delivering value to stakeholders. We are determined to address operational and financial difficulties, seeking opportunities for growth and improvement. On behalf of the Board, I extend my gratitude to our shareholders, management, employees, and stakeholders for their support and dedication to the industry and FSC.

CEO's REPORT

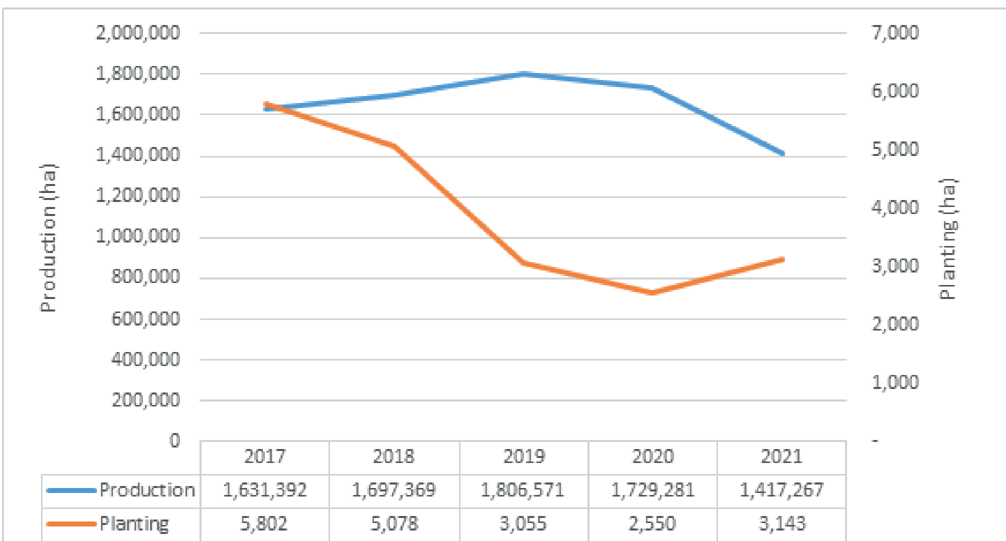
BHAN PRATAP SINGH

I am pleased to present the CEO's report for the fiscal year 2022 for the Fiji Sugar Corporation Limited. Despite various challenges, the Corporation has achieved significant progress and navigated uncertain times with resilience and determination.

Cane Production

During this fiscal year, the Corporation faced challenges in cane production, with a 23% increase in planting but an overall decline of 18% in the total crop. The decrease was mainly due to the impact of natural disasters that struck Fiji towards the end of 2020 and at the beginning of 2021. Category 5 tropical cyclone (TC) Yasa caused extensive damage in Vanualevu in December 2020, and TC Ana struck Vanua Levu in January 2021, causing widespread flooding and devastation. As a result, the total crop in the Labasa mill area was reduced by approximately 46% compared to the 2019 crop, while the other two mill areas received lesser damage.

Adverse weather conditions played a significant role in hindering cane development. Given these challenges, our focus remains on commercial viability, industry competitiveness, and long-term sustainability.



	2017	2018	2019	2020	2021
Production	1,631,392	1,697,369	1,806,571	1,729,281	1,417,267
Planting	5,802	5,078	3,055	2,550	3,143

Figure 1.0 Graph of 5 years actual planting against annual production

A total of 27,067 tonnes of blended fertilizer was delivered by the South Pacific Fertilizers. This is an increase of 7.4% from 2020 season. Government subsidy on fertiliser continued allowing the farmers to increase fertiliser input.

Notable increases were also recorded for the two major types of weedicides being Diuron and Amine. Government support through subsidised prices continued and this has assisted growers in applying the optimum rate to control weeds.

Harvesting And Transportation

The harvesting strength was boosted by an influx of labour available to harvest sugarcane, primarily driven by the negative impact of the COVID-19 pandemic, which forced redundant employees to seek income-generation opportunities. With the increase in the labour force and utilisation of mechanical harvesters, cane supply remained consistent throughout the season, reducing factory stops due to low cane supply.

MECHANICAL Harvesting

Harvesting Progress by Mechanical Harvesters

Despite the challenges caused by the pandemic, the harvester fleet increased by 9 from 2020 season. While there was an increase in the volume of cane harvested by the mechanical harvesters in Lautoka and Rarawai, there was an overall decrease by 17.6% due to a lower crop in Labasa mill area. The cane crop in Labasa was affected by the devastation caused by tropical cyclone Yasa and Ana.

Referring to the tables below, positive results were noted in the increase in number of harvesters and percent of cane mechanically harvested as compared to the total crush. The corporation will continue to create more awareness for mechanisation for the commercial viability of the industry.

Table 1: Summary of the Mechanically Harvested Cane for 2021 Season

Mill Region	Harvesters Available	Green Tonnes Harvested	Burnt Cane Harvested (t)	Total Cane Harvested (t)	Average Harvest/Harvester	% Burnt Cane Harvested
Lautoka	33	76,957	108,121	185,078	5,608	58.4
Rarawai	24	58,263	139,364	197,627	8,234	70.5
Labasa	41	79,988	48,638	128,626	3,127	37.8
All Mill Area	98	215,208	296,123	511,331	5,218	57.9

Mechanical harvesting contributed 36.1% of total cane harvested during the season. There was a slight increase in burnt cane harvested especially in Labasa mill.

In maintaining continuous mill through put and maximum sugar extraction, all efforts were made to harvest burnt cane within the seven days as stipulated in clause 6.1(iii) of the Master Award.

Table 2: Mechanical Harvester Trend (2016-2021)

Year	No. of Harvesters	Tonnes Harvested	% of Total Cane Harvested
2016	20	123,519	8.9
2017	44	307,013	18.9
2018	59	496,202	29.2
2019	87	629,762	34.9
2020	89	613,974	35.5
2021	98	511,331	36.1

The percentage of mechanically harvested cane as compared to the total cane harvested for the season has increased by 1.7% even though the actual tonnes harvested dropped by 102,643 tonnes (Table 2) due to a drop in national crop shown in Figure 1.

Harvesting Summary

Mill Region	Total Cane Crushed	Total Rail Tonnes Crushed			Total Lorry Tonnes Crushed			Cane Crushed			
								Green Cane		Burnt Cane	
	Tonnes	Tonnes	%	Av. Trx Weight	Tonnes	%	Av. Lorry Weight	Tonnes	%	Tonnes	%
Lautoka	442,811	44,010	9.9	2.2	398,801	90.0	12.8	205,660	46.4	237,151	53.6
Rarawai	612,220	37,805	6.2	2.3	574,414	93.8	11.9	226,691	37	385,529	62.9
Labasa	362,234	32,802	9.1	2.2	329,434	90.9	10.1	193,881	53.5	168,355	46.5
All Mill	1,417,267	114,617	8.1	2.2	1,302,649	91.9	11.6	626,232	44.2	791,035	55.8

FACTORY Operations

Lautoka Mill

Lautoka Mill started the season with 119.1 hours of operation per week, the highest in the last four years, and an average crushing rate of around 27,709 tonnes per week. TCTS dropped by 2.0 units, and sugar recovery improved to 80.1 compared to the past season. Efforts to address burnt cane and enhance the quality of cane continue, and maintenance works are planned to optimise efficiency.

Rarawai Mill

Rarawai Mill began 2021 season on 16th July 2021 and had a crushing season was of 19.2 calendar weeks with average crushing rate of 235T/hr and factory operating time of 116.0 hours per week. Stops recorded for the season are, inside stop of 29.5hrs/week, outside stop of 11.5hrs/week and CI & Holiday of 10.9hrs/week.

There was some improvement in the cane quality when compared with 2020 season, but cane quality is not anywhere close to what it was several years back. Average POCS and Cane purity for the season was 10.10 and 78.6 units with average fibre of 12.08%. Burnt cane crushed during the season was 60%.

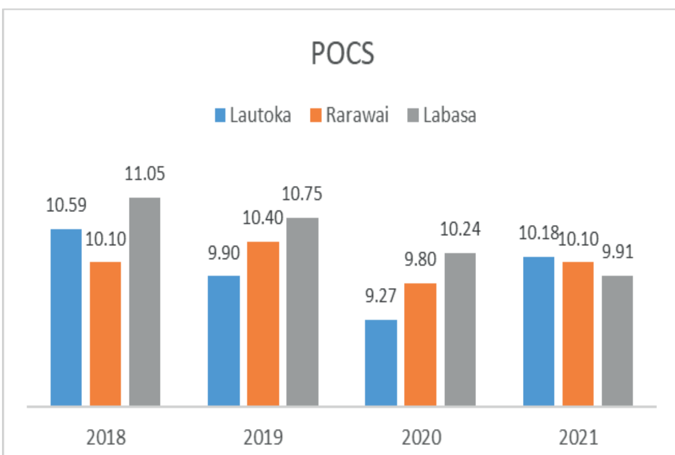
Toward end of the season sugar drier gave up and mill was done for about 4 days to by-passed sugar drier and temporary provision made at different places to dry and cool sugar so that final product meet quality requirement. Most importantly majority of drying was done at Centrifugal Machine by changing/adjusting machine setting.

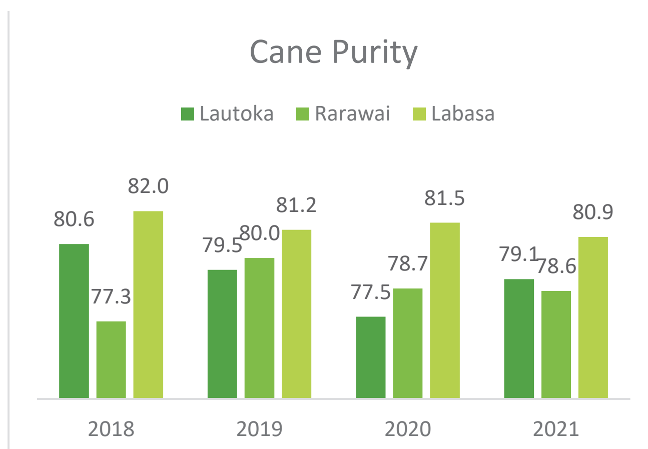
Labasa Mill

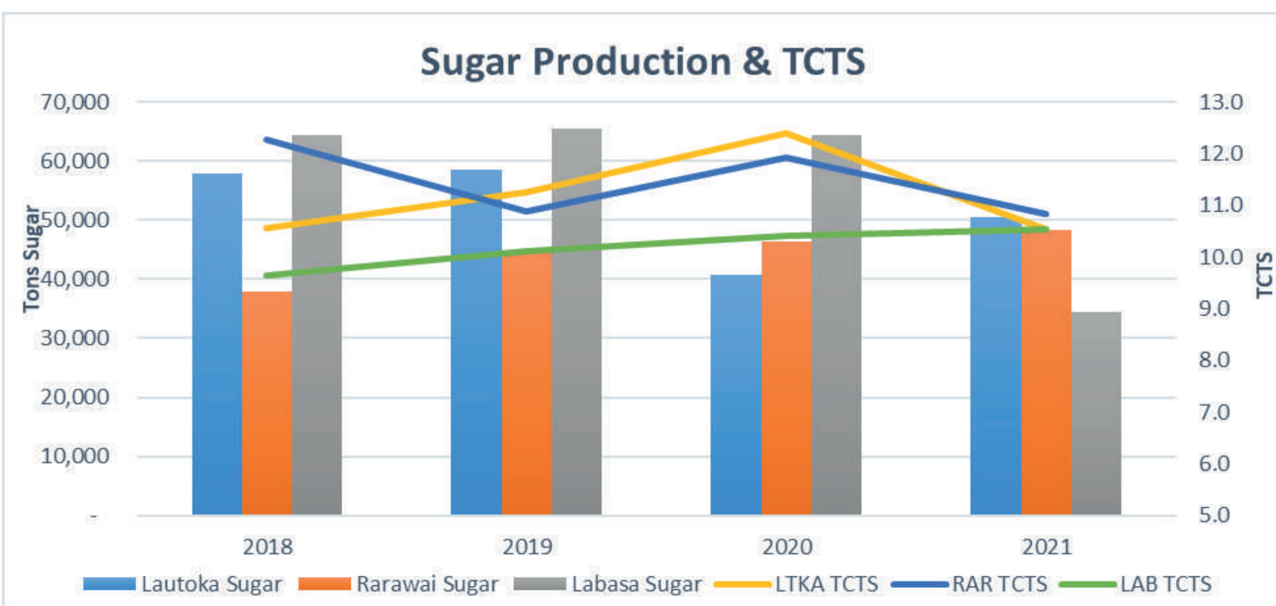
Labasa Mill faced initial challenges in normalising operations due to low cane supply, but crushing momentum picked up in the fourth week. Tropical Cyclone Yasa impacted the cane quality, but proper boiling scheduling was implemented to maximise sugar recovery. The mill encountered issues with the No.3 Mill Bypass and boiler tube leaks, which were addressed during the season.

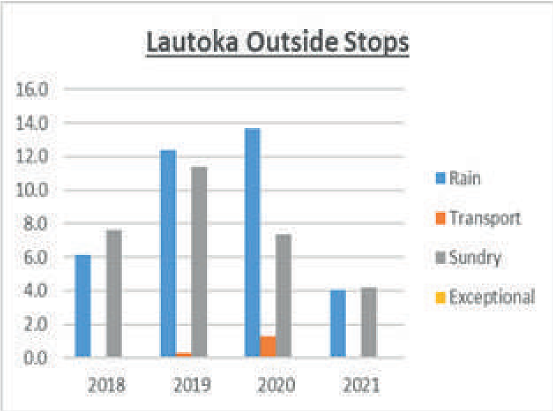
2021 Key Operating Data for the Mills

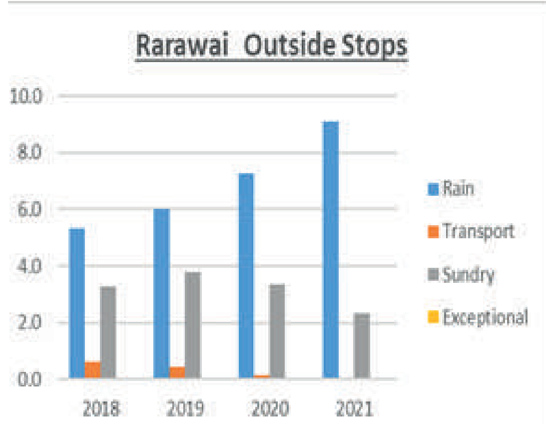
Parameters	Lautoka	Rarawai	Labasa	TotalAv
Tonnes Cane Crushed	532,021	522,928	362,236	1,417,185
Tonnes Sugar Made	50,532	48,318	34,359	133,209
Tonnes Molasses	26,865	29,608	15,237	71,710
Molasses% Cane	5.0	5.7	4.2	5.1
TCTS	10.5	10.8	10.5	10.6
Inside Stops(hrs/wk)	23.3	29.5	3.7	18.8
Outside Stops(hrs/wk)	8.2	11.5	48.3	22.7
Cleaning & Maintenance(hrs/wk)	17.2	10.9	15.9	15.0
Actual Crushing Time (hrs per wk)	119.1	116.0	99.8	112.0
Crushing Rate(tcph)	233	235	221	689
Season Length (calendar weeks)	19.2	19.2	16.4	

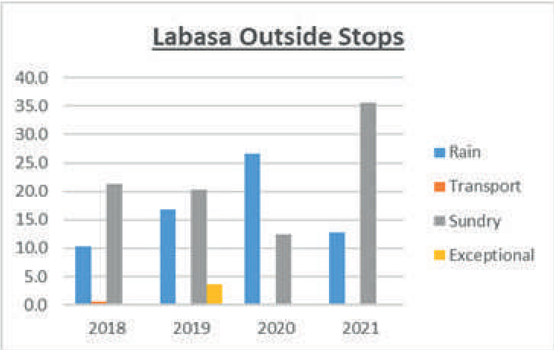







Lautoka Outside Stops
16.0
14.0
12.0
10.0
8.0
6.0
4.0
2.0
0.0
2018
2019
2020
2021
Rain
Transport
Sundry
Exceptional


Rarawai Outside Stops
10.0
8.0
6.0
4.0
2.0
0.0
2018
2019
2020
2021
Rain
Transport
Sundry
Exceptional


Labasa Outside Stops
40.0
35.0
30.0
25.0
20.0
15.0
10.0
5.0
0.0
2018
2019
2020
2021
Rain
Transport
Sundry
Exceptional

Season Cane Quality

Parameters	Lautoka	Rarawai	Labasa
POCS	10.18	10.40	10.70
Cane Purity	79.1	78.6	80.9
Fibre in Cane	12.01	12.08	12.84
Burnt Cane Received (%)	56	60	47

HUMAN CAPITAL Management

Succession Management

Succession Planning is ongoing across the Corporation and all possible options are explored to ensure continuity of operations. To ensure the long-term stability of the Corporation, it is just as critical to focus on the future as the present. Talent management strategies are being introduced to ensure that as the Corporation continues to evolve, the talent pipeline aligns with our long-term business strategy, and continually assesses whether future leaders exist in house and can be nurtured or need to be hired from the outside.

A management workshop was facilitated through Franklin Covey – six (6) of our middle managers attended the workshop and plans are to expose the rest of the managers to this productivity-oriented programme. The trainee tradesmen scheme has been re-introduced to run parallel with the apprenticeship programme to improve bench strength, particularly in the skilled categories. The trainee engineer programme has proved a success in the last two (2) years and shall continue accordingly in four (4) streams, i.e., Electrical, Mechanical, Instrumentation and Transport.

Retiree Management

The Corporation had introduced a variation to the policy to include re-engagement of employees past the retirement age of fifty-five (55). Essentially, it is the Corporation's prerogative to re-employ those retired from the Corporation's employment based on their exigencies. Generally, the following principles apply in case of re-engagement of workers after their 55th birthday:

a) The need for position.

b) Employees to be physically fit.

c) Good job performance review – Report provided by Management or their nominee.

d) Demonstrate good work attributes, i.e., punctuality, attendance, and absenteeism records.

Collective Agreement

Management has finalised the Collective Agreement with Fiji Sugar Clerks & Supervisors Association (FSCSA). The agreement was signed on 15 November 2022 and duly submitted to Ministry of Employment for registration.

The employment conditions prescribed in the collective agreement is identical to the two earlier collective agreements signed in 2021 with the Sugar Milling Staff Officers Association and Fiji Sugar Tradesmen's Union. The other collective agreement for Sugar Workers Union is at draft stage and continues discussion is taking place with the union to arrive at a win-win situation before it is escalated to the Ministry for endrosment and implementation.

Training & Development

Learning and development are critical for the employees' upskilling and retention, and FSC aims to become a world-class learning and development facility.

RISK MANAGEMENT & COMPLIANCE

The Corporation has implemented a robust risk management system to address compliance and regulatory risks effectively. Quarterly reviews and training sessions have been conducted to identify and mitigate risks.

HEALTH & SAFETY
Safety Culture

A positive safety culture is a vital part of a successful and effective health and safety management systems. Employees are now taking ownership of safety at all levels and exploit the unique knowledge that they have of their own work with responsibility. The Corporation acknowledges that further briefings, informal meetings, and sessions are required to improve the risk culture of the Corporation. In its quest to achieve an improved safety culture, the Corporation reviewed and strengthen the following areas:

- Regular safety inspections to monitor safety compliance which include tools, plants, machinery and processes.
- Regular risk assessments, reporting of risk, hazards, near misses and injuries.
- Removal, replacement, and repair of rusted/corroded structures which includes platforms, stairways and railings to mitigate safety hazards. Repair works are carried out based on inspection reports submitted by safety officers on the availability of materials and employees.
- Monitoring and restricting access to employees and contractors entering the mills without proper PPE's and ensuring adequate availability of PPE's for employees.
- Permit protocol is being strictly adhered to for high-risk work-activities such as working at heights, hot works, confined space entries and digging & trenching.

Health & Wellbeing

Mitigating the spread of COVID-19 had been the ongoing priority of the Corporation in employee Health & Wellbeing space. The Corporation has fully embraced and implemented the requirements and instructions from MOHMS and MCTTT. This was reviewed and necessary changes were carried out once MOHMS had eased the COVID-19 requirements for business operations. Health Screenings were organised at all mills to identify at-risk employees (shows symptoms of NCDs)

Injury Management

The high number of unsafe moves being reported demonstrates positive safety culture which employees has embraced to mitigate accidents and injuries from occurring.

Food Safety
Quality and Environment Compliance

As the nation's sugar manufacturer, the Corporation is committed to be socially responsible and comply to environmental regulations while producing quality sugar, through the continual improvement process which is embedded in our operations systems. Building a sustainable condition is an ongoing task that requires the participation of management, employees, and regulatory stakeholders, in a tripartite partnership to effectively eliminate hazards and/or reduce risks impacting. The risk committee has identified few areas of concern which may create potential compliance risk in future and the Corporation has commenced with identification and implementation of appropriate controls to mitigate highlighted below.

- Installation of dust collector system for Labasa Mills to mitigate flying soot emission.
- Procurement of new Packaging Machine with adequate quality control mechanisms to further eliminate the presence of any foreign material as well as eliminate labor-intensive packaging.
- Facility, equipment, and process improvement (improvement of quality control mechanisms, aging/deteriorating mild-steel structures, burnt canes and extraneous matters in cane).
- Scheduling of regular inspections to review processes, working on to rectify major plants/equipment that were identified in critical condition based on inspections. With this approach, the team is anticipating minimizing the frequency of breakdown which affects the sugar quality.

The following waste management programs were reviewed and strengthened to mitigate and manage environmental risks:

- Scheduled Monitoring of the Chemical /Physical Content; include Temperature, pH, Thymol Test (Detection of Sugar), and BOD for effluent discharge carried out at regular intervals.
- Flying Soot Emission; close monitoring of contractors handling the boiler-ash and mill-mud which is disposed at the approved site and adhering to process of containment/management within the site.
- Elimination of wastage through spillage and handling; the maintenance team had rectified all major areas identified as part of their maintenance program.

Risk Management

Effective risk management is about achieving a balanced approach to risk and reward and enables Corporation to increase financial growth opportunities and mitigate potential loss or damage. Quarterly process reviews are conducted to identify existing and potential compliance non-conformance and are captured in the risk library with its appropriate controls. Trainings relating to compliance risks which includes OHS, food safety, environment pollution control and HR policies and procedures were conducted as part of the learning curve. The ability to manage risks allows Corporation to act more confidently on future business decisions. Below provide few important controls identified to address potential compliance risk in near future.

MARKETING

World Market Price Trend

The world sugar market is experiencing a positive trend compared to last year. The decline in crop and adverse impacts of COVID 19 has the major reason for price hike. The No 11 sugar price has been around 19.40c/lb in May 2022. The No.11 sugar pricing trend has been as follows:

Bulk Raw Sugar Export

A total of 80,369 tonnes of bulk raw sugar was exported during the year to various destinations.

Destination	Tonnage (MT)
United Kingdom	34,818
Korea	35,000
USA	10,551
Total	80,369

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

Sugar sales to the domestic market totaled 25,172 tonnes of which 12,281 tonnes was sold in 25kg bags while 12,891 tonnes was sold as retail packs. A total of 6,776 tonnes was sold to the Pacific Island Countries and New Zealand market which demonstrated a positive trend compared to the previous year, from which 5,730 tonnes was sold in 25kg while 1,046 tonnes into retail packs. The major market for Fiji Sugar in the Pacific Island Countries are Samoa, Tonga and Kiribati.

Molasses Sales

62,000 MT of molasses was exported.

Domestic sales of molasses for the financial year totaled 5,073 MT. The major buyers were Paradise Beverages and Rewa Dairy.

Sugar Packaging Plant

The Packaging Plant was able to pack 13,937 MT of sugar into retail packs of 1Kg, 2Kg & 4Kg last financial year, with 12,891 sold in the domestic market and 1,046 sold in the regional market. Other markets for retail pack sugar are Samoa, Vanuatu, Tonga and New Zealand. The demand for 1kg and 2kg retail packs is high in the Pacific Island Countries while the demand for 4kg is high in the New Zealand market. A Continuous Improvement Program is currently being implemented at the Packaging Plant to deliver high quality product to customers.

Re-Branding of Sugars of Fiji

Since the rebranding, Sugars of Fiji has been very well accepted in the New Zealand target market. FSC engaged a distributor to distribute sugar in New Zealand. Through effective marketing initiatives, the sales volume and popularity of Sugars of Fiji is increasing significantly in the market.

FSC is in the process of securing new distributor to gain a bigger share of the New Zealand Market.

FSC in partnership with Investment Fiji have engaged Pacific Trade Invest (funded by the Australian government) to increase its market share in the Pacific Island Countries. Furthermore, FSC has also engaged Pacific Trade Invest to market the retail packs in the European Market where the demand for retail packs is high.

Bhan Pratap Singh
Chief Executive Officer

TABLE OF CONTENT

DIRECTORS' REPORT

In accordance with a resolution of the Board of Directors, the Directors herewith submit the statement of financial position of The Fiji Sugar Corporation Limited (the "Corporation") as at 31 May 2022 and the related statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows together with notes thereon for the year then ended and report as follows:

DIRECTORS

The following were Directors of the Corporation at any time during the financial year and up to the date of this report:

Mr Pradeep Lal - Chairman
Mr Savendra P Dayal – Deputy Chairman (Retired in December 2022)
Ratu Wiliame Katonivere (Resigned on 21 October 2021)
Mr Arvind Singh (Retired in October 2022)
Mr Tevita Kuruvakadua (Retired in October 2022)
Mr Athil Narayan (Re-appointed)
Mr Prakash Chand
Mr Kaison Chang (Appointed on 4 May 2023)
Mr Nitya Reddy (Appointed on 4 May 2023)
Mr Paras Ram Reddy (Appointed on 4 May 2023)
Mr Maciusela N. Lumelume (Appointed on 4 May 2023)
Ratu Jone Mataove Qomate (Appointed on 31 January 2023)

PRINCIPAL ACTIVITIES

The Corporation operated three sugar mills in the year under review and is involved in the milling of sugarcane, manufacture and sale of sugar and molasses produced. There were no significant changes in the nature of these activities during the financial year.

RESULTS

The results of the Corporation are summarized below:

	2022	**2021**
	$000	$000
(Loss) from operations	(30,197)	(19,080)
Finance cost, net	(14,099)	(13,707)
(Loss) for the year	**(44,296)**	**(32,787)**
Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)	**(6,741)**	**4,439**

DIVIDENDS

The Directors recommend that no dividends be declared for the year ended 31 May 2022.

RESERVES

The Directors recommend that no transfer be made to or from reserves except for movements required under International Financial Reporting Standards (IFRS).

BAD AND DOUBTFUL DEBTS

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

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

DIRECTORS' REPORT (continued)

NON-CURRENT ASSETS

Prior to the completion of the financial statements of the Corporation, the Directors took reasonable steps to ascertain whether any current or non-current assets were unlikely to realise in the ordinary course of business their values as shown in the accounting records of the Corporation. Where necessary, these assets have been written down or adequate allowance has been made to bring the values of such assets to an amount that they might be expected to realise.

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

UNUSUAL TRANSACTIONS

Other than matters disclosed under significant events and events subsequent to balance date during the year, in the opinion of the Directors, the results of the operations of the Corporation during the financial year were not substantially affected by any other item, transaction or event of a material and unusual nature, nor has there arisen between the end of the financial year and the date of this report any item, transaction or event of a material unusual nature likely, in the opinion of the Directors, to affect substantially the results of the operations of the Corporation in the current financial year.

BASIS OF ACCOUNTING – GOING CONCERN

The financial statements have been prepared on a going concern basis on the assumption that the Corporation will continue to receive ongoing support from the Government of Fiji. The Government in its COVID-19 Response Budget on 26th March 2020 announced conversion of Government's loan of $173.8 million into equity. The conversion of debt to equity is in progress.

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

The Directors believe that with the support of the Government, the Corporation will be able to continue in operation for at least 12 months from the date of this statement and the classification and carrying amounts of assets and liabilities as stated in these accounts are appropriate. Whilst the Government Guarantee of $322.0 million expired on 31 May 2022, The Government will continue to guarantee the existing borrowings.

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

SIGNIFICANT EVENTS DURING THE YEAR

Significant events during the year were:

i) Impairment of Property, Plant and Equipment

For the year ended 31 May 2022, an impairment review of the assets of the Corporation was carried out by an independent consultant from New Zealand. The impairment assessment was undertaken in accordance with International Accounting Standard (IAS 36) Impairment of Assets. Based on the independent assessment, management and the 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.

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

ii) Czarnikow Group Limited

During the year, the Corporation borrowed FJD $44.0 million (US$20.8 million) from Czarnikow Group Limited by way of trade finance to meet operational expenditure and grower cane payments. The loan will be repaid through the first and second shipments of sugar for the 2022 season (financial year 2023).

DIRECTORS' REPORT (CONTINUED)

SIGNIFICANT EVENTS DURING THE YEAR (continued)

iii) Sugar price increase

On 20th January 2022, Fijian Commerce & Consumer Competition (FCCC) increased the domestic sugar price, which is expected to improve the corporation's share of revenue going forward.

EVENTS SUBSEQUENT TO BALANCE DATE

Subsequent to balance date:

i) The Government of Fiji has approved government guarantee of $75.0 million on 28th July 2022 to allow the Corporation to seek future domestic borrowings between 1 August 2022 to 31 May 2028 (Guarantee period). The existing government guarantee of $322.0 million on domestic borrowings expired on 31st May 2022.

ii) Loan facility of $50.0 million was secured from BSP with bulk payment on maturity in August 2024. Interest rate is 6.95% per annum with quarterly interest payment. Apart from Government guarantee as security, third charge over FSC asset has been provided.

iii) The borrowing from Czarnikow Group Limited of FJ$44.0 million and United Molasses Trading Ltd of $5.3 million was settled through 2022 season sugar and molasses proceeds, respectively.

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

OTHER CIRCUMSTANCES

As at the date of this report:

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

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

iii) no contingent liabilities or other liabilities of the Corporation has become or are likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Corporation to meet its obligations as and when they fall due.

As at the date of this report, the Directors are not aware of any circumstances that have arisen, not otherwise dealt with in this report which would make adherence to the existing method of valuation of assets or liabilities of the Corporation misleading or inappropriate.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than a benefit disclosed in the financial statements and/ or included in the aggregate amount of emoluments received or due and receivable by Directors shown in the financial statements.

DIRECTORS' REPORT (continued)

AUDITOR'S DECLARATION

The Directors have obtained independent declaration from the Corporation's auditor, Ernst & Young. A copy of the auditor's independence declaration is set out in the Auditor's Independence Declaration to the Directors of The Fiji Sugar Corporation Limited on page 7.

For and on behalf of the Board and signed in accordance with a resolution of the Board of Directors.

Dated this 18th day of May 2023

Director

Director

DIRECTORS' DECLARATION

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

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

a) In the opinion of the Directors, the financial statements of the Corporation for the financial year ended 31 May 2022:

   i. comply with the International Financial Reporting Standards (IFRS) and give a true and fair view of the financial position of the Corporation as at 31 May 2022 and of the performance and cash flows of the Corporation for the year ended 31 May 2022; and

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

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

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

For and on behalf of the Board and in accordance with a resolution of the Board of Directors.

Dated this 18th day of May 2023.

Director

Director

21 Enamanu Road
Nadi Fiji
PO Box 10812 Nadi Airport Fiji

Tel: +679 666 2433
Fax: +679 666 7282
ey.com

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

As lead auditor for the audit of The Fiji Sugar Corporation Limited for the financial year ended 31 May 2022, I declare to the best of my knowledge and belief, there have been:

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

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

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

Ernst & Young
Ernst & Young
Chartered Accountants

Shaneel Nandan
Partner
Nadi, Fiji
18 May 2023

21 Enamanu Road
Nadi, Fiji
P O Box 10812 Nadi Airport Fiji

Tel: +679 666 2433
Fax: +679 666 7282
ey.com

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Independent Auditor's Report

To the Shareholders of The Fiji Sugar Corporation Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of The Fiji Sugar Corporation Limited ("the Corporation") which comprise the statement of financial position as at 31 May 2022, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Corporation as at 31 May 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 2.1(a) in the financial statements, which refers to the preparation of the Corporation's accounts on a going concern basis. As explained in Note 25, the Corporation incurred a net loss of $44.3 million during the year ended 31 May 2022, and as of that date, the Corporation's current liabilities exceeded its current assets by $211.5 million and it had contractual debt repayment commitments amounting to $200.4 million during the financial year ending 31 May 2023. In addition, the Government guarantee of $332 million expired on 31 May 2022 and the Corporation is likely to require further funding to meet its future cashflow needs.

The appropriateness of the going concern assumption on which the financial statements are prepared is critically dependent on the Government's support to the Corporation, as disclosed in Note 25.

As stated in Note 25 these events or conditions, along with other matters explained in Notes 2.1(a), 25 and 26, indicate that a material uncertainty exists that may cast significant doubt on the Corporation's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

The management and Directors are responsible for the other information. The other information comprises directors report but does not include the financial statements and the auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated. If, based upon the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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Independent Auditor's Report (continued)

Responsibilities of the management and those charged with governance for the Financial Statements

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

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

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the management's and Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures, are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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Independent Auditor's Report (continued)

Report on Other Legal and Regulatory Requirements

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

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

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

Ernst & Young

Ernst & Young
Chartered Accountants

Shaneel Nandan
Partner
Nadi, Fiji
18 May 2023

THE FIJI SUGAR CORPORATION LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MAY 2022

	Notes	2022	2021
		$000	$000
Revenue from export, sugar and molasses	7.1	90,591	115,007
Revenue from local, sugar and molasses	7.1	45,332	32,705
Revenue		**135,923**	**147,712**
Cost of sales	8.1	(152,729)	(164,517)
Gross loss		**(16,806)**	**(16,805)**
Other operating income	7.2	5,538	12,656
Administrative expenses	8.2	(18,929)	(14,931)
Loss from operations		**(30,197)**	**(19,080)**
Finance costs	8.3	(14,112)	(13,727)
Finance income	8.4	13	20
Loss before income tax		**(44,296)**	**(32,787)**
Income tax expense	9(a)	-	-
Loss for the year		**(44,296)**	**(32,787)**
Other comprehensive income			
Total comprehensive income for the year		(44,296)	**(32,787)**

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

THE FIJI SUGAR CORPORATION LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 MAY 2022

	Notes	2022	2021
		$000	$000
Non-current assets			
Property, plant and equipment	10	130,511	148,567
Intangible assets	11	1,996	2,248
Right-of-use assets	12(a)	3,228	3,324
Inventories	14	1,575	1,972
		137,310	**156,111**
Current assets			
Current tax assets	9(b)	850	481
Investment in associates and joint venture	13(a)	40	40
Inventories	14	27,350	6,454
Trade and other receivables	15	11,739	30,125
Cash and cash equivalents	16	3,007	6,083
		42,986	**43,183**
Total assets		**180,296**	**199,294**
Equity and Liabilities			
Equity			
Share capital	17	22,200	22,200
Accumulated losses		(399,247)	(354,951)
Total equity deficit		**(377,047)**	**(332,751)**
Non-current liabilities			
Lease liabilities	12(b)	2,860	2,870
Interest-bearing loans and borrowings	18	247,963	221,295
Deferred income	19	51,053	40,956
Employee benefit liability	20	970	1,546
		302,846	**266,667**
Current liabilities			
Lease liabilities	12(b)	584	584
Interest-bearing loans and borrowings	18	200,446	197,849
Employee benefit liability	20	884	1,011
Provisions	21	3,591	3,469
Trade and other payables	22	48,992	62,465
		254,497	**265,378**
Total liabilities		**557,343**	**532,045**
Total equity and liabilities		**180,296**	**199,294**

The above statement of financial position should be read in conjunction with the accompanying notes.

THE FIJI SUGAR CORPORATION LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MAY 2022

	Note	2022	2021
Accumulated losses		$000	$000
Balance at the beginning of the year		(354,951)	(322,164)
Operating loss after tax		(44,296)	(32,787)
Balance at the end of the year		**(399,247)**	**(354,951)**
Share capital			
Balance at the beginning of the year		22,200	22,200
Balance at the end of the year	17	**22,200**	**22,200**
Total equity		**(377,047)**	**(332,751)**

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

THE FIJI SUGAR CORPORATION LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MAY 2022

	Note	2022	2021
		$000	$000
Operating activities			
Receipts from customers and other operating activities		157,829	152,372
Payments to suppliers, employees and other operating activities		(183,898)	(142,164)
Cash (used in) / from operations		(26,069)	10,208
Interest paid		(9,161)	(7,904)
Interest income received		13	20
Lease finance costs		(288)	(283)
Net cash flows (used in) / from operating activities		**(35,505)**	**2,041**
Investing activities			
Purchase of property, plant and equipment		(5,287)	(7,528)
Proceeds from sale of property, plant and equipment		2,168	338
Purchase of intangibles		(122)	(35)
Net cash flows (used in) investing activities		**(3,241)**	**(7,225)**
Financing activities			
Payment of principal portion of lease liabilities		(222)	(275)
Proceeds from loans and borrowings		10,100	25,000
Proceeds from deferred revenue – financing component		49,321	37,016
Repayment of borrowings		(42,969)	(65,834)
Net cash flows from / (used in) financing activities	,	**16,230**	**(4,093)**
Net decrease in cash and cash equivalents		(22,516)	(9,277)
Overdraft held at the beginning of the year		(28,274)	(18,997)
Overdraft held at the end of the year	16	**(50,790)**	**(28,274)**

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

1. Corporate information

The financial statements of The Fiji Sugar Corporation Limited (the "Corporation") for the year ended 31 May 2022 were authorised for issue in accordance with a resolution of the Directors on 18th May 2023. The Corporation is a limited liability company incorporated and domiciled in Fiji. The address of its registered office and principal place of business is at Drasa Avenue, Balawa, Lautoka.

The Corporation is principally operating three sugar mills in the year under review and is involved in the milling of sugarcane, manufacture and sale of sugar and molasses produced. There were no significant changes in the nature of these activities during the financial year.

2. Significant accounting policies

2.1. Basis of preparation

The financial statements of the Corporation have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The financial statements of the Corporation have been prepared under the historical cost convention. Cost is based on the fair values of the consideration given in exchange for assets. The financial statements are presented in Fijian dollars and all values are rounded to the nearest thousand ($000), except when otherwise indicated.

The financial statements provide comparative information in respect of the previous period.

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 3.

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.

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. The Government in its COVID-19 Response Budget on 26th March 2020 announced conversion of Government's loan of $173.8 million into equity. Whilst, the Government Guarantee of $322.0 million expired on 31 May 2022, the Government will continue to guarantee the existing borrowings.

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

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

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

2.2. Summary of significant accounting policies

a) Investment in associates and joint venture

An associate is an entity over which the Corporation has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

2.2. Summary of significant accounting policies (continued)

a) Investment in associates and joint venture (continued)

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The Corporation's investment in its associate and joint venture are not accounted for using the equity method. Information on investment in associates and joint ventures is provided in Note 13.

b) Revenue recognition

The Corporation is in the business of harvesting and processing of sugarcane into sugar and molasses as well as sale of power. Revenue from contracts with customers is recognised when control of the goods is transferred to the customer at an amount that reflects the consideration to which the Corporation expects to be entitled in exchange for those goods. The Corporation has generally concluded that it is the principal in its revenue arrangements. For revenue where contract with customers exists, revenue is recognised as follows:

Sale of sugar and molasses

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

Sale of electricity

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

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

Finance income

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

c) Government grants

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

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

Government grants are recognised where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

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

d) Taxes

Income tax

Current tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax

Deferred income tax is provided in full, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in accounted for if

2.2. Summary of significant accounting policies (continued)

d) Taxes (continued)

Deferred tax (continued)

it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax is settled.

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

Current and deferred tax for the year

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

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate. Information on recognition of deferred tax assets and liabilities is provided in Note 9.

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 in the statement of financial position. 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.

e) Foreign currencies

Functional and presentation currency

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

Transactions and balances

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

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

f) Non-current assets held for sale and discontinued operations

The Corporation classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

2.2. Summary of significant accounting policies (continued)

g) Property, plant and equipment

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

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

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

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

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

▸ Leasehold land (included in Right-of-use)	Term of lease
▸ Buildings and improvements	2% to 10%
▸ Plant, machinery and equipment	3% to 25%
▸ Vehicles and transport systems	5% and 20%
▸ ERP system	10%

New assets are depreciated from the commencement of the year in which they are commissioned. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

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

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

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

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

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

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

g) Leases

The Corporation assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Corporation as a lessee

The Corporation applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Corporation recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets

The Corporation recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

2.2. Summary of significant accounting policies (continued)

i) Right-of-use assets (continued)

- Leasehold land 99 years

If ownership of the leased asset transfers to the Corporation at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

ii) Lease liabilities

At the commencement date of the lease, the Corporation recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Corporation and payments of penalties for terminating the lease, if the lease term reflects the Corporation exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

ii) Lease liabilities

In calculating the present value of lease payments, the Corporation uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

iii) Short-term leases and leases of low value assets

The Corporation applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Corporation as a lessor

Leases in which the Corporation does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss and other comprehensive income due to its operating nature.

h) **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 capitalized 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. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

i) Intangible assets-

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

j) **Financial instruments - initial recognition and subsequent measurement**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

2.2. Summary of significant accounting policies (continued)

i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (FVOCI), and fair value through profit or loss (FVTPL).

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

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

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

Subsequent measurement

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

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

Financial assets at amortised cost (debt instruments)

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

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

Financial assets at fair value through OCI (debt instruments)

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

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

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

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

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

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are

2.2. Summary of significant accounting policies (continued)

k) Financial instruments - initial recognition and subsequent measurement (continued)

designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Derecognition

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

- The rights to receive cash flows from the asset have expired; or
- The Corporation has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Corporation has transferred substantially all the risks and rewards of the asset, or (b) the Corporation has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of financial assets

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

i) Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

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

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

Financial liabilities at fair value through profit or loss (loans and borrowings)

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

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

This category generally applies to interest-bearing loans and borrowings. For more information, refer to Note 18.

2.2. Summary of significant accounting policies (continued)

Derecognition

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

Offsetting of financial instruments

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

l) Inventories

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

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

m) Impairment of non-financial assets

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

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

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

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

n) Cash and cash equivalents

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

o) Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment (see Note 2.2 k(i)). An allowance for impairment of trade receivables is established when there is objective evidence that the Corporation will not be able to collect all amounts due according to the original terms of the receivables.

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

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

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

2.2. Summary of significant accounting policies (continued)

p) Payables and accruals

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

q) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of profit or loss and other comprehensive income over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Corporation has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

r) Employee benefits

Wages and salaries

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

Annual leave and sick leave

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

Long service leave

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

r) Employee Benefits

Termination benefits

The Corporation recognizes termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a formal plan without the possibility of withdrawal; or providing termination benefits as a result of an offer made for redundancy. Benefits falling due more than 12 months after the statement of financial position date are disclosed at the present value.

Defined contribution plans

Contributions to Fiji National Provident Fund are expensed when incurred.

s) Provisions

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

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

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

t) 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.

3. Significant accounting judgements estimates and assumptions

The preparation of the Corporation's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying

3. **Significant accounting judgements estimates and assumptions (continued)**

disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Other disclosures relating to the Corporation's exposure to risks and uncertainties includes:

▸ Financial instruments risk management and policies	Note 5
▸ Sensitivity analysis disclosures	Note 5
▸ Capital management	Note 6

Judgements

In the process of applying the Corporation's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

Determining the lease term of contracts with renewal and termination options - Corporation as lessee

The Corporation determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

Estimates and assumptions

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

(a) ***Impairment of property, plant and equipment***

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

For the year ended 31 May 2022, an impairment review of the assets of the Corporation was carried out by an independent consultant from New Zealand. The impairment assessment was undertaken in accordance with International Accounting Standard 36 "Impairment of Assets". The recoverable amount of the relevant assets has been determined on the basis of their value in use. The value in use has been determined based on discounted cash flow assessment covering 10 years from 2022 to 2031 based on a scenario with cane volumes of 1.4 million tonnes for 2022 and increasing to 2.5 million tonnes by 2026. The discount rate of 9.5% has been used in measuring value in use. In making financial forecasts, executive management has relied on technical experts wherever deemed appropriate, including the areas of engineering and marketing aspects of operations.

(a) ***Impairment of property, plant and equipment***

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 operational efficiencies and assessed that no further provision for impairment is required.

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

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

(b) ***Depreciation of property, plant and equipment***

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

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

3. **Significant accounting judgements estimates and assumptions (continued)**

(c) ***Allowances for stock obsolescence***

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

(d) ***Impairment of accounts receivable***

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

(e) ***Deferred tax assets***

Deferred tax assets are recognized for all unused tax losses and benefits arising from temporary differences to the extent that taxable profits will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely and level of future taxable profits together with future planning strategies. The deferred tax asset relating to tax losses and temporary differences have not been brought to account as in the opinion of the executive management its realization is not considered to be probable. Further details are contained in Note 9(d).

(f) ***Deferred tax liabilities***

Deferred tax liability is recognized on taxable temporary differences 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 9(c).

(g) ***Leases - Estimating the incremental borrowing rate***

The Corporation cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Corporation would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Corporation 'would have to pay', which requires estimation when no observable rates are available. The Corporation estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

4. Standards issued but not yet effective

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

a) Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Corporation is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

b) Property, Plant and Equipment: Proceeds before Intended Use - Amendments to IAS 16

In May 2020, the IASB issued Property, Plant and Equipment – Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

3. Significant accounting judgements estimates and assumptions (continued)

b) Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16 (continued)

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have a material impact on the Corporation.

c) IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Corporation will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendments are not expected to have a material impact on the Corporation.

d) IAS 41 Agriculture – Taxation in fair value measurements

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IAS 41 Agriculture. The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after 1 January 2022 with earlier adoption permitted.

The amendments are not expected to have a material impact on the Corporation.

e) Definition of Accounting Estimates - Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

The amendments are not expected to have a material impact on the Corporation.

4. Standards issued but not yet effective

f) Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Corporation is currently assessing the impact of the amendments to determine the impact they will have on the Corporation's accounting policy disclosures.

5. Financial instruments risk management objectives and policies

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

Market risk

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

Foreign exchange risk

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

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

	2022	2021
Liabilities	$000	$000
US Dollar	126,294	108,324
Assets		
US Dollar	72	2,002

Foreign currency sensitivity analysis

The Corporation is mainly exposed to the currency of USA.

The following table details the Corporation's sensitivity to a 10% increase and decrease in Fiji dollar against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key executive management personnel and represents executive management's assessment of the reasonably possible change in foreign exchange rates.

The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. If the FJD strengthen/weaken by 10% against the USD with all other variables held constant, pre- tax profit impact is as follows:

Foreign Exchange Risk (continued)

	Change in USD rate	Effect on profit before tax $000
2022	+10%	8,950
	-10%	(14,025)
2021	+10%	15,615
	-10%	(15,692)

Price and volume risk

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

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

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

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

5. Financial instruments risk management objectives and policies (continued)

Cash flow and fair value interest rate risk

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

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

Regulatory risk

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

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

Credit risk

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

Liquidity risk

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

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

Year ended 31 May 2022	Less than 1 year	1 - 5 years	Over 5 years	Total
	$000	$000	$000	$000
Interest-bearing loans and borrowings:				
Short term borrowings	128,646	-	-	128,646
Long term loans and bonds	-	87,752	170,500	258,252
Export Import Bank of India	71,800	-	-	71,800
Lease liabilities	584	1,262	1,598	3,444
Trade and other payables	48,992	-	-	48,992
	250,022	**89,014**	**172,098**	**511,134**

Year ended 31 May 2021	Less than 1 year	1 - 5 years	Over 5 years	Total
	$000	$000	$000	$000
Interest-bearing loans and borrowings:				
Short term borrowings	130,015	-	-	130,015
Long term loans and bonds	-	51,459	169,836	221,295
Export Import Bank of India	67,834	-	-	67,834
Lease liabilities	584	1,262	1,608	3,454
Trade and other payables	62,465	-	-	62,465
	260,898	**52,721**	**171,444**	**485,063**

5. Financial instruments risk management objectives and policies (continued)

Cane supply risk

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

Year	Cane supply for the year (000t)	Gross profit/(loss) for the year ($m)
2021 - Actual	1,729	(16.81)
2022 - Actual	1,417	(16.81)
2023 - Budgeted	2,050	26.80

Operational risk

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

6. Capital risk management

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

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

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.

7. Revenue

Disaggregated revenue information

Set our below is the disaggregation of the Corporation's revenue from contracts with customers:

7.1 Revenue from contract with customers	**2022**	**2021**
	$000	$000
Sale of sugar and molasses - Export	90,591	115,007
Sale of sugar and molasses - Local	45,332	32,705
	135,923	**147,712**
Timing of revenue recognition:		
- Goods transferred at a point in time	**135,923**	**147,712**

7.2 Other operating income		
Sale of electricity	1,814	4,187
Gain on disposal of property, plant and equipment	1,824	336
Amortisation of government grants	742	739
Realised exchange gain, net	1,158	427
Unrealised exchange gain, net	-	6,967
Total other operating revenue	**5,538**	**12,656**

8. Other income and expenses

8.1 Cost of sales

	$000	$000
Depreciation (Note 10)		
- Leasehold land, buildings and improvements	1,809	1,792
- Plant, machinery and equipment	18,030	17,956
- Vehicles and transport system	2,935	3,087
Amortisation of intangible assets	374	354
Depreciation on right-of-use assets (Note 12(a))	308	330
Employee cost	18,976	19,661
Factory related cost	9,468	16,722
Purchase of cane recognised as an expense	100,829	104,615
Total cost of sales	**152,729**	**164,517**

8. Other income and expenses (continued)

8.2 Administrative and other operating expenses	2022	2021
	$000	$000
Auditor's remuneration - audit fees	56	56
Internal audit fees	-	101
Other accounting services	18	18
Directors' fees and allowance	30	27
Employee related costs	3,826	4,972
Insurance	3,244	3,896
Unrealised exchange loss	6,250	-
Other operating expenses	5,505	5,861
Total administrative expenses	**18,929**	**14,931**
8.3 Finance costs		
Interest on debts and borrowings	13,824	13,444
Interest on lease liabilities	288	283
Total finance costs	**14,112**	**13,727**
8.4 Finance income		
Interest income	13	20
Total finance income	**13**	**20**
8.5 Employee benefits expense		
Wages and salaries	23,533	25,876
FNPF contribution	1,446	1,475
	24,979	**27,351**
Less staff costs for capital works	(239)	(194)
	24,740	**27,157**
Provision for employee benefits, net movement	(703)	85
Total employee benefits expense	**24,037**	**27,242**

9. Income tax

The major components of income tax expense for the years ended 31 May 2022 and 2021 are:

a) Profit or loss

	2022	2021
	$000	$000
Accounting loss before income tax	(44,296)	(32,787)
Prima facie tax thereon at the Fiji rate of 20%	(88,859)	(6557)
Non-deductible expenses for tax purposes	(13)	(13)
Amortisation of government grant	(148)	(148)
Current year tax losses not recognised	8,995	6718
Income tax attributable to operating (loss)	-	-

b) Current tax asset

Movements during the year were as follows:

	2022	2021
	$000	$000
Opening balance at 1 June	481	479
Movement during the year	369	2
Closing balance at 31 May	**850**	**481**

c) Deferred tax liability

Deferred tax liability of the Corporation amounting to $7.8 million (2021: $9.7 million) has not been recognized in view of significant unrecognized deferred tax assets relating to tax losses and other temporary differences which will be available as deduction against realization of temporary differences giving rise to tax liability.

d) Deferred tax assets not recognized

In accordance with the provisions of the Income Tax Act, tax losses are allowed to be carried forward for 8 years from 1 January 2020 (prior to 1 January 2020: 4 years).

The deferred tax assets of the Corporation relating to estimated tax losses and temporary differences amounting to approximately $33 million (2021: $29 million) have not been brought to account as its realization is not considered to be probable. The deferred tax asset will only be realized if:

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

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

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

10. Property, plant and equipment

	Freehold land	Leasehold land	Buildings and improvements	Plant, machinery and equipment	Vehicles and transport system	Capital work in progress	Total
	$000	$000	$000	$000	$000	$000	$000
31 May 2022							
Cost	16,835	527	69,007	452,720	57,889	4,679	601,657
Accumulated depreciation	-	(112)	(33,403)	(319,026)	(40,218)	-	(392,759)
Accumulated impairment	-	-	(16,214)	(59,323)	(2,850)	-	(78,387)
At 31 May 2022	**16,835**	**415**	**19,390**	**74,371**	**14,821**	**4,679**	**130,511**
Movement:							
At 1 June 2021	16,835	426	21,191	90,295	17,473	2,347	148,567
Additions	-	-	-	-	-	5,287	5,287
Disposals	-	-	(3)	(177)	(389)	-	(569)
Depreciation	-	(11)	(1,798)	(18,030)	(2,935)	-	(22,774)
Transfer from CWIP	-	-	-	2,283	672	(2,955)	-
At 31 May 2022	**16,835**	**415**	**19,390**	**74,371**	**14,821**	**4,679**	**130,511**
31 May 2021							
Cost	16,835	527	69,090	454,400	58,661	2,347	601,860
Accumulated depreciation	-	(101)	(31,685)	(304,783)	(38,339)	-	(374,908)
Accumulated impairment	-	-	(16,214)	(59,322)	(2,849)	-	(78,385)
At 31 May 2021	16,835	426	21,191	90,295	17,473	2,347	148,567
Movement:							
At 1 June 2020	16,176	437	19,287	101,426	17,379	4,479	159,184
Additions	-	-	-	-	-	8,330	8,330
Disposals	(19)	-	(14)	(399)	(31)	-	(463)
Depreciation	-	(11)	(1,781)	(17,956)	(3,087)	-	(22,835)
Transfer from CWIP	-	-	26	7,224	3,212	(10,462)	-
Assets held for Sale	678	-	3,673	-	-	-	4,351
At 31 May 2021	16,835	426	21,191	90,295	17,473	2,347	148,567

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 in the financial year ended 2010.

10. Property, plant and equipment (continued)

a) Impairment assessment (continued)

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

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

For the year ended 31 May 2016, an independent impairment review of the assets of the Corporation was carried out by an independent consultant from New Zealand. The impairment assessment was undertaken in accordance with International Accounting Standard 36 "Impairment of Assets". The recoverable amount of the relevant assets has been determined on the basis of their value in use (Refer Note 3(a)). Due to fall in mill efficiency and TCTS ratio together with reduction in quality and quantity of cane supply, the expected recoverable amount and thereby the carrying value of property, plant and equipment was assessed to have reduced. Accordingly, executive management and Directors had assessed that additional provision of $24 million for impairment was required.

Based on the independent assessment, management and Directors have carried out an assessment of the recoverable amount of the assets, trend of improvement in sugar cane quality, and assessed that no further provision for impairment is required for the years ended 31 May 2017, 31 May 2018, 31 May 2019, 31 May 2020, 31 May 2021 and 31 May 2022.

The Corporation has further carried out sensitivity analysis of assessment of recoverable amount as at 31 May 2022 with the following assumptions:

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

Refer Note 3(a) in relation to significant accounting judgements, estimates and assumptions in relation to impairment of property, plant and equipment.

b) Revaluation of Land and Buildings as Deemed Cost

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

c) Insurance

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

d) Plant, machinery and equipment

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

e) Capital work in progress

Included in property, plant and equipment at 31 May 2022 was an amount of $4.7 million (2021: $2.3 million) relating to expenditure on mill under construction.

f) Disposals of property, plant and equipment

In 2022, the Corporation sold freehold land and buildings for a cash consideration of $1.82 million. The net gains on these disposals were recognised as part of other operating income in the statement of profit or loss (Note 7.2).

11. Intangible assets

	2022	2021
Software costs	$000	$000
Opening balance at 1 June	2,248	2,567
Additions	122	35
Amortisation for the year	(374)	(354)
Closing balance at 31 May	**1,996**	**2,248**

Definite lives
Definite life intangible assets are accounted for at cost. Assets acquired in a business acquisition, are recognised initially at fair value at the date of acquisition which is subsequently deemed to be cost. Following initial recognition, intangible assets are amortised on a straight-line basis over their useful lives and tested for impairment when there is any indication of impairment. Useful life details for these assets are as follows:

Software development and other assets	3 to 10 years

Any gain or loss arising on derecognition of an asset (calculated by comparing the proceeds with the carrying amount) is included in the income statement in that financial year.

12. Leases

a) Right of use assets (ROU)

The Corporation currently holds number of leasehold and rental property leases. Lease terms vary in length and generally, when approaching expiry, are either extended at the option of the Corporation or are renegotiated.

	2022	2021
	$000	$000
Cost	4,011	4,011
Accumulated depreciation	(995)	(687)
Remeasurement during the year	212	-
	3,228	**3,324**
Movement		
Opening balance	3,324	3,654
Depreciation charge for the year	(308)	(330)
Remeasurement during the year	212	-
At 31 May	**3,228**	**3,324**

The Corporation adopted IFRS 16 as of 1 June 2019. The above represent assets under lease contracts which have been recognised as an asset in accordance with IFRS 16. The assets are written down over the terms of their contracts. The Corporation elected to use the modified retrospective approach in transition to IFRS 16.

b) Lease liabilities

The Corporation currently holds number of leasehold and rental property leases. Lease terms vary in length and generally, when approaching expiry, are either extended at the option of the Corporation or are renegotiated.

	2022	2021
Movement:	$000	$000
Opening balance	3,454	3,728
Interest	288	283
Repayments	(509)	(557)
Remeasurement during the year	211	-

At 31 May	3,444	3,454

12. Leases (continued)

b) Lease liabilities (continued)

This is disclosed as:	2022	2021
	$000	$000
Current liabilities	584	584
Non-current liabilities	2,860	2,870
At 31 May	3,444	3,454

c) Short term, low value and variable leases

As allowed by the Standard, there is no change to the recognition and measurement of short-term, low asset value and variable leases. Short term leases are those with terms equal to or less than 12 months and low asset value leases. The Corporation has established that there is no short term and low value leases

13. Investment in associate and a joint venture

Interest in a joint venture - Nagigi Farms

	Interest (%)	2022	2021
Unincorporated joint venture		$000	$000
Nagigi Farms - Capital contribution	50%	40	40

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

14. Inventories

	2022	2021
Non-current	$000	$000
Capital spare parts and spare gears - at cost	6,710	7,106
Allowance for inventory obsolescence	(5,135)	(5,134)
Total non-current inventories	1,575	1,972
Current		
Maintenance spares and consumables - at cost	2,486	2,775
Allowance for inventory obsolescence	(962)	(963)
	1,524	1,812
Sugar and molasses - at net realisable value	25,826	4,642
Total current inventories	27,350	6,454
Total inventories at the lower of cost and net realisable value	28,925	8,426

15. Trade and other receivables

	2022	2021
Current	$000	$000
Receivable from third-party customers	361	478
Receivable from associates and joint venture	296	1,293
VAT receivable	2,199	1,669
Receivable from Government	2,960	22,187
Other receivables	2,828	4,038
	8,644	**29,665**
Allowance for expected credit losses	(1,659)	(2,249)
	6,985	**27,416**
Prepayments and deposits	4,754	2,709
	11,739	**30,125**

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 expected credit losses of trade and other receivables are as follows:

	2022	2021
	$000	$000
As at 1 June	2,249	2,961
Allowance for expected credit loss	407	338
Write-off	(997)	(1,050)
At 31 May	**1,659**	**2,249**

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.

16. Cash and cash equivalents

	2022	2021
	$000	$000
Cash at banks and on hand	3,007	6,083
	3,007	**6,083**

Cash at banks earns interest at floating rates based on daily bank deposit rates.

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following at 31 May:

	2022	2021
	$000	$000
Cash at banks and on hand	3,007	6,083
Bank overdrafts (Note 18 (I) i & ii)	(53,797)	(34,357)
	(50,790)	**(28,274)**

17. Shared capital

	2022	2021
	$000	$000
Paid up capital		
44,399,998 ordinary shares	22,200	22,200
	22,200	22,200

18. Interest-bearing loans and borrowings

	Notes	2022	2021
Non-current		$000	$000
Exim Import Bank of India	a(i)	-	-
Exim Import Bank of India	a(ii)	-	-
Sugar Cane Growers Fund	b	4,633	5,084
Reserve Bank of Fiji - Loan	c(i)	7,000	7,000
Reserve Bank of Fiji - Loan	c(ii)	-	5,000
Fiji National Provident Fund - Loan	d(i)	39,882	39,881
Government of Fiji	e(i)	139,743	139,743
Government of Fiji	e(ii)	16,079	-
Fiji Development Bank	f(ii)	8,715	-
Fiji Development Bank	f(iii)	4,360	12,075
Fiji Development Bank	f(iv)	5,042	5,777
Fiji Development Bank	f(v)	7,509	6,735
Bred Bank	g	15,000	-
Non-current interest-bearing loans and borrowings		**247,963**	**221,295**

	Notes	2022	2021
		$000	$000
Current			
Bank Overdrafts - Operating Account	l(i)	35,316	34,357
Bank Overdraft - Grower Account	l(ii)	18,481	-
Exim Import Bank of India	a(i)	69,005	65,194
Exim Import Bank of India	a(ii)	2,795	2,640
Sugar Cane Growers Fund	b	873	881
Fiji National Provident Fund - Loan	d(i)	5,615	5,615
Government of Fiji	e(ii)	-	25,000
Reserve Bank of Fiji - Loan	c(ii)	5,000	-
Fiji Development Bank	f(i)	-	1,937
Fiji Development Bank	f(ii)	2,560	2,560
Fiji Development Bank	f(iii)	1,920	1,300
Fiji Development Bank	f(iv)	2,040	1,350
Fiji Development Bank	f(v)	2,520	-

18. Interest-bearing loans and borrowings (continued)

Bred Bank	g	5,000	20,000
Czarnikow Group Limited	h	44,027	30,027
Tate & Lyle Sugars	J	-	3,991
United Molasses Trading Ltd	k	5,294	2,997
Current interest-bearing loans and borrowings		**200,446**	**197,849**
Total interest-bearing loans and borrowings		**448,409**	**419,144**

Particulars relating to borrowings:

(a) *Export Import Bank of India - Loan*

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

During the year the Corporation did not meet any principal repayment and interest payable, pending restructure of the facility.

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

During the year the Corporation did not meet any principal repayment and interest payable, pending restructure of the facility.

(b) *Sugar Cane Growers Fund (SCGF) - Loan*

During the year, borrowings from SCGF of $5.97 million was restructured to 10-year term loan with two equal installments of $440,430 per year. The loan is secured by Government guarantee.

(c) *Reserve Bank of Fiji (RBF) - Loan*

i) Flood Rehabilitation Fund

The Corporation had borrowed $7 million from RBF in 2012 to finance rehabilitation work undertaken due to severe flooding in the western division of the island of Viti Levu, Fiji.

ii) Natural Disaster Rehabilitation Fund

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

The above borrowings are secured by the Government guarantee.

(d) *Fiji National Provident Fund*

i) Term Loan

The Corporation secured loan of $50 million from FNPF to meet its working capital and capital expenditure requirements. The loan is for 15-year term secured by Government guarantee. During the year, the loan was restructured and only interest was paid.

18. Interest-bearing loans and borrowings (continued)

(e) *Government of Fiji*

i) Loan

	2022	2021
	$000	$000
Loans from Government of Fiji	173,817	173,817
Less: Deferred grant income on interest (Note 19)	(34,074)	(34,074)
	139,743	**139,743**

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

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

The LRA includes a grace period of 10 years for both loan and interest and repayments period of 20 years resulting in a maturity period of 30 years, from effective date of the loan. Interest of 3% per annum shall be payable on the drawn amount or on a semi-annual basis commencing from the 11th year from the effective date of the loan.

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

The benefit of a Government loan at a below-market rate of interest of $34,074,000 is treated as a deferred income grant. The loan is recognised and measured in accordance with IFRS 9 Financial Instruments. The benefit of the below-market rate of interest is measured as the difference between the initial carrying value of the loan determined in accordance with IFRS 9 and the proceeds received (Refer Note 19).

The loan will be converted to equity subsequent to balance date.

ii) Debt restructure

	2022	2021
	$000	$000
Loans from Government of Fiji	26,368	-
Less: Deferred grant income on interest (Note 19)	(10,289)	-
	16,079	-

The Corporation did not meet the repayment of bonds with FNPF for $15 million and $10 million which matured on 30th September 2019 and 4th November 2019 respectively. Consequently, the guarantee was called, and the obligation was taken over by the Government of Fiji. An agreement to this effect has been drawn up between the Corporation and Government of Fiji with loan term of 15 years. The loan repayment to commence from January 2025 with two equal installments of $1,098,657 per year.

The benefit of the Government loan at a below-market rate of interest of $10,288,882 is treated as a deferred income grant. The loan is recognised and measured in accordance with IFRS 9 Financial Instruments. The benefit of the below-market rate of interest is measured as the difference between the initial carrying value of the loan determined in accordance with IFRS 9 and the proceeds received (Refer Note 19).

(f) *Fiji Development Bank*

i) The Corporation had received funding of $17,010,000 from Fiji Development Bank for construction of 10MW power generation plant at Labasa. The loan was fully repaid during the year.

ii) The term loan facility of $30 million was obtained from Fiji Development Bank for purchase of agricultural equipment for sugarcane development. The loan is for 10-year period. The drawdown from the facility is $20,416,023 and during the year $3.76 million was repaid towards principal, interest and bank fees.

iii) The Corporation secured term loan funding of $7 million from Fiji Development Bank to partially fund the fourth cane payment for 2020 season. The loan is for 5-year period. The loan is payable in monthly instalments of $160,000 (including principal, interest, stamp duty and bank fees).

18. Interest-bearing loans and borrowings (continued)

iv) The Corporation obtained a term loan funding of $8 million during the year from Fiji Development Bank under the Reserve Bank of Fiji's Import Substitution and Export Finance Facility to partially fund the fourth cane payment for 2020 season. The loan is for 5-year period. The loan is payable in monthly instalments of $170,000 (including principal, interest, stamp duty and bank fees).

v) During the year, the Corporation secured term loan funding of $10 million from Fiji Development Bank to partially fund the third cane payment for 2021 season. The loan is for 5-year period. The loan is payable in monthly instalments of $210,000 (including principal, interest, stamp duty and bank fees).

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

(g) ***BRED Bank***

During the year, the funding of $20 million from BRED Bank was restructured to a 5-year loan. The principal repayment to commence from second year with $5 million payable each year. The loan is secured by Government guarantee.

(h) ***Czarnikow Group Limited***

During the year, the Corporation has borrowed US$20.8 million from Czarnikow Group Limited to meet operational expenditures and grower cane payments. The loan is secured through assignment of 2022 season contract and will be repaid through the shipment of sugar for 2022 season (financial year 2023).

(i) ***Bank Overdraft - Home Finance Company Limited***

h) The overdraft facility in HFC operating account was maintained at $30 million during the year.

ii) During the year, the Corporation secured temporary bank overdraft of $22 million in the grower account to process the cane payments. The facility is repayable before 31 August 2022.

Both facilities are secured by Government guarantee and floating charge over all the Corporation's assets.

(j) ***Tate & Lyle Sugars***

During the year, the Corporation settled the borrowing from Tate & Lyle Sugars through 2021 season sugar proceeds.

(k) ***United Molasses Trading Ltd***

During the year, the Corporation has borrowed US$2.5 million from United Molasses Trading Ltd to meet operational expenditures and grower cane payments. The loan is secured through assignment of 2022 season contract and will be repaid through molasses shipments for the 2022 season (financial year 2023).

19. Deferred income

	Notes	2022	2021
		$000	$000
Government grants	a(i)	1,848	1,848
Government grants	a(ii)	6,001	5,450
India Government grant	b	1,487	1,487
Accumulated depreciation		(3,340)	(2,597)
		5,996	6,188
Government grant	a(iii)	9	9
Deferred grant income from Government of India	b	685	685
Deferred grant income on interest for the Government of Fiji loan	c	34,074	34,074
Deferred grant income on interest for the government of Fiji Loan	d	10,289	-
Total deferred income - non-current		**51,053**	**40,956**

19. Deferred Income (continued)

(a) *Government grant received in relation to:*

i) the bulk sugar shed and Lautoka lorry shed which is being amortised on a straight-line basis at 2%.

ii) purchase of sugarcane haulage trucks to provide reliable transport, consistent cane supply and reasonable cartage cost for the farmers. The grant is being amortised on a straight-line basis at 10%.

iii) procurement of harvesters for hilly cane areas. An agreement has been made on 16 May 2019 for government to provide $500,000 for this procurement. The grant is being amortised on a straight-line basis at 10%.

(b) Relates to grant provided by the Government of India to the Corporation through the Ministry of Sugar Industry for the purchase of agricultural equipment with implements. Four harvesters and five tractors worth $1,487,274 have been purchased, which is being amortized accordingly in the books.

(c) Deferred grant income is measured as the difference between the initial carrying value of the loan and the actual proceeds from government loan. The initial carrying value of the loan is determined as the future cash payments (principal and interest) through the expected life of the loan to maturity discounted at the market rate of interest that would apply to an identical loan without the conversion option (Refer Note 18(e)(i)).

(d) Deferred grant income is measured as the difference between the initial carrying value of the loan and the actual proceeds from government loan. The initial carrying value of the loan is determined as the future cash payments (principal and interest) through the expected life of the loan to maturity discounted at the market rate of interest that would apply to an identical loan without the conversion option (Refer Note 18(e)(ii)).

20. Employee benefit liability

	2022	2021
Annual leave entitlements - obligation	$000	$000
As at 1 June	1,011	1,019
Movement during the year	(127)	(8)
Obligation at 31 May - Current	**884**	**1,011**
Long service leave entitlements - obligation		
As at 1 June	1,546	1,453
Movement during the year	(576)	93
Obligation at 31 May - Non-current	**970**	**1,546**
Total obligation for employee benefits	**1,854**	**2,557**

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 2.2(r) outline the accounting policy and underlying basis for these accruals. The expected future payments are discounted at the rate of 3.95%.

21. Provisions

	Unpaid rent	Litigations	Total
	$000	$000	$000
As at 1 June	1,565	1,904	3,469
Movement during the year	122	-	122
Obligation at 31 May - Current	**1,687**	**1,904**	**3,591**

22. Trade and other payables

	2022	2021
	$000	$000
Trade payables	4,644	3,603
Other payables	8,478	7,250
Grower creditors	28,571	43,976
Cane access road, ACRP and other grants payable	2,106	2,576
Income in advance	15	25
Interest payable	5,178	5,035
	48,992	**62,465**

Terms and conditions of the above financial liabilities:

- Trade payables are non-interest bearing and are normally settled on 60-day terms
- Other payables are non-interest bearing and have an average term of six months
- Interest payable is normally settled quarterly throughout the financial year

For explanations on the Corporation's liquidity risk management processes, refer to Note 5.

23. Commitments and contingencies

Capital commitments

At 31 May, capital commitment is as follows

	2022	2021
	$000	$000
Capital commitments contracted but not provided for in accounts	3,607	2,302
	3,607	**2,302**

Commitments for purchase of cane and for supply of sugar

The Corporation is committed to purchase sugarcane from growers. Furthermore, the Corporation is committed to supply sugar to the European Union and other potential buyers. Further, the Corporation has embarked on looking at alternative markets such as previously lucrative regional and Asian markets to mitigate the impact since EU sugar quota came to end in September 2017. There are number of new market areas being pursued now and the Corporation is confident to sell the Sugars of Fiji brand at a decent market price. Refer Note 25 for further details.

Legal claim contingency (wage claims and other 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.

Guarantees

The Corporation has provided the following guarantees at 31 May 2022:

	2022	2021
	$	$
Guarantees or bonds given by the bank	67	67

24. Commitments for purchase of cane and commitments for supply of sugar in the next 12 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 2021 crushing season (year ended 31 May 2022), the growers supplied to the Corporation a total of 1.42 million tonnes of cane from which 133,209 tonnes of sugar has been produced. The Corporation has exported 80,369 tonnes of sugar against its supply commitments to the buyers.

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

With effect from 1 October 2017, Fiji enjoys a continuation of market access on quota free and duty-free terms, with pricing linked to prevailing market prices in the EU, which in turn will be driven by world sugar prices. The exposure of Fiji to world sugar price dynamics has thus increased from 1 October 2017. Alternative export markets are available to Fiji which potentially provide superior pricing to EU destinations as a result of freight premiums arising from Fiji's geographic proximity to these markets.

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

25. Going concern and financial support

The Corporation has been incurring significant losses during recent years. During the year ended 31 May 2022, the Corporation has incurred loss from operations of $30.1 million (2021: $19.1 million) and net loss before income tax of $44.3 million (2021: $32.8 million).

As at 31 May 2022, total liabilities of the Corporation exceed total assets resulting in net liability of $377.0 million (2021: $332.8 million). The current liabilities exceed the current assets by $211.5 million, representing the ratio of 5.9: 1 (2021: $222.2 million, representing the ratio of 6.2: 1).

The Corporation has debt repayment commitments amounting to $200.4 million during the financial year ending 31 May 2022. Furthermore, the Corporation requires further funding to meet its working capital requirements, capital expenditure and fund the operating losses.

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

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

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

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

(a) Government's commitment to continue to guarantee the existing borrowings and providing new guarantee of $75.0 million for domestic borrowings.

(b) The loans from the Government of Fiji aggregating to $173,816,930 will be converted into equity as declared in the Government's Supplementary Budget announcement on 26th March 2020.

(c) The Government of Fiji has taken over $25 million bonds defaulted by the Corporation and has converted it into a term loan to the Corporation over 15-year term with 3-year moratorium.

(d) Continuous allocation of grants and funding to the sugar industry by the Government for the Sugar Development Program, Sugar Stabilisation Fund, cane access roads, fertilizer subsidies and other benefits directly or indirectly to the farmers. The Government allocated $41.9 million in 2022/2023 National Budget for various initiatives to assist the sugar cane industry, including Sugarcane Development, establishment of sugar cane stabilization fund, Cane Access Roads, Fertiliser and Weedicide subsidy, and subsidy for the cartage costs for the transportation of sugarcane from Penang to Rarawai Mill.

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

25. Going concern and financial support (continued)

Furthermore:

i) The Corporation in next 2-3 years through revenue optimisation from large scale sugar plantations, cost cutting initiatives, embark upon revenue generating investments, better marketing of Sugars of Fiji, continue to achieve improvements in mill efficiency and mill performance together with improved quantity and quality of cane supply and thereby generate adequate profits and cash flows from future operations to meet its obligations as and when they fall due. Appropriate plans and strategies together with detailed work plan and milestones are being implemented by the Directors and management to achieve the targets.

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

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

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

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

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

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

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

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

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

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

26. Government guarantee

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

(a) The Government continues to guarantee all existing borrowings despite expiry of $322 million Government guarantee on 31 May 2022.

(b) New Government guarantee of $75 million to allow the Corporation to seek future domestic funding between 1 August 2022 to 31 May 2028.

(c) The Government has provided a guarantee of US$50.4 million and US$5.38 million for borrowings from Export Import Bank of India in relation to the sugar mills upgrade and modernization. As at balance date, the outstanding balance is US$31.41 million and US$1.27 million, respectively under this guarantee.

(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.

27. Related party disclosures

(a) Ownership interests in related parties

Interests held in associate entities and joint ventures are set out in Note 13 to the financial statements.

(b) Directors

The following were Directors of the Corporation at any time during the financial year and up to the date of this report:

Mr Pradeep Lal - Chairman
Mr Savendra P Dayal – Deputy Chairman (Retired in December 2022)
Ratu Wiliame Katonivere (Resigned on 21 October 2021)
Mr Arvind Singh (Retired in October 2022
Mr Tevita Kuruvakadua (Retired in October 2022)
Mr Athil Narayan (Re-appointed)
Mr Prakash Chand
Mr Kaison Chang (Appointed on 4 May 2023)
Mr Nitya Reddy (Appointed on 4 May 2023)
Mr Paras Ram Reddy (Appointed on 4 May 2023)
Mr Maciusela N. Lumelume (Appointed on 4 May 2023)
Ratu Jone Mataove Qomate (Appointed on 31 January 2023)

Directors' emoluments for services as Directors and other services are disclosed under Note 8.2.

(c) Transactions with related parties

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

(d) Key management personnel remuneration

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

As at 31 May 2022, nine executives (2021: eight executives), (Chief Executive Officer, Chief Financial Officer, Chief Information and Commercial Officer, Chief Operation Officer, Head of Agriculture, 3 Mill General Managers and Chief Human Capital Officer) were identified as key management personnel, with the greatest authority and responsibility for the planning, directing and controlling the activities of the Corporation.

The aggregate remuneration to the executive management group for year ended 31 May 2022 and 2021 were:

	2022	2021
	$000	$000
Other executive management	**1,461**	**1,849**

Furthermore, certain members of executive management group were provided non-cash employment benefits, such as vehicle, housing allowances and medical insurance cover, in aggregate benefit value of $46,576 for the year.

(e) Amount due to, and receivable from related parties

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

(f) Government guarantee and assistance

i) The Government has approved guarantees to allow the Corporation to borrow in the short-term money market and from Export Import Bank of India for its sugar mills upgrade and modernization. Refer Note 25 for the details of the guarantees provided.

ii) In the prior years, the Government of Fiji provided funding to meet repayment of Government guaranteed loans and to fund on-going working capital requirements of the Corporation. The borrowings from the Government of Fiji aggregated to $173,816,930 (including deferred grant income on interest) as at balance date (2021: $173,816,930 (Refer Note 18(e)).

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

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 2022, an impairment review of the assets of the Corporation was carried out by an independent consultant from New Zealand. The impairment assessment was undertaken in accordance with International Accounting Standard (IAS 36) Impairment of Assets. Based on the independent assessment, management and the 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.

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

ii) Czarnikow Group Limited

During the year, the Corporation borrowed US$20.8 million (FJD $42.6 million) from Czarnikow Group Limited by way of trade finance to meet operational expenditure and grower cane payments. The loan will be repaid through the first and second shipments of sugar for the 2022 season (financial year 2023).

iii) Sugar price increase

On 20th January 2022, Fijian Commerce & Consumer Competition (FCCC) increased the domestic sugar price, which is expected to improve the corporation's share of revenue going forward.

29. Events subsequent to balance date

Subsequent to balance date:

i) The Government of Fiji has approved government guarantee of $75.0 million on 28th July 2022 to allow the Corporation to seek future domestic borrowings between 1 August 2022 to 31 May 2028 (Guarantee period). The existing government guarantee of $322.0 million on domestic borrowings expired on 31st May 2022.

ii) Loan facility of $50.0 million was secured from BSP with bulk payment on maturity in August 2024. Interest rate is 6.95% per annum with quarterly interest payment. Apart from Government guarantee as security, third charge over FSC asset has been provided.

iii) The borrowing from Czarnikow Group Limited of FJ$44.0 million and United Molasses Trading Ltd of $5.3 million was settled through 2022 season sugar and molasses proceeds, respectively.

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

30. Insurance

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

31. Approval of financial statements

The financial statements were approved by the Board of Directors and authorised for issue on 18th May 2023.

THE FIJI SUGAR CORPORATION LIMITED

10-YEAR STATISTICAL REVIEW

Financial statistics											
for year ended 31 May		**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**
Turnover	($m)	135.9	147.7	144.9	132.8	182.1	144.9	199.8	197.3	224.0	199.0
Profit/(Loss) before taxation	($m)	(44.3)	(32.8)	21.9	(80.1)	(24.6)	(45.0)	(53.4)	(31.7)	6.9	6.3
EBITDA	($m)	(6.7)	4.4	60.7	(25.1)	0.6	(19.2)	(27.1)	(4.8)	(4.8)	5.9
Profit/Loss after taxation & Extra-ordinary items	($m)	(44.3)	(32.8)	21.9	(80.1)	(24.6)	(45.0)	(53.4)	(31.7)	6.9	6.3
Total Assets	($m)	180.3	199.3	223.9	203.9	204.1	199.6	254.2	266.2	279.3	254.6
Net Assets	($m)	377.0	(332.8)	(300.0)	(321.8)	(241.8)	(217.1)	(172.1)	(117.4)	(85.7)	(92.6)
Proceeds of Sugar & Molasses	($m)	139.1	143.9	139.8	129.8	180.7	143.4	195.8	191.7	214.6	185.7
FSC's share of proceeds	($m)	38.4	42.8	41.9	38.8	54.2	43.0	58.7	56.0	62.5	55.7
Price per tonne cane	($)	85.00	85.00	85.00	85.00	85.00	82.00	76.66	81.01	88.49	81.83

Production statistics											
Season		**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**
Cane Crushed	(000t)	1,417	1,729	1,806	1,696	1,631	1,387	1,845	1,832	1,610	1,547
Sugar Produced	(000t)	133	152	169	160	180	140	222	227	179	155
Molasses Produced	(000t)	72	83	84	85	66	63	76	78	59	67
Tonnes Cane/Tonnes Sugar		10.6	11.4	10.7	10.6	9.0	9.9	8.3	8.1	9.0	10.0
Molasses % Cane		5	5	5	5	4	5	4	4	4	4
POCS %		10	10	10	11	11	11	12	12	11	11
Cane Purity %		80	79	80	81	83	82	83	82	82	82
Fibre in Cane %		12	13	12	12	12	12	12	12	12	12
Average Crushing Rate for all mills (tcph)		689	727	682	674	694	692	792	853	834	811
Actual Crushing Time as % of Available Time		67	64	64	63	66	58	71	70	63	61

Field statistics										
Season	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**
Number of Growers	16,909	16,840	16,754	16,666	16,605	16,526	16,387	16,348	15,528	15,948
Number of Active Growers	11,398	11,622	11,638	11,412	11,871	11,676	12,405	12,681	12,633	12,848
Tonnes Cane per Hectare	42	46	48	46	43	38	47	48	42	37
Average Tonnes Cane per Grower	124	147	143	142	137	119	148	144	127	120
Number of Cane Cutters	7,681	7,651	7,650	7,700	7,771	9,173	9,582	10,341	8,973	8,109
Output per Cutter (tonnes)	118	146	154	110	117	142	182	173	179	191
Burnt Cane %	57	51	49	51	34	57	39	41	29	36

Sugar exports - destinations and quantities (metric tonnes)										
Season	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**
UK/EU	34,818	109,246	146,000	68,600	129,828	104,736	165,260	184,414	165,557	146,656
USA	10,551	15,611	8,411	9,034	14,570	8,329	21,163	16,254	-	-
KOREA	35,000	-	-	-	-	200	220	766	-	-
GERMANY	-	-	-	480	-	-	-	-	-	-
CHINA	-	-	-	33,730	-	-	-	-	-	-
TOTAL	80,369	124,857	154,411	111,844	144,398	113,265	186,643	201,434	165,557	146,656

NOTES

FIJI SUGAR CORPORATION

2022 ANNUAL REPORT