



ANNUAL REPORT 2023

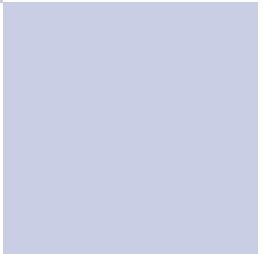
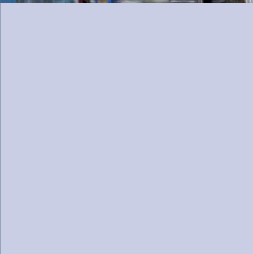




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Our Organisation

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 the 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 In 2006, the Fiji Sugar Corporation Act was repealed allowing it to be governed solely under the Companies Act.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 0.9% of GDP, and generates about 5.7% of domestic exports in 2022 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.

Financial Results

- The Corporation's share of proceeds was \$64.3 million compared to \$38.3 million in the previous year.
- Consolidated trading profit was \$7.4 million, compared to a loss of \$16.8 million in the previous year.
- Loss from operations was \$5.0 million, compared to a loss of \$30.2 million in the previous year.
- Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) was positive \$17.9 million compared to negative \$6.7 million in the previous year.
- Operating loss for the year was \$23.0 million, compared to a loss of \$44.3 million in the previous year.
- A total of \$6.9 million was invested in Property Plant and Equipment, compared to \$5.3 million in the previous year.

Operations

- A total of 1.64 million tonnes of sugarcane was crushed from an area of 34,879 hectares compared to 1.42 million tonnes from 33,504 hectares in the previous year.
- Sugar production was 155,812 tonnes compared to 133,209 tonnes in the previous year.
- The tonnes Cane to Tonnes Sugar (TCTS) ratio was 10.5 compared to 10.6 in the previous year.
- Cane Quality (POCS) was 10.30 compared to 10.10 in the previous season.
- The total sugar exported was 144,279 tonnes compared to 80,369 tonnes in the previous year.

FINANCIAL Summary

Sales and Profit (\$'000)

Total sales
Trading profit/(loss)
Unrealised exchange gain/(loss)
Operating Profit/(loss) for the year

Cash Flow (\$'000)

Operating activities
Investing activities
Financing activities
Net increase/(decrease) in cash

Financial Position (\$'000)

Working capital
Current assets
Total assets
Non-current liabilities
Current liabilities
Shareholders' equity

Additional Information

Ratio of current assets to current liabilities
Ratio of debt to shareholders' equity

2023	2022
209,744	135,923
7,446	(16,806)
(2,706)	(6,250)
(22,999)	(44,296)
23,659	(35,505)
(6,748)	(3,241)
10,053	16,230
26,964	(22,516)
(175,045)	(211,511)
23,072	42,986
146,752	180,296
348,681	302,846
198,117	254,497
(400,046)	(377,047)
0.12	0.17
(1.37)	(1.48)



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 realising the Corporation's objectives to make of every opportunity. It involves leveraging its resources and aligning its activities

BOARD Responsibilities

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

The Corporation aims to be at the forefront of internationally recognised best governance 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.

to consumer needs, shareholder benefit and employee growth. Thereby the Corporation succeeds in delighting its stakeholders whilst minimising risks.

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

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

MANAGEMENT Responsibility

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

BOARD Committees

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

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

The Remuneration & Nomination Committee is tasked with assisting the Board to discharge its responsibilities by providing oversight of the Human Resource strategy of the Company including organisation 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 Athil Narayan (Chairman), Mr Pradeep Lal, Mr Prakash Chand and Mr Maciusela Lumelume.

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 Prakash Chand and Mr Maciusela Lumelume.

The Property Committee looks after the sale of non-core assets to support the cash flow of the Corporation. Its members are Ratu Jone Qomate (Chairman), Mr Kaison Chang, Mr Nitya Reddy and Mr Pradeep Lal.

Cane Development Committee was set up to focus on improving sugarcane production and grower-related services. Its members are Mr Maciusela Lumelume (Chairman), Mr Paras Ram Reddy, Mr Kaison Chang, Ratu Jone Qomate and Mrs Akisi Vinaka.

A Sales & Marketing Committee has been set up to look after the sugar and molasses for both domestic and export. Its members are Mr Prakash Chand (Chairman), Mr Kaison Chang and Mr Pradeep Lal.

BOARD OF Directors



PRADEEP LAL



ATHIL NARAYAN

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

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.



PRAKASH CHAND

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



AKISI VINAKA

Appointed on Board on 19th May 2023. She is a cane farmer and a very active community worker in Labasa.



PARAS RAM REDDY

Appointed to the Board on 4th May 2023. Mr Reddy is a farmer and a Rarawai Penang Cane Producers Association board member.



RATU JONE MATAOVE QOMATE

Appointed to the Board on 31st January 2023. Ratu Jone is the Chairman of Macuata Provincial Council and Tui Labasa.



MACIUSELA NAQESA LUMELUME

Appointed on the Board on 4th May 2023. Mr. Lumelume is a consultant with qualifications in commerce and business administration.



NITYA REDDY

Appointed to the Board on 4th May 2023. Mr Reddy is a Chartered Accountant with over 15 years of work experience in the FSC and the Sugar Industry.



KAISON CHANG

Appointed to the Board on 4th May 2023. Mr Chang is currently an international consultant for the agriculture and economic sectors, with over 30 years of work experience in the agricultural sector.

EXECUTIVE MANAGEMENT Team



BHAN PRATAP SINGH
Chief Executive Officer



DEEPAK RAJ
Head of Finance / Acting
Company Secretary



MIKAELE BIUKOTO
Chief Operating Officer



ASHWIN GOUNDER
Chief Human Resources
Officer



MICHAEL FAKTAUFON
General Manager Lautoka



LEELA RAMESH
General Manager Labasa



ILIJAZ KHAN
General Manager Rarawai



LAKSHMAN JAYARAMAN
Head of Agriculture

CHAIRMAN'S Report



PRADEEP LAL

I am delighted to present the Chairman's Report for the Fiji Sugar Corporation Limited and the significant progress and transformation the sugar industry has undergone in the past year. We are equally excited to share the positive financial results and operational achievements that project FSC's optimistic outlook for the future.

Financial Results: A Journey of Growth and Success

The Corporation's financial performance has improved notably compared to previous years. The total sales reached \$209.7 million, the highest in the last nine years, compared to \$135.9 million in the previous year. The most favourable outcome in the last 16 years was the increased share of proceeds of \$64.3 million compared to \$38.3 million last year, whilst the trading profit stood at \$7.4 million, a significant turnaround from the loss of \$16.8 million in the previous year. FSC's operating losses have significantly reduced from \$30.2 million to \$5.0 million in the current financial year.

The Corporation's financial success is underlined by its impressive positive Earnings Before Interest, Taxes, Depreciation, and Amortisation (EBITDA) of \$17.9 million, a turnaround from the negative \$6.7 million recorded in the preceding year.

Operations: Cultivating Success

In alignment with the transformational vision, the operations delivered much improved results. A total of 1.64 million tonnes of sugarcane was crushed from an area of 34,879 hectares, an increase compared to the previous year. Sugar production improved to 155,812 tonnes from 133,209

tonnes from the year before. Moreover, the continuous and determined efforts to improve efficiency were apparent, as reflected by the Tonnes Cane to Tonnes Sugar (TCTS) ratio of 10.5 for the year, in contrast to 10.6 for the previous year. This achievement is noteworthy, considering the slow start of the crushing season and adverse weather conditions during the latter part of the season.

The commitment to quality was evident, with Cane Quality (POCS) reaching 10.3, reflecting the Corporation's continuous drive to deliver excellence.

Board of Directors: Guiding the Way to Success

Under the guidance of the Directors, the Corporation has continued its journey of progress. Together, we have navigated challenges and laid the foundation for future success. I would also like to warmly welcome the new Directors who have joined us on this transformative journey. Our Board members have brought invaluable expertise and dedication to steer the Corporation towards a brighter future. The management, with the support of the Board, persisted in prioritising five strategic pillars that formed the basis for transformation.

First and foremost, the strategic endeavour to restructure the Balance Sheet underscored FSC's financial acumen and commitment to achieving a stable and agile financial foundation. Furthermore, the revitalisation of crops is FSC's proactive approach to agronomy. With a clear vision of sustainable agriculture, the management championed innovative practices and research to invigorate crop yields and quality, reinforcing our position as a conscientious steward of the environment. Improving Mill's performance, another cornerstone of the strategy, aims to enhance efficiency and elevate overall production capacity.

Equally significant is the ongoing reduction of costs, reflecting FSC's best management practices. This pillar demonstrates our prudent approach to resource allocation and cost optimisation, resulting in improved margins and financial resilience. FSC recognised the crucial role of optimising revenue in tandem with these operational

pillars. By strategically identifying and capitalising on market trends and consumer preferences, FSC ensured its sustained profitability and market competitiveness. Recognising that an organisation's most valuable asset is its people, there is an emphasis on nurturing and developing the workforce—a response to the emerging challenges of substantial employee turnover, especially among trade and technical personnel.

In its unyielding pursuit of comprehensive growth and advancement, the Board embarked on a strategic journey fortified by three additional pivotal pillars. The first involves the construction of a state-of-the-art mill with advanced facilities such as Ethanol production, Cogeneration, and a Refinery. FSC's century-old factories face structural weaknesses and outdated equipment, requiring significant human intervention for operation. The second pillar encompasses a strategic upgrade of the rail network, an essential component of the supply chain. This upgrade will demonstrate the restoration of operational efficiency, reduce costs, and explore broader applications for sustainable and efficient transportation. Lastly, FSC has undertaken a comprehensive review of the Master Award, a 30-year-old agreement between FSC and growers, which requires updating to address contemporary challenges in the Sugar Industry. Together, these three pillars augment FSC's trajectory toward sustainability and viability.

An Exciting Journey Ahead

During this transformative year, significant steps were taken towards securing the future of the Corporation. The Government's commitment to convert its loan of \$200.2 million into equity and the approval of an additional Government guarantee of \$75.0 million further solidify the financial stability and ability to meet the obligations.

Future Prospects and Appreciation

I am filled with immense pride and optimism for the future of FSC; the financial performance, operational excellence, and strategic planning achievements show progress and a promising future for the industry. Together, we are once again putting FSC on firm footing towards the glory days it enjoyed for many decades and helped shape the economic foundation of modern Fiji.

I extend my heartfelt appreciation to our shareholders, dedicated employees, loyal growers, and all stakeholders for their ongoing support on this transformative journey. Together, we are paving the way for a vibrant and prosperous future for FSC. With great optimism and excitement, we look forward to embracing new opportunities and overcoming challenges, confident that the sugar industry is now geared towards progress and prosperity.



BHAN PRATAP SINGH

Cane Production

The 2022 season crop was 1.6M, an increase of 16% from the 2021 season. The major increase in crop was from the Labasa mill area which bounced back from the devastating effects of several natural disasters in the previous year.

Although there were no cyclones, the Rarawai mill area was affected by four floods. Furthermore, low-lying areas

were affected by water logging caused by poor drainage. Towards the second half of the crushing season, fields in the hilly areas were affected by drought. Consequently, the Rarawai mill had a 5% drop in the crop in comparison to the 2021 season whereas the Lautoka mill had no significant difference.

Unfortunately, the total planting declined by 50%. A declining trend has been noted in cane planting over the last 5 years. Apart from the several other challenges faced by the growers, one of the major reasons for a decrease in cane planting is a substantial reduction in the cane planting grant by the government in the last three years.

Adverse weather conditions continue to play a key role in cane development. Severe tropical cyclones, high-intensity rainfall, frequent flooding, drought and the overall change in the weather pattern are the major challenges affecting cane production. The Corporation is exploring various ways to mitigate the change and will continue to focus on commercial viability, industry competitiveness and long-term sustainability.

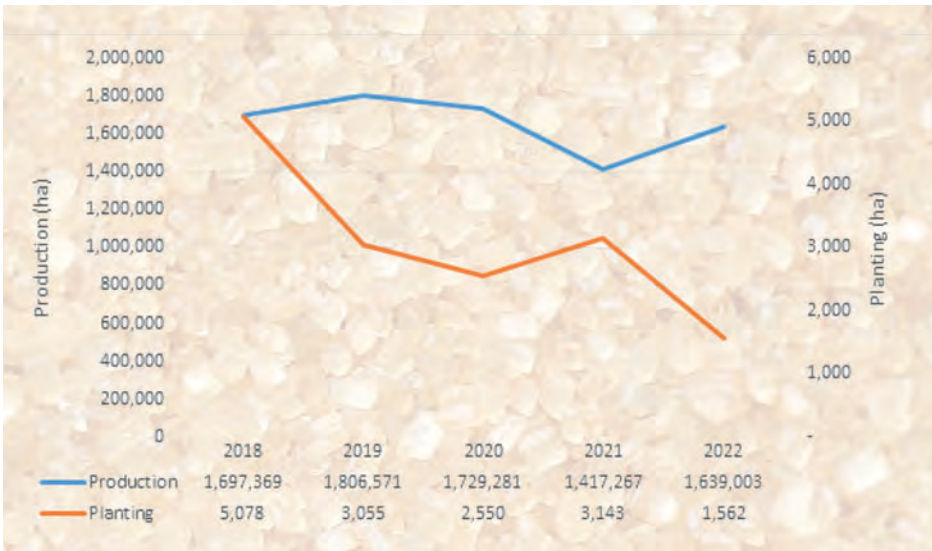


Figure 1.0 Graph of 5 years actual planting against annual production

A total of 23,222 tonnes of blended fertiliser was delivered by the South Pacific Fertilizers. This is a decrease of 14% from the 2021 season.

The Government continued to subsidise the price of fertiliser at \$20/50kg bag despite a substantial increase in the costs of raw materials.



Harvesting And Transportation

There was acute labour paucity as the COVID-19 pandemic eased and businesses resumed operations. Farmers encountered various challenges in securing labourers to harvest their cane. The Corporation assisted the farmers by mobilising labourers, mechanical harvesters and lorries wherever possible to get maximum cane harvested. Despite all the efforts, the consolidated standover was 26,040 tonnes, the highest in recent years.

MECHANICAL Harvesting

Harvesting Progress by Mechanical Harvesters

With the continuous labour paucity, mechanical harvesters are becoming increasingly important in cane harvesting. There was an increase of 23% in mechanically harvested cane in comparison to the 2021 season.

The Corporation will continue to create more awareness of mechanisation for the commercial viability of the industry.

Table 1: Summary of the Mechanically Harvested Cane for 2022 Season

Mill Region	Harvesters Available	Green Tonnes Harvested	Burnt Cane Harvested (t)	Total Cane Harvested (t)	Average	% Burnt Cane Harvested (t)
Lautoka	40	84,945	114,419	199,364	4,984	57
Rarawai	34	101,155	101,433	202,588	5,958	50
Labasa	42	143,131	85,998	229,129	5,455	38
All Mill Area	116	329,321	301,850	631,081	5,440	48

Mechanical harvesting contributed 38.5% of the total cane harvested during the season. This was a 2.4% increase from 2021. The harvester fleet also increased by 6.

Table 2: Mechanical Harvester Trend (2016-2022)

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
2022	104	631,081	38.5

In 2016, 8.9% of cane was mechanically harvested however significant progress has been made in the last 6 years both in terms of the number of harvesters and the volume of cane harvested. The fleet has increased by 84 while the volume of cane harvested to 38.5% of the total crop.

FACTORY Operations

Lautoka Mill

Lautoka Mill commenced crushing on the 16th of June 2022 and ceased crushing on the 8th of November 2022 recording a season length of 20.6 calendar weeks. The total amount of cane crushed was 514,943 tonnes with the sugar production standing at 47,600 tonnes. The average seasonal TCTS was at a 10.8 ratio and the total molasses produced for the season was 23,456 tonnes which is 4.5% molasses on cane. A total of 99,100 tonnes of cane were transferred from Rarawai to Lautoka Mill.

The seasonal average POCS and Cane Purity were 9.86 units and 78.5% respectively. The cane quality seems to be in a decreasing trend over the last couple of years and this is still a worrying issue for the industry. The total percent burnt cane was recorded at 54.2% which in addition to other factors contributed to depressed sugar recovery and increased losses in molasses. With the influx of mechanically harvested cane, the high amount of extraneous matter in cane has also contributed to the sugar losses in the Boiling House. The total outside stops were 33.0 hours per week whilst the Inside stops were 13.6 hours per week.

Low inside stops over the last couple of years reflect good maintenance and capital investment carried out in the mill. The Cleaning Intermission (CI) stops were 15.4 hours per week. The increase in CI stops was associated with the frequent Sunday shut downs. The major inside stops were encountered in the boilers, feeding, and crushing station while the process backend recorded significant stoppages with the problems associated with the injection water pumps.

The rate of work was depressed because of the nature of the operations mentioned thus the actual crushing time was 106.0 hours and the crushing rate recorded for the season was 234.8 tonnes per hour.

Two major Capital Projects were out before the start of the 2022 crushing season to address issues affecting factory operations.

1. Renewal of A-side cane carrier plates and chain-The old cane carrier plates resulted in frequent sliding of the carrier and eventually breaking offside chains. Installation of the new units ultimately resulted in the smooth operation of the A-side cane carrier.

2. Replacement of COND2 chain- Old chain kept slipping and eventually, it snapped regularly. The new chain enables smooth operation in the crushing station without any major disruption in the COND2 system.

3. Replacement of C1 mill top roller - Installation of a new C1 mill top roller improved the extraction rate of the C1 mill, which used to be of limiting forte over the years.

Rarawai Mill

Rarawai Mill commenced crushing on the 23rd of June 2022 and ceased crushing on the 19th of November 2022. The total cane crushed at Rarawai mill was 487,242 tonnes with an average crushing rate of 228 tonnes of cane per hour during 21.2 calendar weeks of operation. The actual crushing time of 101 hours per week was recorded with inside stops of 29 hours per week, while CI & holiday stops average 12hrs per week.

Rarawai mill crop for the 2022 season was 578,609 tonnes which was harvested from an area of 12,422.8 hectares. There were 6,565 tonnes of green cane left as a stand-over. A total of 99,100 tonnes of cane from this mill were transferred to Lautoka mill and a total of 7,732 tonnes of Lautoka mill's cane were crushed at Rarawai Mill.

The total area planted during the season was 589.5 hectares and the planting achievement was 64 percent of the target. Despite the eradication program for the Mana variety, it has remained a dominant variety at 89% of the total cane harvested. Delayed cane was generally not a problem until mid-season. Despite interruptions in mill performance, harvesting in the field continued causing a lot of cut-to-crush delays which also affected process operations. Extra processing costs were incurred when additives had to be added to reduce the processing difficulties experienced. Cane P.O.C.S and Purity averaged 10.30 and 79.9 units respectively. Cane quality has notably improved from the

previous year but is still not up to expectations.

Mechanically harvested cane also continues to be a concern as extraneous matters were mostly about 10% with some of the trucks having extraneous matters of more than 15%. The percentage of burnt cane processed during the season stands at 54%, which is a major factor affecting the quality of cane and the deterioration of juice.

Total sugar produced was 45,669 tonnes with a TCTS of 10.67 units, which improved when compared to last season. Most of the sugar quality parameters like sugar pol, filterability, starch and colour were within the required range.

Factory inside stoppages was mostly centred around the Boiler station, whereas the majority of the outside stops were mostly due to Low Cane Supply due to rain. Factory performance was good till week 15 of the crushing season, after which receive a lot of rain and that badly affected the factory operations due to low cane supply. The start-and-stop nature of the operation not only affected key performance figures but also greatly affected fuel stock and the final boil-out was disrupted for a few days until fuel was arranged from outside to complete the final boil-out.

The overall coefficient of work (COW) of 92.9 was associated with high mud, molasses and undetermined losses. Recovery as a percentage pol in cane of 78.1 % was achieved for the season. Mud losses were high due to various issues with mud filters and a lot of work needs to be done on both filters and related plants to reduce losses. High molasses losses since one CVP was down and also having a lot of issues with injection water where low-grade pan operation was sacrificed to keep the operation going. Molasses production was on the higher side and production stand at 4.8% on cane. High undetermined losses were mostly due to breakdown or long mill stops due to cane supply problems and where proper boil-out was not carried out. Also, toward the end of the season when the fuel situation was an issue, a short boil-out was carried out and not able to reduce the juice level from the holding tanks, thus more losses.

Labasa Mill

The 2022 crushing season commenced on 8th June

2022. HE the President of the Republic of Fiji Islands Ratu Wiliame Katonivere was the Chief Guest and officiated the first tipping ceremony. The season's last tip was on 3rd December after crushing for 25.4 weeks. The ceremonial last tip was done by the Tui Nadogo Ratu Ilisaniti Malodali.

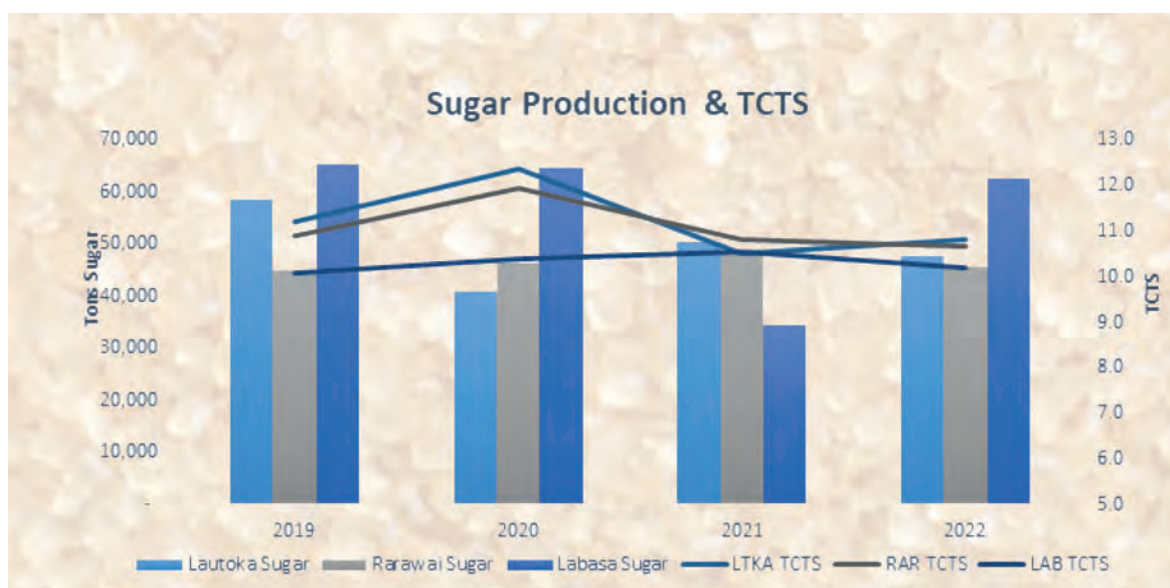
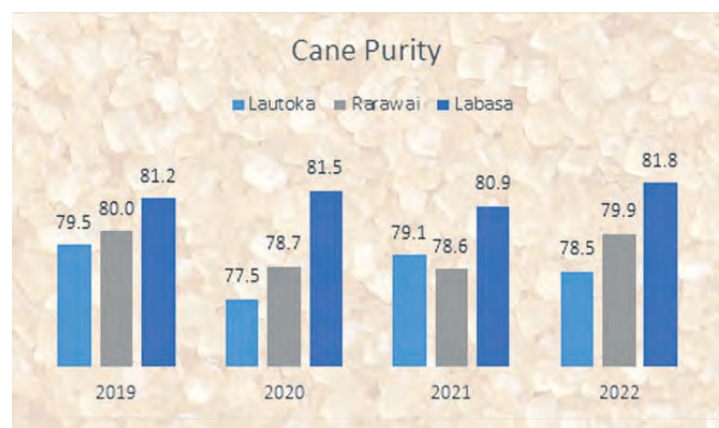
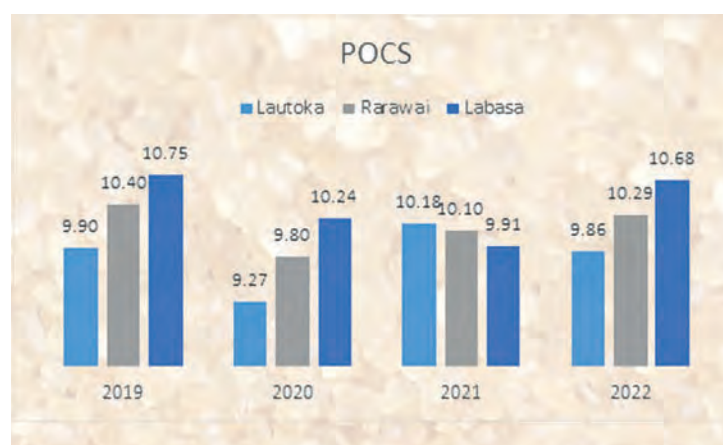
Cane supply to the factory improved significantly to almost normal levels this season after the massive destructions brought about by Tropical Cyclone Yasa and Ana to the Island which had a devastating effect on cane volume and cane quality in the 2021 season. The actual cane crushed for the season was 636,819 tonnes. One of the major contributors towards poor cane supply was the frequent and prolonged rain stops in the latter stages of the season which also inflated the season length and operating costs for the factory. Throughput for the season averaged 231.2tcph. The available time for the factory was 3,884.0 hours, of which 70.9% of the time the mill was on crushing mode whilst downtimes were a result of inside and outside stops in addition to cleaning intermission and holidays. Outside stops strongly dominated the total stops which was attributed to low cane supply due to poor harvesting effort and rain totalling 979.4hrs. The factory time efficiency of the season stood at 94.8%. Cane quality has been an area of real concern this year. POCS for the season stood at 10.68 with cane purity being 81.8. The fibre in cane was 12.72 units. Burnt cane processed was 30% of the total cane crushed in the factory. The volume of incoming extraneous matter in mechanically harvested cane is of great concern with averaged at 8.1%. Sugar manufactured for this season was 62,542 tons with an average production rate of 2,461 tons per calendar week achieving a TCTS ratio of 10.18. For molasses, a total of 27,440 tons of molasses was produced .

Sugar recovery for the season was 80.7 units. Losses incurred were through molasses, bagasse, mud and wastewater. OHS&E continues to remain a priority in all aspects of the operation. A significant capital investment of around \$2.5M has been committed to this major capital project for the factory for this maintenance season and the Waste Disposal Permit renewal for Labasa Mill will be considered and dependent on the successful completion and commissioning of this project to eliminate excessive soot emission from the factory. Other major capital investments for the factory included some boiler tube replacement works, process house building structure works, DCS upgrade and the B-CVP re-shelling works.



2022 Season Key Operating Data for the Mills

Parameters	Lautoka	Rarawai	Labasa	TotalAv
Tonnes Cane Crushed	514,943	487,242	636,819	1,639,004
Tonnes Sugar Made	47,601	45,669	62,542	155,812
Tonnes Molasses	23,256	23,483	27,440	74,178
Molasses% Cane	5%	5%	4%	5%
TCTS	10.8	10.7	10.2	10.5
Inside Stops(hrs/wk)	13.6	26.6	5.9	15.4
Outside Stops(hrs/wk)	33.0	29.1	38.7	33.6
Cleaning & Maintenance(hrs/wk)	15.3	11.8	15.1	14.1
Actual Crushing Time (hrs per wk)	106.3	101.1	108.4	105.3
Crushing Rate(tcph)	235	228	231	695
Season Length (calendar weeks)	20.6	21.2	25.4	



Season Cane Quality

Parameters	Lautoka	Rarawai	Labasa
POCS	9.86	10.29	10.68
Cane Purity	78.5	79.9	81.8
Fibre in Cane	11.84	11.72	12.72
Burnt Cane Received (%)	54	54	30

HUMAN CAPITAL Management

Retiree Management

The Corporation had introduced a variation to the policy to include the 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 the 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.

Training & Development

Learning and development initiatives are crucial in shaping the Corporation's culture and upholding its core values. By investing in employee growth and skills enhancement, the Corporation fosters a culture of continuous learning and improvement. Also, it addresses the loss of its employees, currently due to the influx in skilled migration or employees leaving for better terms of employment. This commitment to learning benefits individual employees and positively impacts the entire workforce, contributing to a cohesive and dynamic company culture.

HEALTH & SAFETY Compliance

Safety Culture

A positive safety culture is vital to successful and effective health and safety management systems. Employees are now taking ownership of safety at all levels and exploiting their unique knowledge of their own work with responsibility. The Corporation acknowledges that employees are embracing a safety culture and will continue to build on the culture established through OJTs, informal briefings, pocket meetings, and sessions required to improve the risk culture of the Corporation. In its quest to achieve an improved safety culture, the Corporation will

By providing opportunities for professional development, such as training programs and workshops, the Corporation empowers employees to expand their knowledge and capabilities, enabling them to excel in their roles and reach their potential. Moreover, learning and development initiatives aligned with the Corporation's needs and values allow employees to understand and embrace these values deeper, fostering a sense of purpose and shared identity within the Corporation.

RISK MANAGEMENT & COMPLIANCE

The Corporation aims to maximise its ability to meet its strategic plans whilst performing consistently and complying with the statutory obligations and Corporation ethical values. FSC has continued with its concerted efforts to ensure that safety, environment, risk food safety and quality form an integral part of the overall corporate culture through commitment at all levels, continuous improvement programs, emergency preparedness, on-job training, incident management and awareness training.

The internal risk committee will continue to work with the HR/Training department and respective business units to enhance employee knowledge and skills through awareness training, direct involvement, and embedding risk management in the culture and operations of the Corporation.

continue to 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, including 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.

- Removal of old obsolete Structures, Machinery and loose scrap.
- Monitoring and restricting access to employees and contractors entering the mills without proper PPEs and ensuring adequate availability of PPEs for employees.
- Permit protocol is strictly adhered to for high-risk work activities such as working at heights, hot works, confined space entries, digging, and trenching.

Health & Wellbeing

Health Screenings are organised at all mills, including the Head Office, to identify at-risk employees (who show symptoms of NCDs). In addition, blood drives and cancer awareness are also organised for employees and encouraged to embrace work-life balance, focus on healthy diet and exercise regularly.

Food Safety, Quality And Environment Compliance

As the nation's sugar manufacturer, the Corporation is committed to being socially responsible and complying with environmental regulations while producing quality sugar through the continual improvement process 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 eliminate hazards and reduce risks effectively.

Risk Management

Effective risk management is about achieving a balanced approach to risk and reward and enables the Corporation to increase financial growth opportunities and mitigate potential loss or damage. Quarterly process reviews are conducted to identify existing and possible compliance non-conformance and are captured in the risk library with its appropriate controls.

The management team actively involves employees in providing relevant information to identify potential or new risks, review current controls and review existing controls or opportunities to implement new controls during departmental meetings, Talanoa sessions, awareness and informal sessions.

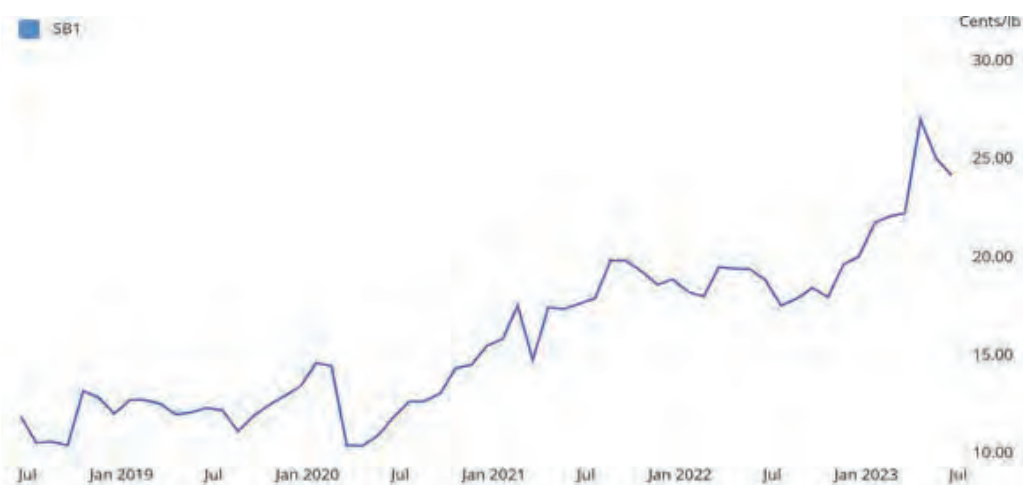
Training relating to compliance and regulatory risks, which includes environmental pollution control, Chemical handling, OHS modules I & II, Fire Warden, Fire Fighting and First Aid, were conducted as part of the learning curve.

MARKETING

World Market Price Trend

The world sugar price spiked to an 11-year high of about US27c/lb in early May and dropped to just over US25c/lb in the last few weeks. The price could stay around this level for some time, given the global climate change.

The No. 11 Sugar pricing trend for the last 5-years has been as follows:



Bulk Raw Sugar Export

A total of 144,280 tonnes of bulk raw sugar were exported during the year. The following table summarises these exports:

Destination	Tonnage (MT.)
Netherlands	34,800
USA	12,539
South Korea	36,393
Italy	60,547
Total	144,279

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

Sugar sales to the domestic market totalled 22,736 tonnes, of which 7,603 tonnes were sold in 25kg bags while 15,133 tonnes were sold as retail packs. The major markets for Fiji Sugar in the Pacific Island Countries are Samoa, Tonga and New Zealand.

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, 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.

Molasses Sales

Molasses export for 2022 season was 69,480 MT. Domestic sales of molasses totalled 4,909 MT with the major buyers being Paradise Beverages and Fiji Dairy Corporation Limited.

Sugar Packaging Plant

The Packaging Plant packed 15,781 MT of sugar into retail packs of 1Kg, 2Kg, and 4Kg last financial year, with 15,133 sold in the domestic market and 648 in the regional market.

Other markets for retail packed sugar are Samoa, 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 products to customers.



Bhan Pratap Singh
Chief Executive Officer



THE FIJI SUGAR CORPORATION LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2023

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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 2023 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 Prakash Chand
Mr Athil Narayan (Re-appointed 4 May 2023)
Mr Savendra P Dayal - Deputy Chairman (Retired on 31 March 2023)
Mr Arvind Singh (Retired on 31 March 2023)
Mr Tevita Kuruvakadua (Retired on 31 March 2023)
Mr Kaisen 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 31 January 2023)
Ms Akisi Vinaka (Appointed on 19 May 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:

	2023	2022
	\$000	\$000
(Loss) from operations	(4,977)	(30,197)
Finance cost, net	(18,022)	(14,099)
(Loss) for the year	(22,999)	(44,296)
Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)	17,872	(6,741)

DIVIDENDS

The Directors recommend that no dividends be declared for the year ended 31 May 2023.

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 existing loans continue to be guaranteed by the Government until the loans are fully discharged, an additional Government guarantee of \$75.0 million was approved by Parliament on 28 July 2022 with expiry on 31 May 2028.

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 2023, 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.

DIRECTORS' REPORT (CONTINUED)

ii) **Czarnikow Group Limited**

During the year, the Corporation borrowed FJD \$20.3 million (US\$9 million) from Czarnikow Group Limited by way of trade finance to meet grower fourth cane payments for 2023 season and operational expenditure. The loan will be repaid through the first shipments of sugar for the 2023 season (financial year 2024).

iii) **Government Guarantee**

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

iv) **Borrowing from Bank of South Pacific (BSP)**

Loan facility of \$50.0 million was secured from BSP with bulk payment on maturity in August 2024 with quarterly interest payment. Apart from Government guarantee as security, third charge over the Corporation's asset has been provided.

EVENTS SUBSEQUENT TO BALANCE DATE

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 25 day of July 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 2023:
 - 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 2023 and of the performance and cash flows of the Corporation for the year ended 31 May 2023; 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 25 day of July 2023.



Director



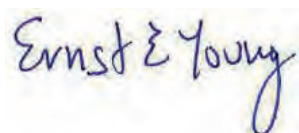
Director

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

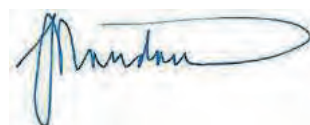
As lead auditor for the audit of The Fiji Sugar Corporation Limited for the financial year ended 31 May 2023, I declare to the best of my knowledge and belief, there have been:

- (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
Chartered Accountants



Shaneel Nandan
Partner
Nadi, Fiji
25 July 2023

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 2023, 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 2023, 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 24, the Corporation incurred a net loss of \$23.0 million during the year ended 31 May 2023, and as of that date, the Corporation's current liabilities exceeded its current assets by \$175.1 million and it had contractual debt repayment commitments amounting to \$147.2 million during the financial year ending 31 May 2024.

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 24.

As stated in Note 24 these events or conditions, along with other matters explained in Notes 2.1(a), 24 and 25, 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.

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.

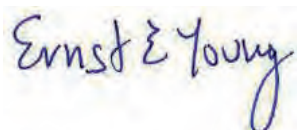
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Independent Auditor's Report (continued)

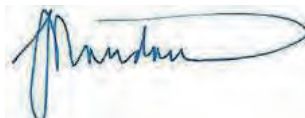
Report on Other Legal and Regulatory Requirements

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
Chartered Accountants



Shaneel Nandan
Partner
Nadi, Fiji
25 July 2023

THE FIJI SUGAR CORPORATION LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MAY 2023

	Notes	2023	2022
		\$000	\$000
Revenue from export, sugar and molasses	7.1	159,311	90,591
Revenue from local, sugar and molasses	7.1	50,433	45,332
Revenue		209,744	135,923
Cost of sales	8.1	(202,298)	(152,729)
Gross profit		7,446	(16,806)
Other operating income	7.2	4,597	5,538
Administrative expenses	8.2	(17,020)	(18,929)
Loss from operations		(4,977)	(30,197)
Finance costs	8.3	(18,033)	(14,112)
Finance income	8.4	11	13
Loss before income tax		(22,999)	(44,296)
Income tax expense	9(a)	-	-
Loss for the year		(22,999)	(44,296)
Other comprehensive income			
Total comprehensive income for the year		(22,999)	(44,296)

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 2023

	Notes	2023 \$000	2022 \$000
Non-current assets			
Property, plant and equipment	10	116,388	130,511
Intangible assets	11	1,642	1,996
Right-of-use assets	12(a)	3,796	3,228
Inventories	14	1,854	1,575
		123,680	137,310
Current assets			
Current tax assets	9(b)	850	850
Investment in associates and joint venture	13	40	40
Inventories	14	7,745	27,350
Trade and other receivables	15	8,476	11,739
Cash and cash equivalents	16	5,961	3,007
		23,072	42,986
Total assets		146,752	180,296
Equity and Liabilities			
Equity			
Share capital	17	22,200	22,200
Accumulated losses		(422,246)	(399,247)
Total equity deficit		(400,046)	(377,047)
Non-current liabilities			
Lease liabilities	12(b)	3,270	2,860
Interest-bearing loans and borrowings	18	294,261	247,963
Deferred income	19	50,463	51,053
Employee benefit liability	20	687	970
		348,681	302,846
Current liabilities			
Lease liabilities	12(b)	597	584
Interest-bearing loans and borrowings	18	147,258	200,446
Employee benefit liability	20	1,054	884
Provisions	21	3,712	3,591
Trade and other payables	22	45,496	48,992
		198,117	254,497
Total liabilities		546,798	557,343
Total equity and liabilities		146,752	180,296

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 2023

	Note	2023	2022
Accumulated losses		\$000	\$000
Balance at the beginning of the year		(399,247)	(354,951)
Operating loss after tax		(22,999)	(44,296)
Balance at the end of the year		(422,246)	(399,247)
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		(400,046)	(377,047)

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 2023

	Note	2023 \$000	2022 \$000
Operating activities			
Receipts from customers and other operating activities		216,830	157,829
Payments to suppliers, employees and other operating activities		(180,801)	(183,898)
Cash from/ (used in) operations		36,029	(26,069)
Interest paid		(12,076)	(9,161)
Interest income received		11	13
Lease finance costs		(305)	(288)
Net cash flows from / (used in) operating activities		23,659	(35,505)
Investing activities			
Purchase of property, plant and equipment		(6,944)	(5,287)
Proceeds from sale of property, plant and equipment		226	2,168
Purchase of intangibles		(30)	(122)
Net cash flows (used in) investing activities		(6,748)	(3,241)
Financing activities			
Payment of principal portion of lease liabilities, net		(229)	(222)
Proceeds from loans and borrowings		50,000	10,100
Proceeds from deferred revenue - financing component		20,315	49,321
Repayment of borrowings		(60,033)	(42,969)
Net cash flows from financing activities		10,053	16,230
Net decrease in cash and cash equivalents		26,964	(22,516)
Overdraft held at the beginning of the year		(50,797)	(28,274)
Overdraft held at the end of the year	16	(23,833)	(50,790)

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

**THE FIJI SUGAR CORPORATION LIMITED
FOR THE YEAR ENDED 31 MAY 2023
NOTES TO THE FINANCIAL STATEMENTS**

1. Corporate information

The financial statements of The Fiji Sugar Corporation Limited (the "Corporation") for the year ended 31 May 2023 were authorised for issue in accordance with a resolution of the Directors on 25 July 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 existing loans continue to be guaranteed by the Government until the loans are fully discharged, an additional Government guarantee of \$75.0 million was approved by Parliament on 28 July 2022 with expiry on 31 May 2028.

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.

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.

2.2. Summary of significant accounting policies (continued)

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 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.

2.2. Summary of significant accounting policies (continued)

g) Non-current assets held for sale and discontinued operations (continued)

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.

h) 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.

2.2. Summary of significant accounting policies (continued)

i) 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:

- 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.

j) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their use or sale, are 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.

2.2 Summary of significant accounting policies (continued)

k) 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.

l) 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.

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.

2.2 Summary of significant accounting policies (continued)

Financial assets at fair value through OCI (continued)

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 and 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

m) Financial instruments – initial recognition and subsequent measurement

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

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:

2.2. Summary of significant accounting policies (continued)

Subsequent measurement (continued)

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.

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.

n) 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.

o) 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.

2.2. Summary of significant accounting policies (continued)

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.

p) 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.

q) Receivables

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

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

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

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

r) 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.

s) 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.

t) 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.

2.2. Summary of significant accounting policies (continued)

u) 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.

v) 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.

w) 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 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.

3. Significant accounting judgements estimates and assumptions (continued)

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

For the year ended 31 May 2023, 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 2023 to 2032 based on a scenario with cane volumes of 1.7 million tonnes for 2023 and increasing to 2.2 million tonnes by 2027. The discount rate of 9.0% has been used in measuring value in use. In making financial forecasts, executive management has relied on technical experts wherever deemed appropriate, including the areas of engineering and marketing aspects of operations.

Based on the independent assessment, management and Directors have carried out an assessment of the recoverable amount of the assets, trend of improvement in sugar cane quality and 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.

(a) 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.

(b) Allowances for stock obsolescence

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

(c) Impairment of accounts receivable

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

(d) 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).

(e) 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).

3. Significant accounting judgements estimates and assumptions (continued)

(f) 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) 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 Company.

c) 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 Company is currently assessing the impact of the amendments to determine the impact they will have on the Company's accounting policy disclosures.

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d) Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12

In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability should also be recognised for all deductible and taxable temporary differences associated with leases and decommissioning obligations.

The Company is currently assessing the impact of the amendments.

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:

	2023	2022
Liabilities	\$000	\$000
US Dollar	98,635	126,294
Assets		
US Dollar	2,227	72

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
2023	+10%	8,432
	-10%	(10,712)
2022	+10%	8,950
	-10%	(14,025)

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

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.

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 2023	Less than 1 year	1 - 5 years	Over 5 years	Total
	\$000	\$000	\$000	\$000
Interest-bearing loans and borrowings: (note 18)				
Short term borrowings	71,550	-	-	71,550
Long term loans and bonds	-	138,976	155,285	294,261
Export Import Bank of India	75,708	-	-	75,708
Lease liabilities (note 12)	597	1,262	2,008	3,867
Trade and other payables (note 22)	45,496	-	-	45,496
	193,351	140,238	157,293	490,882

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

Liquidity risk (continued)

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: (note 18)				
Short term borrowings	128,646	-	-	128,646
Long term loans and bonds	-	77,463	170,500	247,963
Export Import Bank of India	71,800	-	-	71,800
Lease liabilities (note 12)	584	1,262	1,598	3,444
Trade and other payables (note 22)	48,992	-	-	48,992
	250,022	78,725	172,098	500,845

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)
2022 - Actual	1,417	(16.81)
2023 - Actual	1,638	7.45
2024 - Budgeted	1,657	24.50

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

7.1 Revenue from contract with customers	2023	2022
	\$000	\$000
Sale of sugar and molasses - Export	159,311	90,591
Sale of sugar and molasses - Local	50,433	45,332
	209,744	135,923

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7. Revenue (continued)		
<i>Timing of revenue recognition:</i>		
- Goods transferred at a point in time	209,744	135,923
7.2 Other operating income		
Sale of electricity	3,621	1,814
Gain on disposal of property, plant and equipment	185	1,824
Amortisation of government grants	791	742
Realised exchange gain, net	-	1,158
Total other operating revenue	4,597	5,538
8. Other income and expenses		
8.1 Cost of sales	2023	2022
	\$000	\$000
Depreciation (Note 10)		
- Leasehold land, buildings and improvements	1,669	1,809
- Plant, machinery and equipment	17,678	18,030
- Vehicles and transport system	2,849	2,935
Amortisation of intangible assets	384	374
Depreciation on right-of-use assets (Note 12(a))	269	308
Employee cost	20,586	18,976
Factory related cost	16,624	9,468
Purchase of cane recognised as an expense	142,239	100,829
Total cost of sales	202,298	152,729
8.2 Administrative and other operating expenses	2023	2022
	\$000	\$000
Auditor's remuneration - audit fees	56	56
Internal audit fees	30	-
Other accounting services - other firms	11	18
Directors' fees and allowance	24	30
Employee related costs	3,632	3,826
Insurance	3,217	3,244
Unrealised exchange loss	2,706	6,250
Realised exchange loss	713	-
Other operating expenses	6,431	5,505
Total administrative expenses	16,820	18,929
8.3 Finance costs		
Interest on debts and borrowings	17,728	13,824
Interest on lease liabilities	305	288
Total finance costs	18,033	14,112

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8.4 Finance income

	2023	2022
	\$000	\$000
Interest income	11	13
Total finance income	11	13

8.5 Employee benefits expense

Wages and salaries	25,606	23,533
FNPF contribution	1,498	1,446
	27,104	24,979
Less staff costs for capital works	(434)	(239)
	26,670	24,740
Provision for employee benefits, net movement	(113)	(703)
Total employee benefits expense	26,557	24,037

9. Income tax

The major components of income tax expense for the years ended 31 May 2023 and 2022 are:

a) Profit or loss

	2023	2022
	\$000	\$000
Accounting loss before income tax	(22,999)	(44,296)
Prima facie tax thereon at the Fiji rate of 20%	(4,600)	(8,859)
Non-deductible expenses for tax purposes	(12)	(13)
Amortisation of government grant	(148)	(148)
Current year tax losses not recognised	4,760	9,020
Income tax attributable to operating (loss)	-	-

b) Current tax asset

Movements during the year were as follows:

	2023	2022
	\$000	\$000
Opening balance at 1 June	850	481
Movement during the year	-	369
Closing balance at 31 May	850	850

c) Deferred tax liability

Deferred tax liability of the Corporation amounting to \$9.2 million (2022: \$7.8 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).

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9. Income tax (continued)

d) Deferred tax assets not recognized

The deferred tax assets of the Corporation relating to estimated tax losses and temporary differences amounting to approximately \$22.8 million (2022: \$33 million) have not been brought to account as its realization is not considered to be probable. The deferred tax asset will only be realized if:

- i) the Corporation derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the loss to be realized
- ii) the Corporation continues to comply with the conditions for deductibility imposed by tax legislation
- 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 2023							
Cost	16,835	764	69,641	460,165	58,284	3,992	609,681
Accumulated depreciation	-	(123)	(35,048)	(336,698)	(43,037)	-	(414,906)
Accumulated impairment	-	-	(16,214)	(59,323)	(2,850)	-	(78,387)
At 31 May 2023	16,835	641	18,379	64,144	12,397	3,992	116,388
Movement:							
At 1 June 2022	16,835	415	19,390	74,371	14,821	4,679	130,511
Additions	-	-	-	-	-	6,945	6,945
Disposals	-	-	(7)	(155)	(38)	-	(200)
Depreciation	-	(12)	(1,657)	(17,678)	(2,849)	-	(22,196)
Prior year provision reversed	-	-	2	1,279	47	-	1,328
Transfer from CWIP	-	238	651	6,327	416	(7,632)	-
At 31 May 2023	16,835	641	18,379	64,144	12,397	3,992	116,388
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

10. Property, plant and equipment (continued)

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.

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, 31 May 2022 and 31 May 2023.

The Corporation has further carried out sensitivity analysis of assessment of recoverable amount as at 31 May 2023 with the following assumptions:

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

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

a) 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.

b) 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.

c) Plant, machinery and equipment

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

d) Capital work in progress

Included in property, plant and equipment at 31 May 2023 was an amount of \$3.9 million (2022: \$4.7 million) relating to expenditure on mill under construction.

e) Disposals

In 2023, the Corporation sold property plant and equipment with a net carrying amount of \$200k for a cash consideration of \$385k. The net gains of these disposals were recognized as part of the other operating income in the statement of profit and loss.

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11. Intangible assets

	2023	2022
Software costs	\$000	\$000
Opening balance at 1 June	1,996	2,248
Additions	30	122
Amortisation for the year	(384)	(374)
Closing balance at 31 May	1,642	1,996

Definite lives

Definite life intangible assets are accounted for at cost. Assets acquired in a business acquisition are realizable 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
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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.

	2023	2022
	\$000	\$000
Cost	4,011	4,011
Other adjustments	212	-
Accumulated depreciation	(1,264)	(995)
Additions	585	-
Disposal	(82)	-
Remeasurement during the year	334	212
	3,796	3,228
Movement		
Opening balance	3,228	3,324
Depreciation charge for the year	(269)	(308)
Additions for the year	585	-
Disposals for the year	(82)	-
Remeasurement during the year	334	212
At 31 May	3,796	3,228

The above represent assets under lease contracts which have been realizable 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.

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12. Leases (continued)

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.

	2023	2022
Movement:	\$000	\$000
Opening balance	3,444	3,454
Additions during the year	585	-
Disposals during the year	(267)	-
Interest	305	288
Repayments	(534)	(509)
Remeasurement during the year	334	211
At 31 May	3,867	3,444

<i>This is disclosed as:</i>	2023	2022
	\$000	\$000
Current liabilities	597	584
Non-current liabilities	3,270	2,860
At 31 May	3,867	3,444

b) 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 (%)	2023	2022
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

	2023	2022
Non-current	\$000	\$000
Capital spare parts and spare gears - at cost	6,989	6,710
Allowance for inventory obsolescence	(5,135)	(5,135)
Total non-current inventories	1,854	1,575

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14. Inventories (continued)

Current	2023	2022
Current	\$000	\$000
Maintenance spares and consumables - at cost	2,777	2,486
Allowance for inventory obsolescence	(962)	(962)
	1,815	1,524
Sugar and molasses - at net realizable value	5,930	25,826
Total current inventories	7,745	27,350
Total inventories at the lower of cost and net realizable value	9,599	28,925

15. Trade and other receivables

	2023	2022
Current	\$000	\$000
Receivable from third-party customers	560	361
Receivable from associates and joint venture	296	296
VAT receivable	3,606	2,199
Receivable from Government	-	2,960
Other receivables	421	2,828
	4,883	8,644
Allowance for expected credit losses	(1,995)	(1,659)
	2,888	6,985
Prepayments and deposits	5,588	4,754
	8,476	11,739

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:

	2023	2022
	\$000	\$000
As at 1 June	1,659	2,249
Allowance for expected credit loss	336	407
Write-off	-	(997)
At 31 May	1,995	1,659

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

	2023	2022
	\$000	\$000
Cash at banks and on hand	5,961	3,007
	5,961	3,007

16. Cash and cash equivalents (continued)

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:

	2023	2022
	\$000	\$000
Cash at banks and on hand	5,961	3,007
Bank overdrafts (Note 18 (l) i & ii)	(29,794)	(53,797)
	(23,833)	(50,790)

17. Shared capital

	2023	2022
	\$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	2023	2022
		\$000	\$000
Non-current			
Sugar Cane Growers Fund	b	4,291	4,633
Reserve Bank of Fiji	c(i)	7,000	7,000
Reserve Bank of Fiji	c(ii)	5,000	-
Fiji National Provident Fund	d(i)	37,856	39,882
Government of Fiji	e(i)	139,743	139,743
Government of Fiji	e(ii)	16,079	16,079
Fiji Development Bank	f(i)	7,456	8,715
Fiji Development Bank	f(ii)	2,837	4,360
Fiji Development Bank	f(iii)	3,262	5,042
Fiji Development Bank	f(iv)	5,737	7,509
Bank of South Pacific	k	50,000	-
Bred Bank	g	15,000	15,000
Non-current interest-bearing loans and borrowings		294,261	247,963

	Notes	2023	2022
		\$000	\$000
Current			
Bank Overdrafts - Operating Account	l(i)	29,794	35,316
Bank Overdraft - Grower Account	l(ii)	-	18,481
Exim Import Bank of India		72,761	69,005

**THE FIJI SUGAR CORPORATION LIMITED
FOR THE YEAR ENDED 31 MAY 2023
NOTES TO THE FINANCIAL STATEMENTS**

18. Interest-bearing loans and borrowings (continued)

	Notes	2023	2022
		\$000	\$000
Current			
Exim Import Bank of India	a(ii)	2,947	2,795
Sugar Cane Growers Fund	b	880	873
Fiji National Provident Fund	d(i)	6,141	5,615
Government of Fiji	e(ii)	-	-
Reserve Bank of Fiji	c(ii)	-	5,000
Fiji Development Bank	f(i)	2,940	2,560
Fiji Development Bank	f(ii)	1,920	1,920
Fiji Development Bank	f(iii)	2,040	2,040
Fiji Development Bank	f(iv)	2,520	2,520
Bred Bank	g	5,000	5,000
Czarnikow Group Limited	h	20,315	44,027
United Molasses Trading Ltd	J	-	5,294
Current interest-bearing loans and borrowings		147,258	200,446
Total interest-bearing loans and borrowings		441,519	448,409

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

Loan was restructured with 2 equal annual repayment of \$440,430 for 10 years. Also, the proceeds from Drasa and Waqadra Estate has been assigned to SCGF to meet loan repayments.

(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. On FSC's request, the maturity was extended till 31st May 2025.

18. Interest-bearing loans and borrowings (continued)

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. At the request of FSC in June 2022, the maturity has been extended till 4th August 2027.

(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.

(e) Government of Fiji

i) Loan

	2023	2022
	\$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

	2023	2022
	\$000	\$000
Loans from Government of Fiji	26,368	26,368
Less: Deferred grant income on interest (Note 19)	(10,289)	(10,289)
	16,079	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.

18. Interest-bearing loans and borrowings (continued)

ii) Debt restructure (continued)

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 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.
- ii) 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).
- iii) 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).
- iv) 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

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\$9.0 million from Czarnikow Group Limited to meet operational expenditures and grower cane payments. The loan is secured through assignment of 2023 season contract and will be repaid through the shipment of sugar for 2023 season (financial year 2024).

(i) Bank Overdraft - Home Finance Company Limited

The overdraft facility in HFC operating account was maintained at \$30 million during the year. Overdraft facilities are secured by Government guarantee and floating charge over all the Corporation's assets.

(j) United Molasses Trading Ltd

During the year, the Corporation has repaid US\$2.5 million to United Molasses Trading Ltd which was borrowed in FY 2022.

(k) Bank of South Pacific

Loan facility of \$50.0 million was secured from BSP with bulk payment on maturity in August 2024 with quarterly interest payment. Apart from Government guarantee as security, third charge over FSC asset has been provided.

19. Deferred income

	Notes	2023	2022
		\$000	\$000
Government grants	a(i)	1,848	1,848
Government grants	a(ii)	6,001	6,001
Government grants	a(iii)	210	-
India Government grant	b	1,487	1,487

19. Deferred Income (continued)

	Notes	2023	2022
		\$000	\$000
Accumulated depreciation		(4,132)	(3,340)
		5,414	5,996
Government grant	a(iv)	9	9
Deferred grant income from Government of India	b	677	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	10,289
Total deferred income – non-current		50,463	51,053

(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) The Labasa Lorry bay is being amortised on a straight-line basis at 2%.
 - iv) 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

	2023	2022
	\$000	\$000
Annual leave entitlements - obligation		
As at 1 June	884	1,011
Movement during the year	170	(127)
Obligation at 31 May - Current	1,054	884
Long service leave entitlements - obligation		
As at 1 June	970	1,546
Movement during the year	(283)	(576)
Obligation at 31 May - Non-current	687	970
Total obligation for employee benefits	1,741	1,854

20. Employee benefit liability (continued)

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	1,686	1,904	3,590
Movement during the year	122	-	122
Obligation at 31 May - Current	1,808	1,904	3,712

22. Trade and other payables

	2023	2022
	\$000	\$000
Trade payables	6,591	4,644
Other payables	15,969	8,478
Grower creditors	13,248	28,571
Cane access road, ACRP and other grants payable	1,539	2,106
Income in advance	594	15
Interest payable	7,555	5,178
	45,496	48,992

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

	2023	2022
	\$000	\$000
Capital commitments contracted but not provided for in accounts	4,264	3,607
	4,264	3,607

23. Commitments and contingencies (continued)

Capital commitments

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 2023:

	2023	2022
	\$	\$
Guarantees or bonds given by the bank	67	67

23. 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 2022 crushing season (year ended 31 May 2023), the growers supplied to the Corporation a total of 1.64 million tonnes of cane from which 155,812 tonnes of sugar has been produced. The Corporation has exported 144,279 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.

24. Going concern and financial support

The Corporation has been incurring significant losses during recent years. During the year ended 31 May 2023, the Corporation has incurred loss from operations of \$5.0 million (2022: \$30.1 million) and net loss before income tax of \$23.0 million (2022: \$44.3 million).

As at 31 May 2023, total liabilities of the Corporation exceed total assets resulting in net liability of \$400.0 million (2022: \$377 million). The current liabilities exceed the current assets by \$175.1 million, representing the ratio of 8.6: 1 (2022: \$211.5 million, representing the ratio of 5.9: 1).

The Corporation has debt repayment commitments amounting to \$147.2 million during the financial year ending 31 May 2023. Furthermore, the Corporation requires further funding to meet its working capital requirements, capital expenditure and fund the operating losses.

24. Going concern and financial support (continued)

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 26 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 \$44.5 million in 2023/2024 National Budget for various initiatives to assist the sugar cane industry, including Sugarcane Development, establishment of sugar cane stabilization fund, Cane Access Roads, Drainage, cage bins, support for manual harvesting, , 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.

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.

24. Going concern and financial support (continued)

- 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.

25. 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.

26. 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 Prakash Chand
 Mr Athil Narayan (Re-appointed)
 Mr Savendra P Dayal - Deputy Chairman (Retired on 31 March 2023)
 Mr Arvind Singh (Retired on 31 March 2023)
 Mr Tevita Kuruvakadua (Retired on 31 March 2023)
 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 31 January 2023)
 Ms Akisi Vinaka (Appointed on 19 May 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.

26. Related party disclosures (continued)

As at 31 May 2023, eight executives (2022: nine executives), (Chief Executive Officer, Head of Finance, Chief Operating Officer, Head of Agriculture, 3 Mill General Managers and Chief Human Resources 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 2023 and 2022 were:

	2023	2022
	\$000	\$000
Executive management	1,337	1,461

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 \$53,348 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

- 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.
- 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 (2022: \$173,816,930 (Refer Note 18(e)).
- The Government has approved guarantees to allow the Corporation to seek funding from banks and other financial institutions.

27. Significant events during the year

Significant events during the year were:

i) Impairment of Property, Plant and Equipment

For the year ended 31 May 2023, 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 \$20.3 million (US\$9 million) from Czarnikow Group Limited by way of trade finance to meet grower fourth cane payments for 2023 season and operational expenditure. The loan will be repaid through the first shipments of sugar for the 2023 season (financial year 2024).

iii) Government Guarantee

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

iv) Borrowing from Bank of South Pacific (BSP)

Loan facility of \$50.0 million was secured from BSP with bulk payment on maturity in August 2024 with quarterly interest payment. Apart from Government guarantee as security, third charge over FSC asset has been provided.

28. Events subsequent to balance date

Subsequent to balance date:

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.

29. Insurance

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

30. Approval of financial statements

The financial statements were approved by the Board of Directors and authorised for issue on 25 July 2023.

10-YEAR STATISTICAL REVIEW

Financial statistics

for year ended 31 May		2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Turnover	(\$m)	211.5	135.9	147.7	144.9	132.8	182.1	144.9	199.8	197.3	224.0
EBITDA	(\$m)	17.9	(6.7)	4.4	60.7	(25.1)	0.6	(19.2)	(27.1)	(4.8)	(4.8)
Profit/Loss after taxation & Extra-ordinary it	(\$m)	(23.0)	(44.3)	(32.8)	21.9	(80.1)	(24.6)	(45.0)	(53.4)	(31.7)	6.9
Total Assets	(\$m)	146.8	180.3	199.3	223.9	203.9	204.1	199.6	254.2	266.2	279.3
Net Assets	(\$m)	(400.0)	(377.1)	(332.8)	(300.0)	(321.8)	(241.8)	(217.1)	(172.1)	(117.4)	(85.7)
Proceeds of Sugar & Molasses	(\$m)	206.5	139.1	143.9	139.8	129.8	180.7	143.4	195.8	191.7	214.6
FSC's share of proceeds	(\$m)	64.3	38.3	42.8	41.9	38.8	54.2	43.0	58.7	56.0	62.5
Price per tonne cane	(\$)	85.26	85.00	85.00	85.00	85.00	85.00	82.00	76.66	81.01	88.49

Production statistics

Season		2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Cane Crushed	(000t)	1,639	1,417	1,729	1,806	1,697	1,631	1,387	1,845	1,832	1,610
Sugar Produced	(000t)	156	133	152	169	160	180	140	222	227	179
Molasses Produced	(000t)	74	72	83	84	85	66	63	76	78	59
Tonnes Cane/Tonnes Sugar		10.5	10.6	11.4	10.7	10.6	9.0	9.9	8.3	8.1	9.0
Molasses % Cane		5	5	5	5	5	4	5	4	4	4
POCS %		10.3	10.0	9.8	10.0	11.0	11.0	10.9	12.2	12.3	11.4
Cane Purity %		80	80	79	80	81	83	82	83	82	82
Fibre in Cane %		12	12	12	12	13	13	12	12	12	12
Average Crushing Rate for all mills (tcph)		696	689	727	682	674	694	692	792	853	834
Actual Crushing Time as % of Available Time		62	67	64	64	63	66	58	71	70	63

Field statistics

Season		2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Number of Growers		16,977	16,909	16,840	16,754	16,666	16,605	16,526	16,387	16,348	15,528
Number of Active Growers		10,872	11,398	11,622	11,638	11,412	11,871	11,676	12,405	12,681	12,633
Area under Cane (Ha)		34,897	33,504	36,733	37,643	37,105	38,040	36,794	39,291	38,427	38,160
Tonnes Cane per Hectare		47	42	46	48	46	43	38	47	48	42
Average Tonnes Cane per Grower		151	124	149	143	142	137	119	148	144	127
Number of Cane Cutters		5,222	7,681	7,651	7,650	7,700	7,771	9,173	9,582	10,341	8,973
Output per Cutter (tonnes)		180	118	146	154	110	117	142	182	173	179
Burnt Cane %		45.6	57	51	49	51	34	57	39	41	29

Sugar exports - destinations and quantities (metric tonnes)

Season		2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
UK/EU		131,740	34,818	109,246	146,000	68,600	129,828	104,736	165,260	184,414	165,557
USA		12,539	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		144,279	80,369	124,857	154,411	111,844	144,398	113,265	186,643	201,434	165,557

NOTES



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