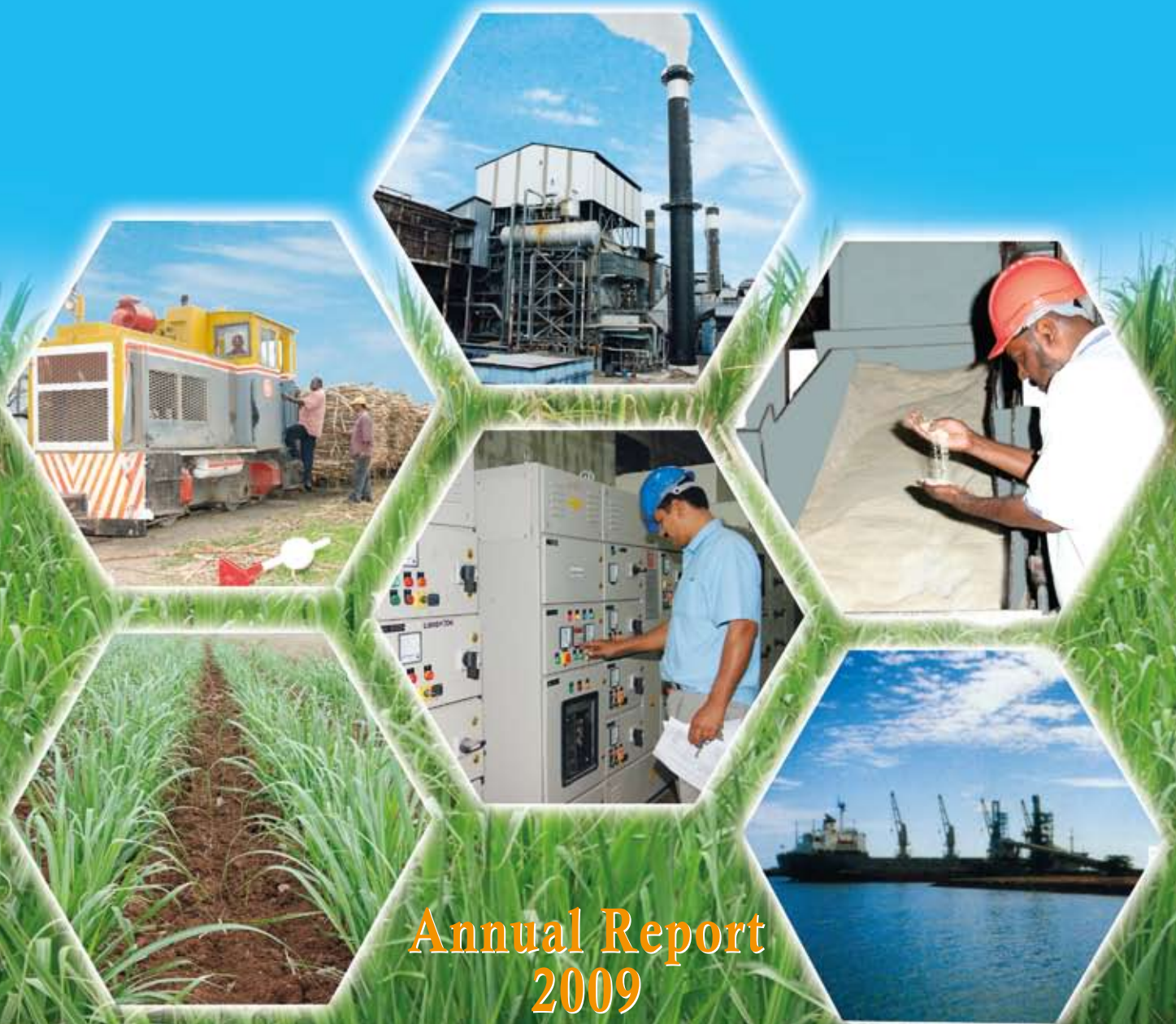


The Fiji Sugar Corporation Limited



**Annual Report
2009**



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CORPORATE PROFILE

OUR ORGANISATION

The Fiji Sugar Corporation Limited was incorporated in Fiji by an Act of Parliament in 1972 to take over the milling activities with effect from 1st April 1973. It is 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 In 2006 the Fiji Sugar Corporation Act was repealed allowing it to be governed solely under the Companies Act.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 which owns 68% of shares while statutory bodies, local companies and individuals own the rest of the shares. The Corporation's shares are listed and traded on the South Pacific Stock Exchange Limited.

OUR BUSINESS

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

The Corporation is responsible for the manufacture and sale of raw sugar together with molasses as a by-product. The Corporation owns and maintains some 720 kilometres of railway network on which sugar cane is transported to the mills. The Corporation is one of the largest employers with a workforce exceeding 2,500 individuals during the peak crushing season.

The Sugar Industry is important to Fiji's economy as it contributes about 4.1 percent of GDP, generates about 16 percent of total exports with a total foreign earning of \$261.8 million in 2008. Unlike many other export-oriented industries, most production inputs are domestic and have a high regional impact and cross-sectoral linkages.

The Corporation through its subsidiaries and related companies is also engaged in development and project work (FSC Projects Limited), agriculture chemicals (Agchem Limited), and until 21 April 2009 blending and sale of fertilizer (South Pacific Fertilizers Limited), and sugar is sold through the Corporation's marketing agent, Fiji Sugar Marketing Limited. The Corporation took over the operations of Fiji Sugar Marketing Limited from 1 April 2009.



Lautoka Mill in crushing operations



CORPORATE HIGHLIGHTS

FINANCIAL RESULTS

- Operating revenue after taking into account cost of sugar imports is at similar levels to previous year. Corporation's share of proceeds was \$61.3 million compared to \$61.8 million in the previous year.
- Cost of production reduced by \$13.7 million when compared to the previous year.
- Consolidated trading loss was \$5.9 million, an improvement of \$16.9 million, compared to a loss of \$22.8 million in the previous year.
- After taking into account abnormal items, principally unrealised exchange loss, floods and loss on divestment in an associate company, operating loss increased to \$36.8 million, compared to \$19.3 million in the previous year.
- Cashflow for the Group declined by \$15.2 million when compared to the previous year and was attributed to funding of mill upgrade works from the working capital.
- A total of \$52.8 million was invested in the mills compared to \$36.8 million in the previous year.
- Earnings per share decreased to (\$0.83) from (\$0.44) in the previous year.

OPERATIONS

- A total of 2.3 million tonnes of sugarcane was crushed from an area of 50,907 hectares compared to 2.5 million tonnes from 52,558 hectares in the previous year.
- Sugar production decreased to 207,968 tonnes from 237,418 tonnes in the previous year, primarily as a result of decrease in cane supply.
- Tonnes Cane to Tonnes Sugar (TCTS) ratio increased to 11.2 from 10.4 in the previous year.
- Cane Quality (POCS) decreased to 10.8 from 11.1 in the previous season.
- The total sugar production of 207,575 tonnes was exported to EU compared to 217,015 tonnes exported in the previous year.

SUGAR INDUSTRY REFORM

- The upgrading of the sugar mills is substantially completed and the balance of works is expected to be completed by April 2010 and is funded through a Line of Credit agreement amounting to US\$50.4 million with the EXIM Bank of India.
- The Corporation has commenced implementation of the Cane Development Plan to increase the cane production to 4.2 million tonnes by 2013.
- In addition to upgrading the mills and increasing cane production, streamlining of major operations such as harvesting and transportation and organisational restructure will be required to achieve desired levels of efficiencies.
- The European Union announced reduction in the Protocol Sugar Price by 5.1% from 1 June 2006, 9.2 % in 2008 and 21.7% effective from 1 October 2009, bringing total reduction to 36%.
- The Corporation is undertaking a number of internal initiatives to rationalise manpower levels, streamlining of procurement function through Supply Chain Management and tightening of cost control measures and overall governance systems.
- Projects such as cogeneration and production of ethanol are being explored to diversify the Corporation's revenue base.



MISSION STATEMENT

Leading the change to a globally competitive Sugar Industry

CORPORATE OBJECTIVE

The Corporation's principal objective is to competitively produce and sell high quality raw sugar. In doing so, the Corporation is committed to continually enhancing efficiency and quality, to developing new market opportunities and long term relationships with customers and to support the development of a more efficient sugar industry in Fiji.

CORPORATE IDEALS

To be an outstanding corporate citizen, dedicated to make cane sugar at ever improving efficiencies by:

In the Field

Helping to facilitate the planting, fertilizing, growing and harvesting of the best regional cane varieties at the right time and in the right way;

In Transport

Scheduling the continuous flow of cane from field to factory on time and maintaining and operating a competitive rail transport system;

In the Factory

Milling and processing at maximum recovery and capacity, and with minimal stops, to produce the best quality of sugar;

In the Workplace

Rewarding performance, nurturing teamwork and innovation, and investing in the health, safety and personal development of employees;

In the Community

Being as concerned with the welfare of cane growers as we are with our own fate, and showing we value our suppliers and stakeholders;

In the Environment

Respecting our rivers and seas, the air and soil, plants and animals, forever mindful to sustain the Earth, Fiji's natural resources and people;

In the Marketplace

Storing, shipping and marketing our products at maximum revenues to the full satisfaction of our long term customers, and new markets;

In Commercial Practice

Conducting our business with integrity, responding to national goals and seeking a wise return on investing for our shareholders;

In Word and Deed

Freely communicating the value of our products and activities without reservation to anyone who may benefit from understanding this.



FINANCIAL SUMMARY

	2009 \$000's	2008 \$000's
Sales and Profit (\$'000)		
Total sales	<u>245,806</u>	<u>234,900</u>
Gross loss before extraordinary items and income tax	(2,598)	(11,575)
Income tax benefit	3,310	400
Unrealised exchange gain/(loss)	(24,397)	3,033
Net loss	<u>(36,751)</u>	<u>(19,331)</u>
Cash Flow (\$'000)		
Operating activities	(6,900)	(360)
Investing activities	(53,409)	(36,659)
Financing activities	<u>45,161</u>	<u>36,858</u>
Net decrease in cash	<u>(15,148)</u>	<u>(161)</u>
Financial Position (\$'000)		
Working capital	(54,292)	(10,295)
Current assets	40,751	43,135
Total assets	<u>311,953</u>	<u>273,486</u>
Non-current liabilities	105,881	72,240
Current liabilities	95,043	53,429
Shareholders' equity	<u>111,029</u>	<u>147,816</u>
Additional Information		
Ratio of current assets to current liabilities	0.4	0.8
Ratio of debt to shareholders' equity	1.8	0.9



CORPORATE GOVERNANCE



Directors discussion at Board Meeting

At Fiji Sugar Corporation, we view corporate governance in its widest sense, almost like a trusteeship; it is a philosophy to be professed, a value to be imbibed and an ideology to be ingrained in our corporate culture.

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

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

Board's Responsibilities

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

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

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

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

In addition to disclosure on commercial objectives, the Board encourages disclosure of policies relating to the environment and the communities in which the Corporation operates. The Board meets every quarter and receives full information in advance to help it discharge its duties.



CEO Presents Report to Board Members

A Directors Package comprising pertinent background information and critical information on major risks, global industry trends and future direction of the Corporation is made available to all new directors.

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

Composition of the Board

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

Remuneration of Directors

A total of \$55,263 was paid during the year for directors' services. Remuneration of directors is based on fees of directors approved by the shareholders. In addition, the Company provides travel, medical and professional indemnity insurance for the directors. The Board sets remuneration and scope of technical and professional services required by directors in addition to their services as directors. Total amount paid in this regard was \$186,732.

Role of Shareholders

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

Management's Responsibility

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

Boards of Subsidiaries and Associate Entities

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



BOARD OF DIRECTORS



Gautam Ramswarup
Chairman

Appointed to the Board on 28 January 2009. Mr Ramswarup is a former Chief General Manager of the Corporation. He also held the position of Company Secretary while being a member of the Corporation's Executive Management.



Marika Gaunavou
Deputy Chairman

Appointed to the Board in March 2007. Mr Gaunavou is a retired Mill Chief Engineer and Factory Manager-FSC.



Alipate Qetaki

Appointed to the Board on 26 November 2008. Mr Qetaki is the General Manager of Native Land Trust Board.



Krishna Prasad

Appointed to the Board on 2 June 2008. Mr Prasad is a former parliamentarian and has served in various organisations including FSC and SCOF.



Osea Naiqamu

Appointed to the Board on 2 June 2008. Mr Naiqamu is the Chief Executive Officer of Fiji Pine Trust. He holds directorship of several companies including Fiji Forest Industries, Tropik Woods Industries Ltd, Pine Landowners Co Ltd, United Landowners Ltd, Nalutuqele Co Ltd and Nadi Forest Corporation Ltd.



Parvin Krishna

Appointed to the Board on 26 November 2008. Mr Krishna is the General Manager Corporate of Reddy Group. He is also a Director and Company Secretary of Reddy Group, Tanoa Hotels and Clyde Equipment (Pacific) Ltd and holds directorship at Insurance Holdings Ltd.



Viliame Gucake

Appointed to the Board on 26 November 2008. Mr Gucake is the Principal Economist, Sugar Unit at the Prime Minister's Office.



Ratu Deve Toganivalu

Appointed to the Board on 26 November 2008. Ratu Toganivalu is the Chief Executive Officer of the Fiji Development Bank.

CHAIRMAN'S REPORT



Gautam Ramswarup
Chairman

Sugar companies around the world have shown a remarkable resilience in the current financial crisis. Of course it is difficult to directly translate the current strength on the world sugar market into the market capitalisation of companies involved in the sugar sector. Nevertheless having investment in sugar remains sought after agricultural investment at the present time.

The 2009 year was a turning point for the Fiji Sugar Industry in its recent history and a remarkable one for the Fiji Sugar Corporation Limited.

Mainly through Government's initiatives and commitment, it was pleasing to see a number of reform programs being implemented. Government commenced streamlining of institutional structures within the Industry. In this process the Sugar Commission of Fiji and Fiji Sugar Marketing were dissolved and their functions distributed to the remaining appropriate institutions. In addition, a Snapshot Review Report on the Fiji Sugar Corporation was carried out with a view to identifying strategies and initiatives to return the Corporation to profitability.

Perhaps the most significant event during the year was the progress on the Mill Upgrade Program which was substantially completed, allowing the commencement of the 2009 crushing season with upgraded mills. This was despite the worst floods in Fiji's history in January 2009 when the mill upgrade and maintenance works were at its peak.

The Fiji Dollar was devalued by 20% on 15 April 2009. While this is a huge boost to the Sugar Industry for the future, operating results for the year was seriously affected by a massive \$24.4 million unrealised exchange loss on the borrowings for the Mill Upgrade Program.

Following the reform of the EU Sugar Regime the EU sugar price reduced by 14.3 % during the year. A further 21.7% reduction will come into force from 1 October 2009, taking total reductions to 36%. This remains one of the main driving forces for the reform of Fiji Sugar Industry. Fortunately, this will be negated to a large extent, by the 20% devaluation of the Fiji Dollar.

The focus and public interest in Sugar Industry is understandable given its significance to the Fiji economy and the community at large, particularly at the grassroots level in the rural sector. It is estimated that 40,000 people are directly employed in the Sugar Industry and some 20% of the population or about 200,000 people rely directly or indirectly on the Sugar Industry for their livelihood.

OPERATING RESULTS

For the year under review, the Corporation's operating revenue increased to \$245.8 million compared to \$234.9 million in the previous year.

It is pleasing to note that trading operations improved significantly resulting in a trading loss of \$5.9 million compared to trading loss of \$22.8 million in the previous year. However after taking into account unrealised exchange loss of \$24.4 million, flood damage of \$6.1 million, impairment to fixed assets arising from mill upgrade program of \$1.3 million and loss on sale of investments in associate companies of \$2.4 million, net loss for the year increased to \$36.8 million compared to net loss of \$19.3 million in the previous year.

CANE SUPPLY AND SUGAR PRODUCTION

Cane production for the 2008 season decreased to 2.3 million tonnes, compared to 2.5 million tonnes in the previous season. Total sugar produced during the season was 207,966 tonnes compared to 237,418 tonnes in the previous year. The tonnes cane to make a tonne of sugar ratio (TCTS) increased to 11.16 compared to 10.4 in the previous season.

It was of concern to see the significant increase in cane burning which for the season was 50% compared to 33% in the previous season. This together with inconsistent supply of quality cane continued to affect the quality of cane supplied to the mills.

The Corporation is in the process of investigating a number of initiatives and programs to streamline harvesting and transportation operations with a view to ensuring continuous supply of quality cane to the mill and minimising cane burning. These include reorganising and scheduling of harvesting and transportation operations, improving mill reliability, instilling confidence with the growers and awareness campaign.



MARKETS AND SUGAR PRICE

As part of the reform of the EU Sugar Regime, the EU has announced total reduction in sugar price by 5.1% from 1 June 2006, 9.2 % in 2008 and 21.7 % in 2009, bringing total reductions to 36% by October 2009.

A Long Term Agreement was entered into with Tate & Lyle Sugar of London, for a period from 1 March 2008 to 30 September 2015. Tate & Lyle have indicated that they would take all the sugar Fiji could produce in the immediate future.

REFORM OF THE SUGAR INDUSTRY

Mill Upgrade Project

Mill upgrade works had to be accelerated to ensure that the Mill Upgrade Program was substantially complete to allow timely commencement of the 2009 crushing season. During the year approximately 80% of the Project was completed with the balance targeted to be completed by April 2010.

Cane Supply

Upon completion of the Mill Upgrade Program and bringing reliability and efficiency of the mills to expected levels, the consistent supply of quality cane will become critical for realising returns on investments made in the mills. Removal of preferential prices will mean that the economics of the Industry will be driven by volume in order to realise the necessary economies of scale. Upon upgrading the mills, a total of 4.2 millions tonnes of cane will be required for a 25 week crushing season, compared to the current production levels of around 2.4 million tonnes.

The Corporation is mindful of this risk and is committed to undertaking a number of strategies to ensure adequate supply of cane to meet the throughput requirement of the mills. These include strengthening of Extension Services to provide more effective farm advisory services to farmers, institutionalising involvement of landowners in cane farming through co-operatives and other management structures and the Corporation to embark on large-scale mechanised cane farming. The Corporation plans to provide at least 20% of cane from its farms within the next five years.

Diversification

For the Sugar Industry to remain viable in the future, the Corporation is committed to undertaking diversification projects such as cogeneration and ethanol. Feasibility studies of these projects have been completed results of which have underscored the Corporation's business strategy to become an integrated sugar and energy company. These diversification strategies are consistent with global sugar industry best practices for competing in the new market conditions.

During the year investigative studies were carried out for setting up a refinery to meet the local and regional market requirements. This will be pursued along with other diversification projects following completion of the Mill Upgrade Program.

Other Initiatives

As reported in the previous year, in addition to the Mill Upgrade Project, increase in the cane production and diversification projects, other initiatives will be necessary to bring about efficiencies in the entire value chain. One such key area is the streamlining of harvesting and transportation operations which provide huge opportunities for cost reductions. Manpower levels will also need to be rationalised. The Corporation recognises that job reductions will be inevitable and is mindful that these will need to be handled in a sensitive and responsible manner.

ACKNOWLEDGMENT

During the year, the Board was reconstituted with the appointment of Ratu Deve Toganivalu, Mr Alipate Qetaki, Mr Parvin Krishna, Mr Viliame Gucake and myself. I take this opportunity to thank my fellow directors in taking up the huge challenges facing the Corporation.

To the outgoing directors, Mr. Bhoo Prasad Gautam, Mr Arvind Singh, Mr Peni Sikivou and Mr Kamlesh Chandra, I extend my appreciation for their dedication and contribution to the Corporation.



Fitter inspects machines during crush



New control room for the new cane carrier at Rarawai Mill

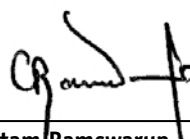
I take this opportunity to congratulate Mr Deo Saran on his confirmation to the position of Chief Executive Officer for the Corporation. Mr Saran takes the helm of the organisation at a very difficult and critical time when a number of long outstanding reform programs and initiatives are expected to be implemented. Mr Saran brings visionary qualities, outstanding abilities and extensive experience to his leadership role.

On behalf of the Board of Directors, I would like to thank the farmers, cane cutters and lorry and tractor trailer drivers for their hard work and contributions to the Sugar Industry. I would like to see that the Industry is built on a true partnership between the miller and the farmers as it embarks on its mission to become a globally competitive sugar and energy industry.

I would also like to take this opportunity to express my appreciation to the Government of Fiji for its continuous support especially on its initiatives and commitment to accelerate implementation of the Sugar Industry reform programs.

Finally, I extend my sincere gratitude to all the employees for their team work, commitment and dedication during a very difficult year. Our people need to be commended for their tremendous work, which was beyond the call of duty, to prepare the mills for the crush after experiencing the worst floods in Fiji's history.

I am confident that the Sugar Industry will continue to provide a solid foundation to the economy of Fiji. Sugar Industry has contributed immensely to the development of Fiji in the past and will continue to do so in the future with the support of all the stakeholders.



Gautam/Ramswarup
Chairman



Works on continuous vacuum pan and syrup clarification system in progress

EXECUTIVE MANAGEMENT GROUP



Deo Saran
Chief Executive Officer



Ali Ubadutt
*General Manager
Finance*



Annamale Naicker
*General Manager
Operations*



Mikaele Biukoto
*Mill Manager,
Lautoka Mill*



Bhan Pratap Singh
*Mill Manager,
Rarawai Mill, Ba.*



Karia Christopher
*Mill Manager,
Labasa Mill. (Acting)*



Sailasa Waitawa
*Mill Manager,
Penang Mill, Rakiraki.*



Timoci Laqai
*General Manager
Corporate/Company
Secretary*



Seru Vularika
*General Manager
Field Services*



Romulus Koster
*Project Manager
Factory Upgrade*



Viliame Savou
Manager Marketing



CHIEF EXECUTIVE OFFICER'S REPORT



Deo Saran
Chief Executive Officer

REVIEW OF OPERATIONS

Operating Results

For the year under review, the Corporation's trading results improved significantly. The Corporation incurred a trading loss of \$5.9 million compared to trading loss of \$22.8 million in previous year. This is largely attributable to reduction in operating costs by \$13.7 million.

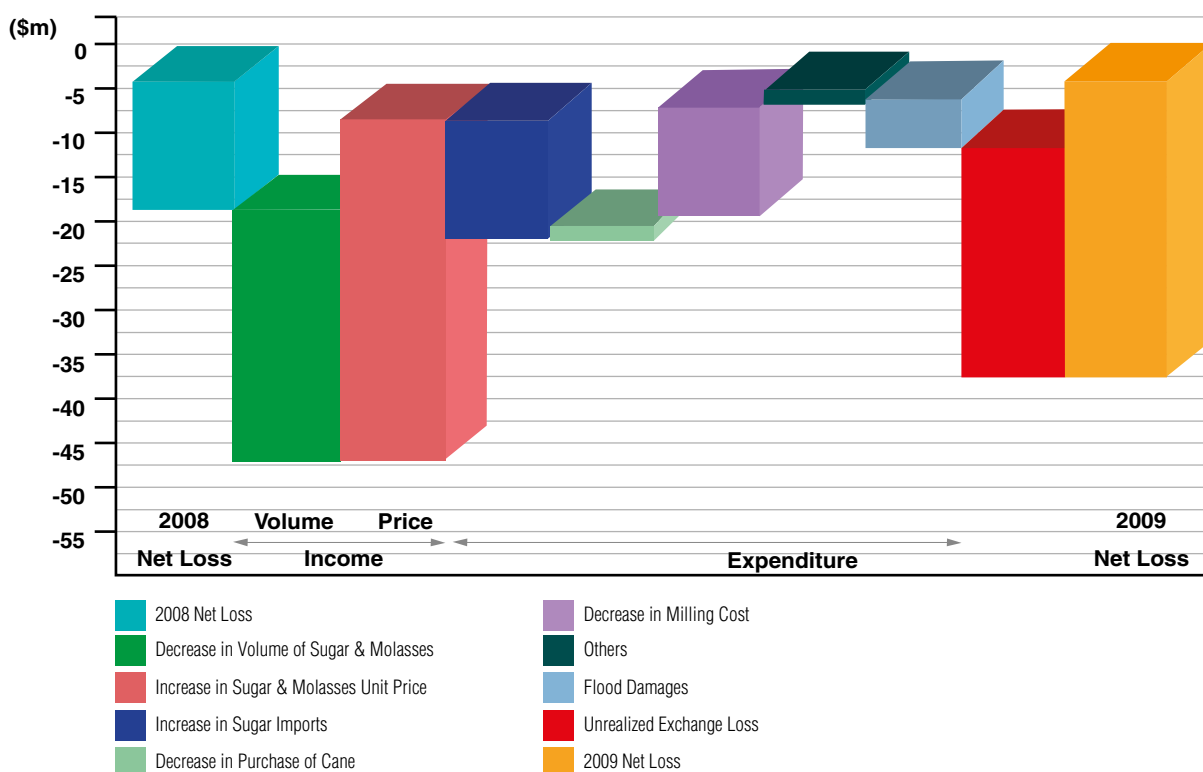
However, after taking into account unrealised exchange loss of \$24.4 million in relation to EXIM Bank of India loan due to recent devaluation of the Fiji dollar, flood damages of \$6.1 million, loss associated with the divestment from South Pacific Fertilizers Ltd of \$2.4 million and impairment to fixed assets arising from mill upgrade program of \$1.3 million, operating loss before income tax increased to \$40.1 million for the year ended 31 May 2009. The loss for the year after income tax benefit of \$3.3 million was \$36.8 million.

Unrealized Exchange Loss

The Corporation has a long term loan of US\$50.4 million established as line of credit with the EXIM Bank of India. It is through this line of credit the Corporation has been procuring all of its plant and machinery in relation to the Mill Upgrade Program. The Corporation had drawn down US\$39.1 million as at 31 May 2009 against this facility, which is exposed to foreign exchange fluctuations. With the devaluation of the Fiji dollar on 15 April 2009, the Corporation has incurred an unrealised foreign exchange loss of \$24.4 million for the year under review and as required under the relevant Accounting Standards, this has been charged to the current year's profit and loss account.

As depicted on the below Change Graph the Corporation's profitability after tax deteriorated by \$17.5 million during the year.

CHANGES IN TRADING RESULTS



Whilst the volume of sugar production declined by 12.4%, molasses production increased by 5.2% resulting in the net decline in revenue by \$28.1 million. However, increase in sugar and molasses unit prices by 15.3% and 66.9% respectively, resulted in increase in revenue by \$39.2 million.

The Corporation imported 45,000 tonnes of sugar for local and regional consumption, resulting in an increase in value of import by \$14.5 million compared to the previous year.

While cane production declined by 6.4% cane payment to growers reduced only by \$1.1 million, i.e. 0.8%, due to improvements in sugar price. The Corporation reduced its cost of operation by \$13.7 million through better cost management and cost reduction strategies. Other losses reduced by \$2.1 million.

Losses from flood damages totalled \$6.1 million. With the recent devaluation of the Fijian dollar, the Corporation suffered unrealised exchange loss of \$24.4 million relating to EXIM Bank loan.

In aggregate \$30.9 million loss was incurred due to abnormal factors, thus resulting in a net loss after tax of \$36.8 million for the financial year ended 31 May 2009, compared to a net loss of \$19.3 million in the previous year.

Transfer of Shares in South Pacific Fertilizers

The Corporation has divested from South Pacific Fertilizers Ltd (SPFL) in which it owned 40% shares.

SPFL is a private company and its principal activity is to import bulk fertilizer, blend, pack and distribute the blended fertilizer to the cane farmers. The shareholders of SPFL are Fiji Sugar Corporation Limited (40%), Sugar Cane Growers Council (40%) and Sugar Cane Growers Fund (20%).

Following the Cabinet Decision of 21 April 2009 on the way forward for SPFL and as part of the Sugar Industry reform, Cabinet agreed that FSC divest from SPFL and its shares transferred to the remaining shareholders in proportion to their respective shareholding (after capitalization of Growers Fund loans into equity), for a nominal value of \$1.



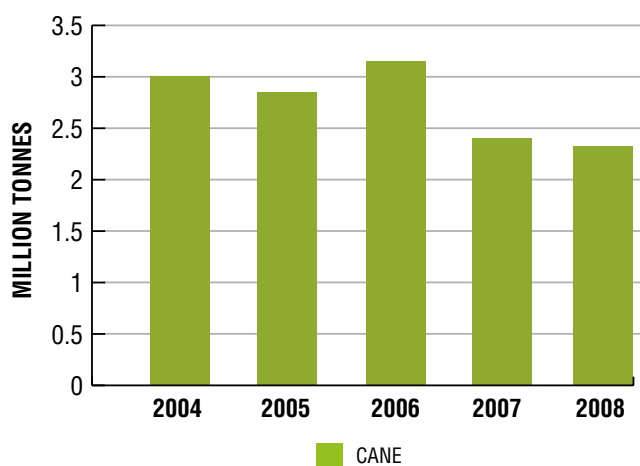
The Corporation accounts for its investments in the associates using the equity method of accounting and recognizes the share of its associates post acquisition profits and losses in its income statement. SPFL continued to operate at a loss from 2005 and since then have made an accumulated loss of \$13,171,074 up till 31 March 2009. The Corporation has completed the necessary formalities for the transfer of SPFL shares and its nominee directors have resigned from the SPFL Board.

Cane Production

Cane production totalled 2.3 million tonnes from an area of 50,907 hectares. The average yield of 45.6 tonnes cane per hectare was about 3.4% lower than the 47.2 tonnes per hectare produced in 2007.

About 35,000 tonnes of cane remained unharvested at the end of the crushing season mainly due to lack of harvesting efforts by the growers and above average rainfall towards the end of the season.

A total of 3,700 hectares of new crops were planted during the year, compared to 3,900 hectares in the previous year. The decline is largely attributed to amongst other things adverse weather conditions.



Strategies to Increase Cane Production

The number of growers has declined steadily over the last 10 years as a result of a number of factors such as non-renewal of leases, migration of farmers from the cane farms to other more attractive source of livelihood and growing lack of interest and confidence in cane farming. This trend is expected to continue as growers make personal choices about their future. This has largely attributed to the continuing decline in cane production over this period.

In light of this trend the Corporation has adopted the following strategies to increase cane production to the levels required to meet its throughput requirements for its mills.



(i) Increase in farm sizes

In collaboration with the Native Land Trust Board, the Corporation intends to increase farm sizes for the farmers who choose to remain on the farms and are committed to undertake cane farming on a commercial basis.

(ii) Land Availability

Large areas of prime cane land remain idle, leases for which have not been renewed. The Corporation in collaboration with the Government and Native Land Trust Board will undertake an aggressive campaign to bring these lands back into cane farming, as majority of these do not have alternative use.

(iii) Farm Advisory Services

This would be supported with intensive farm advisory services through the Corporation's Extension Services program. In this regard it has reorganised its Field Operations to bring about greater vertical integration by strengthening the Extension and Farm Advisory Services at Sector level. The intent is to provide a "one-stop shop" concept to the cane growers in order to improve delivery of service and farm productivity.

(iv) Bringing Landowners in Cane Farming

The Corporation would like to see landowners become active players in the Sugar Industry by bringing them into cane farming and intends to do so by institutionalising their participation through cooperatives and similar business models. The Corporation will initially be providing supervisory and management services for this scheme.

(v) Corporate Farms

The Corporation, in its commercial interest, intends to become a major player in cane farming and supply at least 20% of its cane supply requirements within the next 5 years. In this regard it plans to undertake large scale, mechanised cane farming in collaboration with its sugar buyers Tate & Lyle of London who is keen to participate in this scheme on a partnership basis.

(vi) Farmer Incentives

The Corporation is already committed to providing a number of incentives to encourage farmers to boost cane production. These include:

Introduction of Cane Quality Payment System whereby farmers will be paid on quality of cane delivered to the mills.

Seeking certification to market sugar under the higher priced "Fair Trade" logo. Upon certification sugar will be sold at a premium price and all the benefit will flow to the farmers.

Perhaps the most significant incentive for farmers to increase cane production is the investments the Corporation is making in the mills which will not only improve its reliability but also its efficiency thus extracting more sugar from the same amount of cane. Farmers will directly benefit from this investment under the current cane payment system where sugar and molasses proceeds are shared by farmers.

The Corporation is in the process of reorganising harvesting and transportation operations, with the view to improve the logistics and reduce costs of these operations. Indications are that farmers are reluctant to increase cane production partly due to difficulties faced by farmers in delivering their cane to the mills.

Review of Rail Operations

The Corporation is reviewing sections of railway system that has become inefficient and uneconomical as operations and maintenance costs continue to rise while cane production has declined drastically. As a result, the volume of cane being delivered to the mills by rail has declined from 33% in 1997 to 25% in 2008.

Growers find lorry transport more convenient than rail and the Corporation incurred \$2.4 million in Conversion Allowance as per the Master Award to rail-registered growers who have agreed to use the lorry transport.

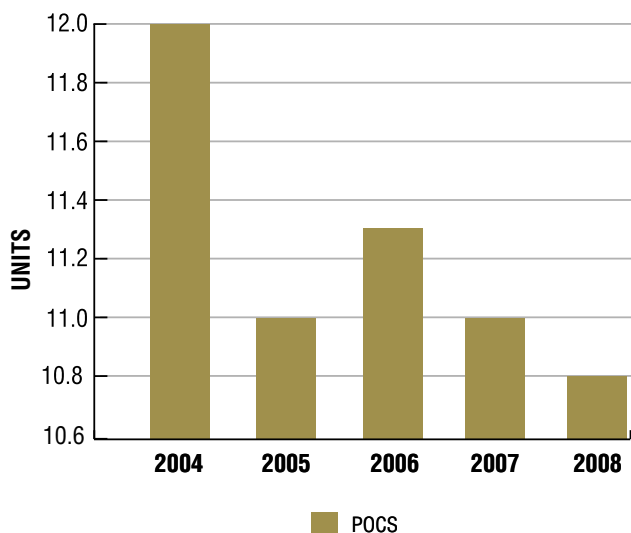
In light of the above, the Corporation plans to consolidate its current rail transport operations to be confined to areas where it is commercially viable to provide this service. In this regard the Corporation has applied to the Sugar Industry Tribunal to close 43 km of tramline in Sigatoka District from Batiri to Kavanagasau due to huge decline in cane production thus making it highly uneconomical to provide rail operations in this area.

SUGAR PRODUCTION

Cane Quality

POCS (Pure Obtainable Cane Sugar) for the 2008 season was at 10.76, the lowest in the last 5 years while the Cane Purity dropped to 80.4 which is the poorest in the last 7 years. Fibre in cane was low forcing the mills to use extraneous fuel at considerable costs.

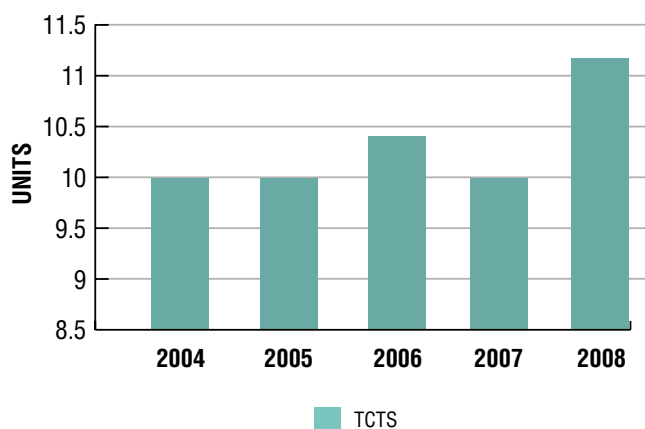
The declining trend in the sweetness level of cane remain a major concern. The physical quality of cane is also under close scrutiny as more cane is mechanically harvested.



Milling Operations

The weekly average crush at 94,346 tonnes for 2008 season was lower than the previous season and was due to lower operating hours. This was due to both major plant failures at two of the mills and cane supply problems which were mainly caused by poor harvesting effort and adverse weather conditions. Tonnes Cane per Tonnes Sugar was at 11.16. The combination of low sweetness level (POCS), excessive burning of cane and poor factory recoveries were responsible for the poor result.

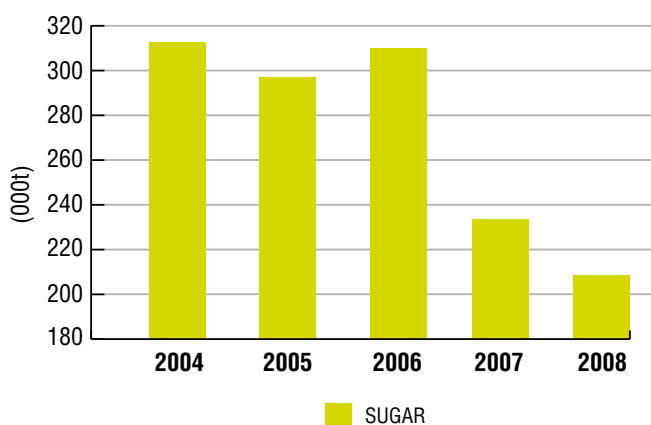
The milling operations are expected to significantly improve upon the completion of the Mill Upgrade Program by April 2010. The challenge will remain to reduce burnt cane and supply of quality cane to the mills.



Sugar and Molasses Production

Sugar production for the 2008 season was 207,966 tonnes and was about 29,500 tonnes below the 2007 production. A concerted effort is being made to increase crop production and improve milling efficiencies to arrest and reverse the worsening trend.

Molasses production at 5.2% on cane was very high and reflects loss of sugar due to high volumes of delayed burnt cane and resulting in poor factory recoveries. Unusual wet weather during the harvesting season compounded processing and further increased molasses production.



Sugar Quality

While sugar quality remained satisfactory as there were no formal complaints regarding sugar quality issues from customers, high levels of residual dextran in sugar remains a concern. Enzymes were used whenever required to keep dextran down to required levels. This is a very expensive chemical and not totally effective in restoring the quality of sugar. Reduction in harvest to delivery time is essential to overcome the dextran problem. This is part of the objective for the reorganisation of the harvesting and transportation operations.

Mill Upgrade Program

While the Mill Upgrade Program has been almost 2 years behind schedule intensive upgrade works was carried out during the year to ensure that the mills were ready for the 2009 crushing season. The upgrade works, together with the maintenance works were severely affected by the worst floods in Fiji's history in January 2009. The monument which marked the previous highest flood level which occurred in 1932 was for the first time submerged by more than a meter in the January 2009 floods. This presented enormous challenge to the workers and the contractors who worked round the clock to prepare the mills for the 2009 crush.

The Mill Upgrade Program is now substantially complete with about 80% of the new equipment installed and are in operation for the 2009 crushing season. The remaining 20% of the works will be completed during the 2009 season for works that do not interfere with the crushing operations and during the next slack season for areas which require mills to be closed for upgrade works. Fine tuning and interfacing with the existing controls is continuing on an ongoing basis.

All upgrade works will be completed by April 2010 and the 2010 crushing season will operate on the fully upgraded mills. Once fully commissioned, the upgrade will improve plant reliability, sugar extraction, sugar quality, energy efficiency and environmental control.



Bagasse conveying elevator



MARKETING

Sugar sales to the European Union

The Corporation sells sugar to the European Union (EU) under the Sugar Protocol which is annexed to the Cotonou Agreement, whereby the EU undertakes to purchase and import at guaranteed prices, specific quantities of cane sugar, raw or white, which originates in the ACP States. The Sugar Protocol is to continue until 30 September 2009 with all its provisions, including guaranteed prices.

The EU and the ACP have negotiated market access arrangements specific to sugar under the new regional Economic Partnership Agreements (EPA) to apply from 1 October 2009 until 30 September 2015.

Fiji's annual quota to the European Union under the Sugar Protocol ranges from 190,000 tonnes from 2009/2010 marketing year to 220,000 tonnes in 2011/2012 and beyond. Fiji is expected to export the entire above quantities from the Pacific Region.

This is sold to Tate & Lyle PLC in London under a Long Term Agreement signed between Tate & Lyle PLC and the Corporation. The Agreement is for 5 years commencing 1 March 2008.

Fiji initiated the Interim Economic Partnership Agreement with the European Commission (EC) on 29 November 2007. The date for the formal signing of the interim Fiji/EC EPA Agreement is currently under consideration.

Sugar Exports

During the year a total of 207,575 tonnes of Sugar manufactured for export in the 2008 season was exported to the United Kingdom under preferential trade arrangement with European Union. This compares with 187,858 tonnes exported in 2007 season.

Exports to the regional market declined significantly to 8,278 tonnes compared to 15,642 tonnes in the previous year. Similarly domestic sales decreased to 23,978 tonnes, from 27,585 in the previous year.

ACP Sugar Guaranteed Price Negotiations

The price agreed for the 2006/2007 and the 2007/2008 marketing years was €496.8/tonne for raw sugar. This price further declined to €448.8/tonne and is applicable from 1 October 2008 to 30 September 2009.

The ACP Sugar Group has made a strong submission to the European Commission underscoring the impact that the reduced sugar prices and rising freight and agricultural input costs were having on the respective countries' export earnings. The group urged the European Commission to examine all possibilities to find an appropriate sustainable solution, including additional support under the accompanying measures program to allow the ACP suppliers to face these new challenges which were neither foreseen nor factored into the national adaptation plans.

Management of the transition from the Sugar Protocol to the Economic Partnership Agreement (EPA) sugar arrangements

In September 2008, the European Commission published the necessary regulation providing detailed rules for the import of preferential sugar for the period up to the end of September 2009 and accordingly aligning the 2008/09 delivery period under the Sugar Protocol with the new marketing year.

In October 2008, the Commission approved the regulation for the additional quantities, i.e. 25% of the agreed quantities under the Sugar Protocol, setting the delivery obligations for ACP countries for the three month period beginning 1 July – 30 September 2009.

Fiji's agreed quantity under the additional July-September 2009 Sugar Protocol delivery period is 41,337 tonnes white sugar equivalent (w.s.e).

Post-Sugar Protocol Consultative Mechanism

The ACP Sugar Group has agreed to establish an EPA-EBA Sugar Group at the level of the commercial/industry representation which will be based in London.

The main aim of the new Group will be to develop a coherent single voice at the industry level and to provide support to the diplomatic representation in Brussels on key sugar issues relating to the implementation of the EPA sugar arrangements.

2007/2008 Complementary Quantity (CQ)

The total CQ allocation for the 2007/2008 marketing year was 281,761 tonnes w.s.e. The delivery period for the 2007/2008 CQ ended on 30 September 2008. Fiji's final allocation of the 2007/2008 CQ was 53,998 tonnes w.s.e. which was delivered by 30 September 2008.

11th Special ACP Ministerial Conference on Sugar

Sugar Ministers from the ACP signatory States to the Sugar Protocol and ACP LDC sugar suppliers under the EBA initiative met at the Guyana International Conference Centre, Georgetown, Guyana from 17 to 21 May 2009 for the 11th Special ACP Ministerial Conference on Sugar.

The Conference was also attended by representatives of the various ACP sugar industries and key EU sugar industry stakeholders. The theme for the Conference was:

"Adapting to Sugar Arrangements under EPAs"

Ministers adopted the *Georgetown Action Plan* which sets clear strategies and actions to be implemented by the ACP Group in several crucial areas over the next two years especially with respect to the transitional phase under the new sugar arrangements in the context of the Fiji/EC Economic Partnership Agreement.

Transfer of Fiji Sugar Marketing Operations to the Corporation

Cabinet at its meeting held on 17 February 2009, decided to the winding down of the Fiji Sugar Marketing Company Limited (FSM) through the normal legal process and its assets, operations and functions transferred to the Corporation. FSM ceased operations as from 30 March 2009. As at 1 April 2009, the Corporation has taken over the functions previously performed by the FSM on behalf of the Corporation.

With respect to the future arrangements for the Brussels/London Representative office, following discussions and consultations between the Corporation and Government, it was agreed that there was no further need for direct Industry Representative in the EU as this function can be undertaken by Government through the Fiji Embassy in Brussels.

Accordingly the Corporation's representative in Brussels will be transferred to Government and become part of the diplomatic team in Brussels from 1 January 2010.

World Market

In the last year the global sugar market has witnessed high volatility. The rise in production during the 2007/08 season had resulted in a global production surplus of 6.5 million tonnes. However, in contrast the 2008/09 season has seen the largest fall in global production on record of 20 million tonnes and a draw down in global stocks of over 15 million tonnes.

This fall in production has been driven by a combination of structural factors, agricultural problems and economic events, which have stressed producing industries. The global financial crisis intensified in the third and fourth quarters of 2008, leading to large scale withdrawals of investor funds from all markets, including commodities and sugar.

As such, the raws and whites markets have at times seemed to move at odds with changes in sugar fundamentals.

Since the beginning of the year the sugar market has become more fundamental-led with the global deficit helping the raws market to rally back over US 15 cents/pound. The backdrop to this price rally has been a series of disappointing sugar crops around the world and renewed investor inflows into selected commodity markets, including sugar.

One of the major fundamental reasons behind the 2009 rally has been India's swing from an exporter to an importer. The Indian 08/09 crop saw a 44% fall in sugar production, driven by a 20% fall in planted area and a fall in agricultural yields. Three years of static cane prices, over-production and a build up in stock led to farmers switching away from sugarcane into other, more valuable crops. This has seen sugar production fall to 14.7 million tonnes, which is below current consumption levels, and has led to a gradual liberalisation of sugar import policy by national authorities.

Despite positive starts, crop results in Thailand, Mexico and China have also been disappointing this season, adding further pressure to the tight supply side of the market. Meanwhile, the demand side has seen sugar purchases deferred with buyers either restricted from accessing the market by the financial crisis or choosing to draw down stocks. As a result, there is plenty of pent-up demand to come to the market in the second half of 2009 when Brazil availability is at its peak.

Sugar Imports

Apart from the 31,200 tonnes of Direct Consumption Raw sugar imported from India during the 2007/08 period, a further 45,780 tonnes of sugar was imported during the 2008/09 period to cater for the local and regional markets. Of this tonnage, 28,780 tonnes was imported from India while 17,000 tonnes was imported from Thailand.

In view of the changes to the EU delivery period from 1 July to 30 June to 1 October to 30 September, which has now given us the flexibility to deliver our quota from two seasons sugar, the Corporation has now decided to cease importation of sugar and to recommence bagging operation from the 2009 crushing season.

Molasses

During the year a total of 118,783 tonnes of molasses was produced and sold mainly to the export markets.

New Filtrate and Syrup clarification system





RISK MANAGEMENT

The Board recognizes that there are inherent risks associated with the Corporation's operations including market risks, credit risks, liquidity risks and other operational risks. The Board together with management endeavours to mitigate such risks by continually reviewing the activities of the Corporation in order to identify key business and operational risks and ensuring that they are appropriately assessed and managed.

HUMAN RESOURCES

Manpower

During the year there were no major changes to our manning levels compared to previous years. In order to streamline our manpower needs, the Corporation has embarked on a manpower rationalization plan that involves standardization and maximisation of our human resources to ensure business viability. The plan is expected to be implemented in the next financial year.

Industrial Relations

Regular meetings with the Unions and continued informal discussions ensured industrial matters were amicably resolved. The Corporation will continue to build on the goodwill generated over the years as it progresses with the restructuring and reduction of wage cost through continuous review of its manpower needs.

Training & Development

The Corporation recognizes the need to have a skilled workforce in order to continuously improve performance and address changes affecting its operations internally and externally.

Technical skills particularly in engineering and sugar technology need to be significantly up-skilled to meet the operational requirements of sugar manufacturing using the technologies and equipment and investments made in the factories.

A total of 51 tradesmen had undergone their first phase of training with the Australian Pacific Technical College during the year in our effort to upgrade the skills of our tradesmen. Our apprentices also performed exceptionally well during the year by winning 75% award at stake besides the Best Overall Award.

Training and building of employee skills was a major focus and priority during the year with a total of 88 training programs being conducted where 1,177 employees participated.

Occupational Health and Safety

Occupational Health and Safety management system is undergoing progressive review and integration to include the Environment Management Act 2005 and associated legislations.

This review is ongoing and the first review has been completed. The focus during the year has been on the integration of OHS procedures and Environment work processes from our OHS System manual.

There has been a significant improvement in our safety performance overall and the Corporation is fully committed to excel further in this important area which directly affects health and safety of its workers.



Executive Management Group Meeting

INFORMATION SYSTEM

The Corporation continues to focus on quality information systems for its day to day decision making and long term planning.

This has been achieved through minimizing operational disruptions by providing proper maintenance, standardization of all computer systems, networks and related equipments, strengthening the helpdesk operations and building capacity and capabilities within.

Some of the major achievements for the year have been development of a fully integrated maintenance management system, enhancement to the human resources management system, development of executive reporting system on local intranet, upgrade of wide area network, strengthening of connectivity from remote sector sites, communications systems and upgrade of e-mail infrastructure.

ENVIRONMENT

The Corporation is committed to addressing environmental issues in a responsible manner. Sugar Industry by its very nature has to deal with complex environmental issues.

1. Location of sugar mills

Three of the four mills are built on river banks and extract water for production process. One tonne of cane requires approximately ten tonnes of water for cooling purposes and processing of sugar under vacuum conditions.

2. Cane Farming

Sugar cane requires abundant water for growth. Excessive use of fertiliser can lead to soil and water contamination. Poor farming practices and expansion into marginal lands lead to soil erosion. Perhaps the most significant environment problem is associated with cane burning which reduces sugar quality and soil potential for the future.

3. Sugar Production

Sugar milling operations result in water pollution. Waste water from the mills contains suspended solids, heat, chemical and grease/oil.

These are toxic to aquatic life or human consumption. Solid waste disposal from the factories result in land pollution from leachates. Air pollution is caused by emission of fly ash and particles from boiler stacks which have adverse effects on human health and plant life.

The Corporation is committed to addressing these environmental issues through its mill upgrade works by installation of Wet Scrubbers to the boilers to eliminate air pollution and construction of Pollution Ponds for waste water treatment. In addition the entire mill upgrade works is aimed at making the factories environmentally responsible.

The Corporation is confident that the problem of contamination of all water ways, in particular Qawa River at Labasa and air pollution at all our factories will be contained within universally acceptable standards on completion of the mill upgrade works.

Environmental issues on cane farms is planned to be addressed through intensive awareness programs as part of the Extension and Farm Advisory Services. Any perceived advantages from cane burning are more than offset by the damage to the environment. If this fails to achieve the desired results then some form of penalties for burning may have to be imposed.

CRITICAL SUCCESS FACTORS AND STRATEGIC DIRECTION

Critical success factors and its strategic direction for the Corporation remained unchanged from the previous year. Apart from good progress on the Mill Upgrade Program there was little progress on other areas.

The operating results for the year yet again reinforced the need to pursue these initiatives and programs urgently to enable the Corporation to position itself for the challenges and opportunities that lie ahead.

Mill Upgrade Program

Excellent progress was made on the Mill Upgrade Program despite adversities caused by the floods in January 2009. Approximately 80% of the upgrade works is completed and the balance will be completed by April 2010 following which significant improvements are expected in plant reliability, sugar extraction, sugar quality, energy efficiency and environmental control.

Cane Production

The continuing decline in cane production remains a concern. In response to this the Corporation has adopted a comprehensive and focused strategy to increase cane production for required levels.

Harvesting and Transportation Operations

In addition to increasing cane production adequate supply of quality cane to the mills will be critical for the mills to achieve desired efficiency levels.

This remains a major challenge to the Corporation for 2010. In the meantime the field function has been reorganised to provide a one-stop shop service to the farmers on all field, harvesting and transportation operations.

Diversification Projects

Diversification projects such as cogeneration and production of ethanol are behind schedule and will need to be pursued with urgency to realise the Corporation's strategic objective of becoming an integrated sugar and energy company. The Corporation owns significant areas of prime land which it will be developing to realise their full potential and maximise its shareholder value.



Organisational Initiatives

As reported in the previous year the Corporation will urgently need to undertake initiatives for organisational transformation. These will include streamlining Organisational Structure and rationalisation of manpower levels, cost reduction strategies to improve operational gearing and reducing overheads, and implementation of an intergrated Factory Maintenance Management System to improve reliabilities and efficiencies of the mills. Programs and initiatives will also need to be put in place to improve the Corporation's corporate image and address its environmental issues.

The Future

Sugar Industry has enjoyed significant subsidies through preferential market access to the European Union in the past. However, these subsidies are now being progressively removed through the reform of the EU Sugar Regime. The Industry has also seen decline in its field and factory performance in recent years.

Given the geographic location in terms of remoteness from the market and its size, the industry will continue to face huge challenge to compete in the world market. This, coupled with the decline in sugar price will mean the Corporation will need to re-position itself if it is to continue to provide growth in the rural sector and strengthening of the country's economic base that it has always provided. These developments certainly present huge challenges for the Corporation. Strategically these challenges present opportunities to turnaround the Corporation. Guided by a shared vision and direction and the support of Government, this remains the central focus of the Corporation.

ACKNOWLEDGEMENT

The year under review was perhaps the most challenging year in the Corporation's history. During the year the Corporation's biggest ever mill upgrade works was substantially completed and extensive works were carried out to prepare the mills for the 2009 crush, amid the worst ever floods in Fiji's history. At the same time sugar price declined significantly as part of the reform of the EU sugar market. In spite of these adversities the Corporation's trading results improved over the previous year.

These would not have been possible without the dedication, commitment and team work of our employees who persevered through these trying times and responded beyond the call of duty.

I would like to make special acknowledgement to the families of our employees who were affected by the floods. The spirit in which our people responded in the difficult times experienced during the year is testimony to the attributes required to meet the challenges that lie ahead.

Deo Saran
Chief Executive Officer



New control room for filtrate & syrup clarification system at Lautoka Mill



Construction of continuous vacuum pan at Rarawai Mill in progress



FINANCIAL STATEMENTS

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DIRECTORS' REPORT

In accordance with a resolution of the board of directors, the directors herewith submit the balance sheet of The Fiji Sugar Corporation Limited (the Corporation) and of the Group as at 31 May 2009 and the related income statement, statement of movements in equity and cash flow statement for the year then ended and report as follows:

Directors

The names of directors in office at the date of this report are:

Mr Gautam Ramswarup (Chairman)
Mr Alipate Qetaki
Ratu Deve Toganivalu
Mr Krishna Prasad

Mr Marika Gaunavou (Deputy Chairman)
Mr Parvin Krishna
Mr Viliame Gucake
Mr Osea Naiqamu

Group Accounts

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

Principal Activities

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

Principal activities of subsidiary companies are as follows:

FSC Projects Limited - the examination and development of projects relating to the utilisation of natural resources on behalf of the Corporation and equity investments.

FSC Services Pty Limited - the procurement and supply of materials and spare parts and the provision of ancillary services to the holding company. This company ceased operations from May 2006.

Pacific Cogeneration Limited - production of electrical power plant and to generate electricity and develop electrical power facilities and to supply and sell electricity. The company has yet to commence operations.

There were no changes in the nature of these activities during the financial year.

Results

The consolidated results of the Group are summarized below:

	2009	2008
	\$'000	\$'000
Operating loss	(6,393)	(21,870)
Provision for inventory obsolescence	(100)	(934)
Reversal of impairment loss on plant and equipment to the extent of depreciation charge	569	550
Provision for impairment of plant and equipment	(1,297)	-
Losses due to floodings	(6,112)	-
Unrealised exchange gain / (loss)	(24,380)	3,033
Loss on sale of investments in associate companies	(2,425)	-
Share of income / (losses) from associates	77	(510)
Operating loss before income tax	(40,061)	(19,731)
Income tax benefit	3,310	400
Net loss for the year	<u>(36,751)</u>	<u>(19,331)</u>



DIRECTORS' REPORT [CONT'D]

Dividends

The directors recommend that no dividends be declared for the year ended 31 May 2009.

Reserves

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

Bad and Doubtful Debts

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

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

Non-Current Assets

The directors took reasonable steps before the Corporation's and the Group's financial statements were made out to ascertain that the non-current assets of the Corporation and of the Group were shown in the accounting records at a value equal to or below the value that would be expected to be realised in the ordinary course of business.

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

Basis of Accounting – Going Concern

The financial statements have been prepared on a going concern basis on the assumption that the Corporation and the Group entities will generate adequate profits and cash flows from future operations, will continue receiving ongoing support from the Government of the Republic of Fiji Islands, and will have the funding facilities from the banks and other financial institutions which will enable the Corporation and the Group to meet its funding requirements for operations and to meet its obligations as and when they fall due. The directors believe that the Corporation and the Group entities will be able to continue in operation for at least 12 months from the date of this statement and the classification and carrying amounts of assets and liabilities as stated in these accounts are appropriate.

Significant Events During the Year

During the year, on 15 April 2009, the Fiji dollar was devalued by 20% by the Reserve Bank of Fiji. The financial effect of this event is more likely to bring in increased value of sugar proceeds in Fiji dollar terms to the Corporation. Furthermore, the Corporation's long term borrowings and repayment commitments to Export Import Bank of India, which are denominated and repayable in US Dollars, have increased significantly in Fiji dollar terms.



DIRECTORS' REPORT [CONT'D]

Unusual Transactions

During the year, the Corporation incurred significant losses due to floodings during January 2009. Furthermore, the Corporation incurred significant unrealized exchange losses principally arising from the devaluation of Fiji dollar during April 2009.

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

Events Subsequent to Balance Date

Subsequent to balance date:

- (i) The Corporation secured domestic funding of \$16 million to fund its ongoing working capital requirements.
- (ii) On 6 August 2009, the Sugar Industry Tribunal, based on the submission by the Corporation ordered the closure of the Kavanagasau Rarawai Railway tramline beyond Batiri point (48 Kms) to be closed permanently. The financial impact of the above event, which has occurred after balance date, will be incorporated in the financial statements for the year ending 31 May 2010.

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

Other Circumstances

As at the date of this report:

- (i) no charge on the assets of any company in the Group has been given since the end of the financial year to secure the liabilities of any other person;
- (ii) no contingent liabilities have arisen since the end of the financial year for which any company in the group could become liable; and
- (iii) no contingent liabilities or other liabilities of any company in the Group has become or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Corporation or the Group to meet its obligations as and when they fall due.

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



DIRECTORS' REPORT [CONT'D]

Directors' Benefits

Since the end of the previous financial year, no director of the Corporation has, received or become entitled to receive a benefit (other than a benefit included in the total amount of emoluments received or due and receivable by directors as shown in the Corporation's financial statements) by reason of contract made by the Corporation or related corporation with the director or with a firm of which he is a member, or with a company in which he has substantial financial interest.

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

Dated this 26 day of August 2009.

A handwritten signature in black ink, appearing to be 'C. Ram', written over a horizontal line.

Director

A handwritten signature in black ink, appearing to be 'A. B.', written over a horizontal line.

Director

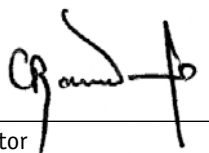
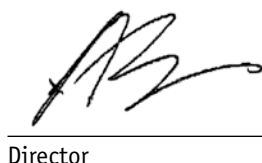
STATEMENT BY DIRECTORS

In accordance with a resolution of the board of directors of The Fiji Sugar Corporation Limited, we state that in the opinion of the directors:

- (a) the accompanying income statement of the Corporation and of the Group is drawn up so as to give a true and fair view of the results of the Corporation and of the Group for the year ended 31 May 2009;
- (b) the accompanying balance sheet of the Corporation and of the Group is drawn up so as to give a true and fair view of the state of affairs of the Corporation and of the Group as at 31 May 2009;
- (c) the accompanying statement of movements in shareholder's equity of the Corporation and of the Group is drawn up so as to give a true and fair view of the movement in shareholder's equity of the Corporation and of the Group for the year ended 31 May 2009;
- (d) the accompanying cash flow statement of the Corporation and of the Group is drawn up so as to give a true and fair view of the cash flows of the Corporation and of the Group for the year ended 31 May 2009;
- (e) at the date of this statement, we believe that the Corporation and the companies in the Group will be able to pay their debts as and when they fall due; and
- (f) all related party transactions have been adequately recorded in the books of the Corporation and the companies in the Group.

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

Dated this 26 day of August 2009


Director
Director



INDEPENDENT AUDIT REPORT

To the members of The Fiji Sugar Corporation Limited

Scope

We have audited the financial statements of The Fiji Sugar Corporation Limited (the "Corporation") and of the Group for the year ended 31 May 2009 as set out on pages 32 to 67. The Corporation's management and directors are responsible for the preparation and presentation of the financial statements and the information they contain. We have conducted an independent audit of these financial statements in order to express an opinion on them to the members of the Corporation.

Our audit has been conducted in accordance with Fiji Standards on Auditing to provide reasonable assurance as to whether the financial statements are free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial statements are presented fairly in accordance with International Financial Reporting Standards and the Companies Act, 1983 so as to present a view which is consistent with our understanding of the Corporation's and the Group's financial position, the results of its operations, cash flows and movements in the shareholders' equity.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In our opinion:

- (a) proper books of account have been kept by the Corporation and the Group entities, so far as it appears from our examination of those books; and
- (b) the accompanying financial statements of the Corporation and the Group which have been prepared in accordance with International Financial Reporting Standards:
 - i) are in agreement with the books of account;
 - ii) to the best of our information and according to the explanations given to us:
 - (a) give a true and fair view of the state of affairs of the Corporation and of the Group as at 31 May 2009 and of the results, movements in shareholders' equity and cash flows of the Corporation and of the Group for the year ended on that date; and
 - (b) give the information required by the Companies Act, 1983 in the manner so required.

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



INDEPENDENT AUDIT REPORT (CONT'D)

To the members of The Fiji Sugar Corporation Limited (Cont'd) Emphasis of Matter

Without qualifying to the opinion expressed above, attention is drawn to the following matter:

Inherent Uncertainty regarding Continuation as a Going Concern

Reference is made to Note 21 to the financial statements which summarize various factors which could create financial constraints for the Corporation and the Group and which could impact the ability of the Corporation and the Group to be able to continue as a going concern.

Consequently, the Corporation's and the Group's ability to continue on a going concern basis are critically dependent on the continued financial and other support from the Government, and other factors as outlined in Note 21.

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

SUVA, FIJI
26 August, 2009


CHARTERED ACCOUNTANTS



INCOME STATEMENT

FOR THE YEAR ENDED 31 MAY 2009

	Notes	Consolidated		Holding Company	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Turnover		245,806	234,900	245,806	234,900
Less: Cost of sales		(248,404)	(246,475)	(248,404)	(246,475)
Gross loss		<u>(2,598)</u>	<u>(11,575)</u>	<u>(2,598)</u>	<u>(11,575)</u>
Other income	5	2,328	237	2,328	237
Administrative expenses		(5,375)	(6,926)	(5,373)	(6,919)
Other expenses		(241)	(2,802)	(240)	(2,802)
Realised exchange gain / (loss), net		(96)	8	(96)	8
Provision for impairment of plant and equipment	10(d)	(1,297)	-	(1,297)	-
Provision for inventory obsolescence		(100)	(934)	(100)	(934)
Reversal of impairment loss on plant and equipment to the extent of depreciation charge	10(d)	569	550	569	550
		<u>(4,212)</u>	<u>(9,867)</u>	<u>(4,209)</u>	<u>(9,860)</u>
Loss from operations	5	(6,810)	(21,442)	(6,807)	(21,435)
Finance income	6	153	294	151	292
Finance costs	6	(565)	(1,106)	(565)	(1,106)
Unrealised exchange gain / (loss)		(24,379)	3,033	(24,379)	3,033
Loss on sale of investments in associate company		(2,425)	-	(2,425)	-
Share of income /(losses) from associated companies	11(c)	77	(510)	-	(578)
Losses due to floodings		(6,112)	-	(6,112)	-
Loss before income tax		<u>(40,061)</u>	<u>(19,731)</u>	<u>(40,137)</u>	<u>(19,794)</u>
Income tax benefit	8(b)	3,310	400	3,311	400
Net Loss for the year		<u>(36,751)</u>	<u>(19,331)</u>	<u>(36,826)</u>	<u>(19,394)</u>
Basic earnings / (loss) per share (expressed in cents per share)	9	<u>(0.83)</u>	<u>(0.44)</u>		
Diluted earnings / (loss) per share (expressed in cents per share)	9	<u>(0.83)</u>	<u>(0.44)</u>		

The above Income Statement should be read in conjunction with the accompanying notes.



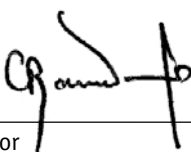
BALANCE SHEET


FOR THE YEAR ENDED 31 MAY 2009

	Notes	Consolidated		Holding Company	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Non-current assets					
Property, plant and equipment	10	261,477	220,830	261,477	220,830
Available-for-sale financial assets	11	792	2,575	12	1,793
Inventories	12	8,933	6,946	8,933	6,946
Total non-current assets		271,202	230,351	270,422	229,569
Current assets					
Inventories	12	18,249	13,640	18,249	13,640
Trade and other receivables	13	22,079	15,866	21,999	15,786
Short term deposits		81	8,535	-	8,535
Cash on hand and at bank		342	5,094	341	5,093
Total current assets		40,751	43,135	40,589	43,054
Total assets		311,953	273,486	311,011	272,623
Shareholders' equity					
Share capital	15	22,200	22,200	22,200	22,200
Share of reserve in associate company		-	36	-	36
Retained earnings		88,829	125,580	87,236	124,062
Total shareholders' equity		111,029	147,816	109,436	146,298
Non-current liabilities					
Borrowings	16	80,610	43,204	80,610	43,204
Deferred income	17	1,002	1,116	1,002	1,116
Deferred income tax liability	8(c)	22,562	25,873	22,562	25,873
Provisions	18	1,707	2,048	1,706	2,048
Total non-current liabilities		105,881	72,241	105,880	72,241
Current liabilities					
Borrowings	16	50,583	18,042	51,236	18,697
Provisions	18	3,263	2,939	3,262	2,939
Trade and other payables	19	41,197	32,448	41,197	32,448
Total current liabilities		95,043	53,429	95,695	54,084
Total equity and liabilities		311,953	273,486	311,011	272,623

The above Balance Sheet should be read in conjunction with the accompanying notes.

These financial statements have been approved by a resolution of the Board of Directors. For and on behalf of the Board.


 Director


 Director



STATEMENT OF MOVEMENT IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED 31 MAY 2009

	Notes	Share Capital \$'000	Share of Reserve in Associate \$'000	Retained Earnings \$'000	Total \$'000
Consolidated					
Balance at 31 May 2007		22,200	-	144,913	167,113
Changes in equity for 2008					
Foreign currency translation adjustment		-	-	(2)	(2)
Recognition of share of post acquisition movement in investment revaluation reserve of associate company	11(c)	-	36	-	36
Net loss for the year		-	-	(19,331)	(19,331)
Balance at 31 May 2008		22,200	36	125,580	147,816
Changes in equity for 2009					
Adjustments to investments revaluation reserve on account of sale of investments in associate company	11(c)	-	(36)	-	(36)
Net loss for the year		-	-	(36,751)	(36,751)
Balance at 31 May 2009		<u>22,200</u>	<u>-</u>	<u>88,829</u>	<u>111,029</u>
Holding Company					
Balance at 31 May 2007		22,200	-	143,456	165,656
Changes in equity for 2008					
Recognition of share of post acquisition movement in investment revaluation reserve of associate company	11(c)	-	36	-	36
Net loss for the year		-	-	(19,394)	(19,394)
Balance at 31 May 2008		22,200	36	124,062	146,298
Changes in equity for 2009					
Adjustments to investments revaluation reserve on account of sale of investments in associate company	11(c)	-	(36)	-	(36)
Net loss for the year		-	-	(36,826)	(36,826)
Balance at 31 May 2009		<u>22,200</u>	<u>-</u>	<u>87,236</u>	<u>109,436</u>

The above Statement of Movements in Shareholders' Equity should be read in conjunction with the accompanying notes.



CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MAY 2009

	Consolidated		Holding Company	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Cash flows from operating activities				
Receipts from customers and other operating activities	240,618	245,951	240,616	245,952
Receipt from government grant	889	-	889	-
Payments to suppliers, employees and for operating activities	(246,211)	(244,969)	(246,208)	(244,828)
Cash generated from /(used in) operations	(4,704)	982	(4,703)	1,124
Dividends received	79	-	-	-
Interest received	155	374	154	372
Income tax refund received	-	703	-	703
Interest and other cost of finance paid	(2,430)	(2,419)	(2,430)	(2,419)
Net cash flows used in operating activities	(6,900)	(360)	(6,979)	(220)
Cash flows from investing activities				
Payments for property, plant and equipment	(52,792)	(36,740)	(52,792)	(36,740)
Proceeds from sale of property, plant and equipment	63	81	63	81
Payments for acquisition of additional shares in associated companies	(680)	-	(680)	-
Net cash flows used in investing activities	(53,409)	(36,659)	(53,409)	(36,659)
Cash flows from financing activities				
Proceeds from Export Import Bank of India loan	15,938	21,260	15,938	21,260
Proceeds from other short term borrowings, net	29,223	15,598	29,224	15,598
Proceeds / (repayments) of advances from subsidiary entity	-	-	(3)	555
Net cash flows provided by financing activities	45,161	36,858	45,159	37,413
Net increase / (decrease) in cash and cash equivalents	(15,148)	(161)	(15,229)	534
Effect of exchange rate movement on cash and cash equivalents	-	4	-	-
Cash and cash equivalents at the beginning of the financial year	13,629	13,786	13,628	13,094
Cash and cash equivalents at the end of the financial year (Note 14)	(1,519)	13,629	(1,601)	13,628

The above Cash Flow Statement should be read in conjunction with the accompanying notes.



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2009

1. GENERAL INFORMATION

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

Principal activities of the Corporation are milling of sugar cane in Fiji and the sale of sugar and molasses produced.

The address of its registered office and principal place of business is at 3rd floor, Western House, Lautoka and the shares of the Corporation are listed on the South Pacific Stock Exchange.

Subsidiary companies

Principal activities of subsidiary companies are as follows:

FSC Projects Limited - the examination and development of projects relating to the utilisation of natural resources on behalf of the Corporation and equity investments.

FSC Services Pty Limited - the procurement and supply of materials and spare parts and the provision of ancillary services to the holding company. This company ceased operations from May 2006.

Pacific Cogeneration Limited - production of electrical power plant and to generate electricity and develop electrical power facilities and to supply and sell electricity. The company has yet to commence operations.

Statement of compliance

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

These financial statements were authorised for issue by the directors on 26th August 2009.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

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



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS [CONT'D]

FOR THE YEAR ENDED 31 MAY 2009

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

2.1 Basis of preparation (Cont'd)

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

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are critical to the financial statements are disclosed in Note 4.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

a) Standards, amendments and interpretations issued but not yet effective

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the accounting periods beginning on or after 1 January 2009 or later periods, but the Corporation and the Group has not early adopted them. No significant impact is expected to arise out of these standards, amendments and interpretations.

- IAS 27 - Consolidated and separate financial statements.
- IFRS 8 - Operating segments, IFRS 8 replaces IAS 14.
- IAS 1 (Revised and Amendment) - Presentation of financial statements.
- IAS 23 (Amendment) - Borrowing costs.
- IAS 36 (Amendment) - Impairment of assets.

b) Basis of accounting - Going concern

The financial statements have been prepared on a going concern basis on the assumption that the Corporation and the Group entities will generate adequate profits and cash flows from future operations, will continue receiving ongoing support from the Government of the Republic of Fiji Islands, and will have the funding facilities from the banks and other financial institutions which will enable the Corporation and the Group to meet its funding requirements for operations and to meet its obligations as and when they fall due. The directors believe that the Corporation and the Group entities will be able to continue in operation for at least 12 months from the date of this statement and the classification and carrying amounts of assets and liabilities as stated in these accounts are appropriate.

Accordingly, the financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that may be necessary should the Corporation and the Group be unable entities to continue as a going concern.



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS [CONT'D]

FOR THE YEAR ENDED 31 MAY 2009

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

2.2 Basis of consolidation

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

Accounting for Subsidiaries

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

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

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

Investment in associates

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

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

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

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



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS [CONT'D]

FOR THE YEAR ENDED 31 MAY 2009

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

2.3 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

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

2.4 Borrowing costs

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

2.5 Cash and cash equivalents

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

2.6 Comparatives

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

2.7 Dividend income

Dividends on available-for-sale equity instruments other than equity investments in associate companies are recognised in the income statement as part of other income when the Group's right to receive payments is established. Dividends received from associate companies are adjusted against the carrying value of the investments in associate companies by virtue of applying the equity method of accounting for investments in associates.

2.8 Earnings per share

(a) Basic earnings per share

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

(b) Diluted earnings per share

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



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS [CONT'D]

FOR THE YEAR ENDED 31 MAY 2009

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

2.9 Employee benefits

Wages and salaries

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

Annual leave and sick leave

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

Long service leave

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

Terminal benefits

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

Defined contribution plans

Contributions to Fiji National Provident Fund are expensed when incurred. All employees who are Fiji citizens belong to the Fiji National Provident Fund, an independent statutory administered fund. The Corporation has no liability for current or past service pensions in respect of these employees.

2.10 Financial assets

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

(a) *Loans and receivables*

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

(b) *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity.

Held-to-maturity investments are measured at subsequent reporting dates at amortised cost.



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS [CONT'D]

FOR THE YEAR ENDED 31 MAY 2009

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

2.10 Financial assets (Cont'd)

(c) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

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

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

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement.

2.11 Foreign currency translation

(a) *Measurement currency*

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

(b) *Transaction and balances*

Foreign currency transactions are translated into the measurement currency using the exchange rates prevailing at the dates of the transactions. Amount payable and receivable in foreign currencies at balance date are converted at rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement for all transactions except for foreign gains or losses relating to borrowings from Export Import Bank of India which is capitalised to respective capital projects.

(c) *Group companies*

Income statements and cash flows of foreign entities are translated into the Group's reporting currency at average exchange rates for the year and their balance sheets are translated at the exchange rates ruling on 31 May 2009.



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS [CONT'D]

FOR THE YEAR ENDED 31 MAY 2009

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

2.12 Government grants

Grants from the government are recognised where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs they are intended to compensate. Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

2.13 Impairment of non-financial assets

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

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

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

2.14 Income tax

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

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



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS [CONT'D]

FOR THE YEAR ENDED 31 MAY 2009

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

2.14 Income tax (Cont'd)

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

Current and deferred tax for the period

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

2.15 Inventories

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

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

2.16 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

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

2.17 Property, plant and equipment

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

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



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS [CONT'D]

FOR THE YEAR ENDED 31 MAY 2009

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

2.17 Property, plant and equipment (Cont'd)

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

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

Leasehold land is depreciated over the term of the applicable lease. New assets are depreciated from the commencement of the half-year in which they are commissioned.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

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

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

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

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

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

2.18 Provisions

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

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

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



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS [CONT'D]

FOR THE YEAR ENDED 31 MAY 2009

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

2.18 Provisions (Cont'd)

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

2.19 Revenue recognition

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

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Interest income

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

2.20 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

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



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS [CONT'D]

FOR THE YEAR ENDED 31 MAY 2009

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

2.21 Trade receivables

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

2.22 Trade payables

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

2.23 Value Added Tax (VAT)

Revenues, expenses, assets and liabilities are recognised net of the amount of Value Added Tax (VAT), except where the amount of VAT incurred is not recoverable from the taxable authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense, or for trade receivables and trade payable which are recognised inclusive of VAT.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

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

(a) Market risk

(i) Foreign exchange risk

The Group largely procures most of its mill plant, equipment, spare parts and supplies from overseas and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US, Australian and NZ dollar. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in foreign currencies. The Mill Upgrade Program of the Group is being funded by way of Line of Credit denominated in US dollars.

Management has set up a policy to require Group companies to manage their foreign exchange risk against their functional currency, in this case the Fiji dollar. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency other than the Fiji dollar. For significant settlements, the Group companies are required to seek quotations from recognised banks and use the most favorable exchange rate for purposes of the settlement.



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS [CONT'D]

FOR THE YEAR ENDED 31 MAY 2009

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.1 Financial risk factors (Cont'd)

(a) Market risk (Cont'd)

(i) Foreign exchange risk (Cont'd)

As at year end, assets and liabilities denominated in foreign currencies are significant and hence changes in the US, Australian and NZ dollars by 10% (increase or decrease) is expected to have a significant impact on the net profit and equity balances currently reflected in the group financial statements.

Furthermore, the devaluation of the Fiji dollar on 15 April 2009 by 20% is expected to have significant impact on the net profit and equity balances in the group's financial statements in future, primarily in relation to the Line of Credit from Export Import Bank of India which are denominated in US Dollars, Sugar sale proceeds and the consistent procurement of maintenance products and services from overseas.

(ii) Price risk

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

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

(iii) Regulatory risk

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

In addition, the Group's profitability is also significantly impacted by the Reform of the European Union Sugar Regime as the Corporation sells most of its sugar to the EU. The reform involved denunciation of the ACP-EU Sugar Protocol with effect from 28th September 2009 and negotiate a successor agreement to the Sugar Protocol in the form of Economic Partnership Agreements with the ACP Member states.

(iv) Cane supply risk

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

	Cane Supply for the year 2009 (000t)	Gross Loss for the year ended 31 May 2009	Cane supply increase of 10%	Cane supply decrease of 10%
Gross Profit / (Loss) (\$ million)	2,322	(2.6)	3.3	(8.1)



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS [CONT'D]

FOR THE YEAR ENDED 31 MAY 2009

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.1 Financial risk factors (Cont'd)

(a) Market risk (Cont'd)

(iv) Cash flow and fair value interest rate risk

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

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

In relation to borrowings from Fiji National Provident Fund, Reserve Bank of Fiji and Sugar Cane Growers Fund, the Group is not exposed to interest rate risk as it borrows funds at fixed interest rates. In relation to the bank overdraft from bank, the Group is exposed to interest rate risk as the bank overdraft is at floating interest rate.

The interest rate risks and exposures are being closely monitored by the Executive Management Group and the Directors within the approved parameters.

(b) Credit risk

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

(c) Liquidity risk

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

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

	Less than 1 year \$'000	Between 1 and 2 years \$'000	Between 3 and 5 years \$'000	Over 5 year \$'000
At 31 May 2009				
Short term borrowings	47,329	-	-	-
Export Import Bank of India	2,839	5,795	30,237	44,578
Interest and commitment fees payable	415	-	-	-
Trade and other payables	41,197	-	-	-
At 31 May 2008				
Short term borrowings	15,598	-	-	-
Export Import Bank of India	1,994	4,070	16,949	22,185
Interest and commitment fees payable	450	-	-	-
Trade and other payables	32,448	-	-	-



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS [CONT'D]

FOR THE YEAR ENDED 31 MAY 2009

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

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

The gearing ratios at 31 May 2009 and 2008 were as follows:

	2009	2008
	\$'000	\$'000
Total borrowings (Note 16)	131,193	61,246
Less: Cash on hand and at bank	(342)	(5,094)
Less: Short term deposits	(81)	(8,535)
Net debt	130,770	47,617
Total equity	111,029	147,816
Total capital (total equity plus net debt)	241,799	195,433
Gearing ratio (net debt/ total capital x 100)	54%	24%

The movement in the gearing ratio during 2009 resulted primarily from increased borrowings in relation to the mill upgrade and mill modernisation program and other short term borrowings to meet the working capital requirements.

3.3 Fair value estimation

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



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS [CONT'D]

FOR THE YEAR ENDED 31 MAY 2009

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and judgments

The Group makes estimates, assumptions and judgments concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Impairment of property, plant and equipment

The Group assesses whether there are any indicators of impairment of all property, plant and equipment at each reporting date. Property, plant and equipment are tested for impairment and when there are indicators that the carrying amount may not be recoverable, reasonable provision for impairment are created. For the year ended 31 May 2009, additional provision for impairment amounting to \$1,297,426 has been made by the Group. Further, during the year ended 31 May 2009 provision for impairment created in prior years amounting to \$569,208 was reversed to the extent of the depreciation charges. (Refer Note 10(d)).

(b) 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 estimated to have been impaired and are accordingly provided for.

(c) Fair value of equity instruments

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

(d) Deferred income tax assets

Deferred income tax assets are recognized for all unused tax losses and benefits arising from temporary differences to the extent that taxable profits will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred income tax assets that can be recognized, based upon the likely and level of future taxable profits together with future planning strategies. Further details are contained in Note 8(d).

(e) Provision for stock obsolescence

Provision for stock obsolescence is assessed and raised on a specific basis based on a review of inventories. Inventories considered obsolete or un-serviceable are written off in the year in which they are identified.



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS [CONT'D]

FOR THE YEAR ENDED 31 MAY 2009

	Consolidated		Holding Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
5. LOSS FROM OPERATIONS				
Loss from operations have been arrived at after crediting the following items:				
Amortisation of government grants (Note 17)	114	174	114	174
Government grants	889	-	889	-
Creditors and payables written back	1,265	-	1,265	-
Gain on sale of property, plant and equipment	60	63	60	63
Loss from operations have been arrived after charging the following expenses:				
Auditors remuneration for:				
- Audit services	66	66	64	64
- Other services	5	5	5	5
Bad debts written off	103	52	103	52
Depreciation and amortisation:				
- Leasehold land, building and improvements	1,572	1,580	1,572	1,580
- Plant, machinery and equipment	9,512	9,635	9,512	9,635
- Motor vehicles and transport systems	1,573	1,523	1,573	1,523
Directors' emoluments for:				
- Services as directors	55	43	55	43
- Other services	132	-	132	-
Plant and equipment written off	250	2,569	250	2,569
Provision for impairment of receivables	113	22	113	22
Provision for litigation claims	(77)	137	(77)	137
Staff costs (Note 7)	38,292	36,877	38,292	36,877
6. FINANCE INCOME AND COSTS				
FINANCE INCOME				
Interest income	153	294	151	292
FINANCE COSTS				
Interest expense:				
- Secured borrowings	(552)	(430)	(552)	(430)
- Others	(13)	(676)	(13)	(676)
	(565)	(1,106)	(565)	(1,106)



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS [CONT'D]

FOR THE YEAR ENDED 31 MAY 2009

	Consolidated		Holding Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
7. STAFF COSTS				
Wages and salaries	37,728	33,573	37,728	33,573
Other employee benefits	4,229	3,781	4,229	3,781
	41,957	37,354	41,957	37,354
Less: staff costs associated with capital works	(3,437)	(848)	(3,437)	(848)
	38,520	36,506	38,520	36,506
Provisions for employee benefits	(228)	371	(228)	371
Total staff costs	<u>38,292</u>	<u>36,877</u>	<u>38,292</u>	<u>36,877</u>
Number of permanent employees as at balance date. This increases by approximately 650 employees during the crushing period.	<u>1,732</u>	<u>1,729</u>	<u>1,732</u>	<u>1,729</u>
8. INCOME TAX				
(a) Income tax (expense) / benefit				
Current tax	(1)	-	-	-
Deferred income tax liability	3,311	(303)	3,311	(303)
Over / (under) provision in prior years	-	703	-	703
Income tax (expense) / benefit	<u>3,310</u>	<u>400</u>	<u>3,311</u>	<u>400</u>



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS [CONT'D]

FOR THE YEAR ENDED 31 MAY 2009

8. INCOME TAX (CONT'D)	Consolidated		Holding Company	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
(b) Numerical reconciliation of income tax benefit				
Loss before income tax expense	(40,061)	(19,731)	(40,137)	(19,794)
Tax benefit at the Fiji tax rate of 31%	12,419	6,117	12,443	6,136
Tax effect of amounts which are not deductible / (taxable) in calculating taxable income:				
Unrealised exchange loss	(7,530)	-	(7,530)	-
Loss from associates/disposals of associate	(752)	-	(752)	-
Non-deductible expenses	(103)	(280)	(103)	(280)
Amortisation of government grant	35	53	35	54
Tax incentives/concessions	29	-	29	-
Exempt income	24	21	-	-
Deferred income tax assets in respect of tax losses and temporary differences not brought into account, net	(2,368)	(6,214)	(2,368)	(6,213)
Over / (under) provision in prior years	-	703	-	703
Change in tax rates on deferred tax balances	1,556	-	1,556	-
Income tax benefit	3,310	400	3,310	400
(c) Deferred income tax liability				
The following provides a breakdown of deferred tax liabilities as at balance sheet date:				
Unrealised gains on stock of sugar and molasses	921	563	921	563
Unrealised foreign exchange gain	148	940	148	940
Difference between accounting and tax written down value of property, plant and equipment	21,493	24,370	21,493	24,370
Total deferred income tax liability	22,562	25,873	22,562	25,873



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS [CONT'D]

FOR THE YEAR ENDED 31 MAY 2009

8. INCOME TAX (CONT'D)

(d) Deferred income tax assets

Deferred income tax assets relating to tax losses and temporary differences amounting to \$14,944,936 (2008: \$12,904,218) have not been brought to account as it is not probable that future taxable profit will be available against which temporary differences and eligible tax losses can be utilised. The asset will only be recognised if:

- (i) the Corporation and the Group derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the loss to be realized;
- (ii) the Corporation and the Group continues to comply with the conditions for deductibility imposed by tax legislation; and
- (iii) no changes in the tax legislation adversely affect the Corporation and the Group in realizing the benefit from the deductions for the loss.

9. EARNINGS / (LOSS) PER SHARE

(a) Basic

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

	Consolidated	
	2009	2008
Net Loss attributable to shareholders	\$ (36,751,017)	\$ (19,331,063)
Weighted average number of ordinary shares in issue (nos)	44,399,998	44,399,998
Basic earnings / (loss) per share (cents per share)	(0.83)	(0.44)

(b) Diluted

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS [CONT'D]

FOR THE YEAR ENDED 31 MAY 2009

10. PROPERTY, PLANT AND EQUIPMENT

Consolidated and Holding Company	Freehold Land	Leasehold Land	Buildings and Improvements	Machinery and Equipment	Plant and Transport Systems	Vehicle and Transport Systems	Capital Work In Progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 31 May 2009								
Cost	21,904	159	66,041	263,112	44,331	112,508	508,055	
Accumulated depreciation	-	(27)	(16,456)	(191,477)	(35,920)	-	(243,880)	
Impairment loss	-	-	-	(2,698)	-	-	(2,698)	
Balance as at 31 May 2009	21,904	132	49,585	68,937	8,411	112,508	261,477	
At 31 May 2008								
Cost	21,904	159	65,965	261,162	44,413	66,219	459,822	
Accumulated depreciation	-	(26)	(14,965)	(186,439)	(35,593)	-	(237,023)	
Impairment loss	-	-	-	(1,969)	-	-	(1,969)	
Balance as at 31 May 2008	21,904	133	51,000	72,754	8,820	66,219	220,830	

Note 10(a)

In prior years, land and buildings were revalued based on the valuation carried out by independent registered valuers, Rolfe Hillier Parker of Suva, Fiji in July 2002. Upon adoption of IFRS (effectively from, 1 June 2006), the Corporation has 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 \$54,375,740.

Note 10(b)

Capital work in progress principally relates to costs and expenses incurred for mill upgrades, mill modernization and other capital nature work on property, plant and equipment. Capital work in progress is not depreciated. During the year, borrowing costs of \$2,396,675 were capitalised to capital work in progress.



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS [CONT'D]

FOR THE YEAR ENDED 31 MAY 2009

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

Consolidated and Holding Company

Note 10(c)

During 2009, additional impairment loss amounting to \$1,297,426 was recognised and impairment losses recognised in prior years amounting to \$569,208 was reversed to the extent of the depreciation charges. (Refer income statement).

Note 10 (d)

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

	Freehold Land	Leasehold Land	Buildings and Improvements	Machinery and Equipment	Plant, Machinery and Equipment	Vehicles and Transport Systems	Capital Work In Progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance as at 1 June 2008	21,904	133	51,000	72,754	8,820	66,219	220,830	
Additions	-	-	289	6,437	1,303	46,688	54,717	
Disposals / write off	-	-	(133)	(14)	(139)	(399)	(685)	
Provision for impairment loss (Note 10(c))	-	-	-	(1,297)	-	-	(1,297)	
Reversal of impairment loss (Note 10(c))	-	-	-	569	-	-	569	
Depreciation (Note 5)	-	(1)	(1,571)	(9,512)	(1,573)	-	(12,657)	
Balance as at 31 May 2009	21,904	132	49,585	68,937	8,411	112,508	261,477	



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS [CONT'D]

FOR THE YEAR ENDED 31 MAY 2009

11. AVAILABLE-FOR-SALE FINANCIAL ASSETS	Consolidated		Holding Company	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Subsidiary companies				
Shares in subsidiary companies, at cost	-	-	12	12
Associate companies				
Equity accounted investments in associate companies	792	2,575	-	1,781
	792	2,575	-	1,781
Total available-for-sale financial assets Company	792	2,575	12	1,793

Refer Note 2.2 relating to accounting policy on accounting for investments in associates and subsidiaries.

(a) Investments in subsidiaries

Name of Company	Place of Incorporation	Contribution to Group Results		Book Value of Holding Company Investments (Ordinary shares)		% Shareholding	
		2009	2008	2009	2008	2009	2008
		\$	\$	\$	\$	%	%
Unlisted							
FSC Projects Ltd	Fiji	74,757	66,980	100	100	100	100
FSC Services Pty Ltd	Australia	-	(4,195)	11,875	11,875	100	100
Pacific Cogeneration Ltd	Fiji	-	-	2	2	100	100
		74,757	62,785	11,977	11,977		

The financial statements of FSC Projects Limited are audited by G.Lal + Co. The financial statements of FSC Services Pty Limited for the year ended 31 May 2009 have not been audited. Pacific Cogeneration Limited has yet to commence operations.

(b) Investments in associate companies

Name of Company	Place of Incorporation	Issued Capital (ordinary @ \$1 par)		Issued to FSC Group (ordinary @ \$1 par)		% Shareholding	
		2009	2008	2009	2008	2009	2008
		\$	\$	\$	\$	%	%
South Pacific Fertilizers Ltd	Fiji	-	2,300,000	-	920,000	-	40.00
Agchem Limited	Fiji	130,000	130,000	51,663	51,663	39.74	39.74
		130,000	2,430,000	51,663	971,663		



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS [CONT'D]

FOR THE YEAR ENDED 31 MAY 2009

	Consolidated		Holding Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
11. AVAILABLE-FOR-SALE FINANCIAL ASSETS (CONT'D)				
(c) Movement in carrying amount of associate companies				
Opening balance	2,575	3,129	1,781	2,323
Add: Share of post acquisition movement in investment revaluation reserve	-	36	-	36
Add: Acquisition of additional share capital in the associated company	680	-	680	-
Less: Share of income / (loss) from associates	77	(511)	-	(578)
Less: Reversal of post acquisition reserve	(36)	-	(36)	-
Less: Loss on sale of investments in associate company	(2,425)	-	(2,425)	-
Less: Dividends received / receivable	(79)	(79)	-	-
	<u>792</u>	<u>2,575</u>	<u>-</u>	<u>1,781</u>
12. INVENTORIES				
Non-Current				
Capital spare parts and spare gears	10,877	8,790	10,877	8,790
Deduct: Provision for inventory obsolescence	(1,944)	(1,844)	(1,944)	(1,844)
Total non-current inventories, net	<u>8,933</u>	<u>6,946</u>	<u>8,933</u>	<u>6,946</u>
Current				
Sugar and molasses	10,585	6,051	10,585	6,051
Maintenance spares and consumables	7,664	7,466	7,664	7,466
Goods in transit	-	123	-	123
Total current inventories	<u>18,249</u>	<u>13,640</u>	<u>18,249</u>	<u>13,640</u>
13. TRADE AND OTHER RECEIVABLES				
Trade receivables	2,919	2,489	2,919	2,489
Dividend receivable from associate company	79	79	-	-
Receivable from related parties	97	633	97	633
VAT receivable	10,385	8,476	10,385	8,476
Growers advance	1,199	703	1,199	703
Other receivables	4,865	1,745	4,864	1,744
	<u>19,544</u>	<u>14,125</u>	<u>19,464</u>	<u>14,045</u>
Less: Provision for impairment	(374)	(281)	(374)	(281)
	<u>19,170</u>	<u>13,844</u>	<u>19,090</u>	<u>13,764</u>
Prepayments and deposits	<u>2,909</u>	<u>2,022</u>	<u>2,909</u>	<u>2,022</u>
Total trade and other receivables, net	<u>22,079</u>	<u>15,866</u>	<u>21,999</u>	<u>15,786</u>



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS [CONT'D]

FOR THE YEAR ENDED 31 MAY 2009

13. TRADE AND OTHER RECEIVABLES (CONT'D)

The carrying value of trade and other receivables and receivables from related parties are considered to be their reasonable approximation of their fair values. Movements on the provision for impairment of trade and other receivables are as follows:

	Consolidated		Holding Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Opening balance	281	259	281	259
Provision for impairment of receivables (Note 5)	113	22	113	22
Amounts written off during the year	(20)	-	(20)	-
Closing balance	<u>374</u>	<u>281</u>	<u>374</u>	<u>281</u>

14. NOTES TO THE CASH FLOW STATEMENT

Cash and cash equivalents

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

Cash and bank balances	342	5,094	341	5,093
Short term deposits	81	8,535	-	8,535
Bank overdraft	(1,942)	-	(1,942)	-
Total cash and cash equivalents	<u>(1,519)</u>	<u>13,629</u>	<u>(1,601)</u>	<u>13,628</u>

15. SHARE CAPITAL

Authorised capital

160,000,000 ordinary shares of 50 cents each	<u>80,000</u>	<u>80,000</u>	<u>80,000</u>	<u>80,000</u>
--	---------------	---------------	---------------	---------------

Issued capital

44,399,998 ordinary shares of 50 cents each	<u>22,200</u>	<u>22,200</u>	<u>22,200</u>	<u>22,200</u>
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16. BORROWINGS

Non-current

Export Import Bank of India (a)	<u>80,610</u>	<u>43,204</u>	<u>80,610</u>	<u>43,204</u>
---------------------------------	---------------	---------------	---------------	---------------

Current

Export Import Bank of India (a)	2,839	1,994	2,839	1,994
Bank overdraft – Westpac Bank (b)	1,941	-	1,941	-
Advance from Sugar Cane Growers Fund (c)	5,750	15,598	5,750	15,598
Reserve Bank of Fiji (d)	20,028	-	20,028	-
Fiji National Provident Fund (e)	19,610	-	19,610	-
Advances from subsidiaries (f)	-	-	653	655
Interest and commitments fees payable	415	450	415	450

Total current borrowings	<u>50,583</u>	<u>18,042</u>	<u>51,236</u>	<u>18,697</u>
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Total borrowings	<u>131,193</u>	<u>61,246</u>	<u>131,846</u>	<u>61,901</u>
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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS [CONT'D]

FOR THE YEAR ENDED 31 MAY 2009

16. BORROWINGS (CONT'D)

Particulars relating to borrowings:

(a) Borrowings – Export Import Bank of India

The Corporation has 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 a Government guarantee and the principal amount is repayable in successive half yearly equal installments over a ten year period with an initial moratorium of 2 years. Interest is payable at the rate of London Inter Bank Offered Rate (LIBOR) plus 0.5%. Interest paid and / or accrued has been capitalised to capital work in progress relating to sugar mills upgrade and modernization.

Based on the submissions by the Corporation, the loan repayment moratorium period has been extended from 2 years to 3 years, and accordingly the repayment will commence from August 2009.

(b) Bank Overdraft – Westpac Bank

The bank overdraft is subject to interest at the rate of 11.49% per annum and is secured by the Government guarantee.

(c) Advance – Sugar Cane Growers Fund

The advance from Sugar Cane Growers Fund is subject to interest at the rate of 7% per annum. The loan is secured by a Government guarantee and is repayable by September 2009.

(d) Reserve Bank of Fiji

The advance from Reserve Bank of Fiji is subject to interest at the rate of 3% per annum is secured by a Government guarantee. The loan repayment was rescheduled during the year and is repayable by 14 November 2009.

(e) Fiji National Provident Fund

The advance from Fiji National Provident Fund is subject to interest at the rate of 9.05% per annum. The loan is secured by a Government guarantee. The loan was rescheduled during the year and is repayable by May 2010.

(f) Advances from Subsidiaries

(i) Advance from FSC Projects Limited of \$635,355 as at balance date. The advance is unsecured, interest free and repayable on demand.

(ii) Advance from FSC Services (Pty) Limited of \$17,278 as at balance date. The advance is unsecured, interest free and repayable on demand.

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



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS [CONT'D]

FOR THE YEAR ENDED 31 MAY 2009

17. DEFERRED INCOME

	Consolidated		Holding Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Government grants	5,014	5,014	5,014	5,014
Less: Accumulated amortisation	(4,012)	(3,898)	(4,012)	(3,898)
Deferred income, net	<u>1,002</u>	<u>1,116</u>	<u>1,002</u>	<u>1,116</u>

The above principally relates to grants received in relation to the bulk sugar shed and rail system and are being amortised on a straight line basis at 2% and 5% respectively.

18. PROVISIONS

	Employee entitlements \$'000	Litigation claims \$'000	Unpaid Rent \$'000	Income Tax \$'000	Total \$'000
Consolidated					
As at 1 June 2008	4,229	400	359	-	4,988
Additional provisions recognised / paid during the year , net	29	(77)	29	1	(18)
Carrying amount as at 31 May 2009	<u>4,258</u>	<u>323</u>	<u>388</u>	<u>1</u>	<u>4,970</u>
Holding Company					
As at 1 June 2008	4,229	400	359	-	4,988
Additional provisions recognised / paid during the year , net	29	(77)	28	-	(20)
Carrying amount as at 31 May 2009	<u>4,258</u>	<u>323</u>	<u>387</u>	<u>-</u>	<u>4,968</u>

Analysis of total provisions:

	Consolidated		Holding Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Non-current	1,707	2,048	1,706	2,048
Current	3,263	2,939	3,262	2,939
Total provisions	<u>4,970</u>	<u>4,987</u>	<u>4,968</u>	<u>4,987</u>
Employee entitlements consist of the following:				
Annual and sick leave	2,410	2,035	2,410	2,035
Long service leave	1,578	1,909	1,578	1,909
Redundancy	141	146	141	146
Compassionate allowance	129	139	129	139
Total employee entitlements	<u>4,258</u>	<u>4,229</u>	<u>4,258</u>	<u>4,229</u>



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS [CONT'D]

FOR THE YEAR ENDED 31 MAY 2009

18. PROVISIONS (CONT'D)

Annual Leave

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

Long service leave and retirement benefits

Long service leave and retirement benefits are accrued for employees entitled to the same under their terms of employment. Note 2.9 outline the accounting policy and underlying basis for these accruals. As referred to in Note 2.9, the expected future payments are discounted by 11.2% which represent the market yields on the Government Bonds as at reporting date (2008: 6.0%).

19. TRADE AND OTHER PAYABLES	Consolidated		Holding Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Trade creditors – Supplies and general	9,687	8,822	9,687	8,822
Trade creditors – Capital contractors	10,846	8,860	10,846	8,860
Other creditors and accruals	8,194	3,277	8,194	3,277
Growers creditors	9,057	-	9,057	-
Grant payable to South Pacific Fertilizers Limited	-	6,350	-	6,350
Cane access road, ACRP and other grants payables	3,413	5,139	3,413	5,139
Total trade and other payables	<u>41,197</u>	<u>32,448</u>	<u>41,197</u>	<u>32,448</u>

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

20. CONTINGENT LIABILITIES

Manufacturing wage claims and litigations (a)	730	680	730	680
Letters of credit undertakings by the bank (b)	16,407	22,174	16,407	22,174
Guarantees or bonds given by the bank	456	209	456	209
Total contingent liabilities	<u>17,593</u>	<u>23,063</u>	<u>17,593</u>	<u>23,063</u>

(a) Litigations

At balance date, \$323,359 of provision was made in respect of various court actions against the Corporation (Refer Note 18). The Corporation's directors believe that claims arising from such actions are not likely to be of material nature based on the advice of the Corporation's solicitors.

(b) Letters of credit

Letters of credit relates to letter of credit issued by Bank of Baroda in favour of various suppliers and engineering entities in relation to the Mill Upgrades Program. On due dates, payments to the suppliers and engineering entities are made from borrowings from Export Import Bank of India (Refer Note 16).



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS [CONT'D]

FOR THE YEAR ENDED 31 MAY 2009

21. GOING CONCERN

The Corporation and the Group incurred operating losses from ordinary activities during recent years.

During the year ended 31 May 2009, the Group has incurred net loss of \$36.7 million, including losses due to floodings and unrealized exchange loss due to devaluation of Fiji dollar. Furthermore, as at 31 May 2009, the current liabilities exceed the current assets by \$54.3 million and the Group has generated negative cash flows from operations for the year ended 31 May 2009.

Furthermore, the Corporation will be required to meet the repayment commitments for its loan from Export Import Bank of India commencing from August 2009 based on 3 year moratorium for repayment of loan. (Refer Note 16).

The above factors will create financial constraints on the Corporation and the Group.

The Corporation's and the Group's ability and ongoing existence and continuation are dependent on, among other things, successful and timely completion of the mill upgrade program together with achieving mill efficiency, reduction in operating costs, improved quantity and quality of cane supplies from farmers, and to generate adequate profits and cash flows to meet its commitments and obligations on a timely basis. Furthermore, the continued financial and other support from the Government and funding for the sugar industry at large are critical for a long term sustainability and survival of the sugar industry and the Corporation.

Due to the above factors and the nature of the business of the Corporation and the Group, uncertainties continue to surround the ability of the Corporation and the Group to continue as going concern, and if the Corporation and the Group is unable to continue as a going concern, it may be required to realize its assets and extinguish its liabilities other than in the normal course of business and at amounts different from those stated in the financial statements.

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 be necessary should the Corporation and the Group be unable to continue as a going concern.

The directors consider the application of the going concern principle to be appropriate in the preparation of these financial statements as the directors anticipate that the Corporation and the Group will generate adequate profits and cash flows from future operations, will continue receiving ongoing support from the Government of the Republic of Fiji Islands, and will have the funding facilities from the banks and other financial institutions which will enable the Corporation and the Group to meet its funding requirements for operations and to meet its obligations as and when they fall due.



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS [CONT'D]

FOR THE YEAR ENDED 31 MAY 2009

	Consolidated		Holding Company	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
22. COMMITMENTS				
(a) Capital commitments				
Capital commitments contracted but not provided for in the accounts	11,201	26,234	11,201	6,234
Capital commitments approved by the directors but not yet contracted	17,320	19,094	17,320	19,094
Total capital commitments	<u>28,521</u>	<u>45,328</u>	<u>28,521</u>	<u>45,328</u>

Mill Upgrade Program

The mill upgrading plan provides for upgrading of the sugar mills to world's best practice and will be implemented over the next year. The principal objective of the mill upgrading works is to improve milling efficiencies, introduce energy conservation measures and produce better quality, Very High Pol (VHP) sugar.

During the year, good progress was made on the sugar mills upgrade project. Substantial portion of plant and equipment was acquired during the year. It is anticipated that the remaining plant and equipment will be acquired, installed and commissioned before the end of the next financial year. Furthermore, during the cane crushing season 2009 certain plant and machinery that were part of the mill upgrading project were used and interfaced with the existing mill plant and machinery.

(b) Operating lease commitments

Non-cancelable operating land lease rental commitments are payable as follows:

	Consolidated		Holding Company	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Not later than one year	195	193	195	193
Later than one year but not later than five years	681	698	681	698
Later than five years	7,799	8,033	7,799	8,033
Total operating lease commitments	<u>8,675</u>	<u>8,924</u>	<u>8,675</u>	<u>8,924</u>

23. PURCHASE OF CANE AND COMMITMENTS FOR SUPPLY OF SUGAR IN THE NEXT TWELVE MONTHS

The Corporation sells sugar to the European Union (EU) under the Sugar Protocol which is annexed to the Cotonou Agreement, whereby the EU undertakes to purchase and import at guaranteed prices, specific quantities of cane sugar, raw or white, which originates in the ACP States. The Sugar Protocol is to continue until 30 September 2009 with all its provisions, including guaranteed prices. The EU and the ACP have negotiated market access arrangements specific to sugar under the new regional Economic Partnership Agreements (EPA) to apply from 1 October 2009 until 30 September 2015.

Fiji's annual quota to the European Union under the Sugar Protocol is 165,348 metric tonnes White Sugar Equivalent (MTWSE), which is equivalent to about 172,500 metric tonnes raw sugar. Under the EPA, the minimum regional safeguard threshold for the Pacific Region is as follows:

2009/10	-	181,570.5 MTWSE
2010/11	-	190,918.6 MTWSE
2011/12 -2014/2015	-	210,950.3 MTWSE

Fiji is expected to export the entire above quantities from the Pacific Region.



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS [CONT'D]

FOR THE YEAR ENDED 31 MAY 2009

23. PURCHASE OF CANE AND COMMITMENTS FOR SUPPLY OF SUGAR IN THE NEXT TWELVE MONTHS (CONT'D)

The above are equivalent to about 190,000 metric tonnes raw sugar for 2009/10, 200,000 metric tons raw sugar for 2010/11 and about 220,000 metric tons raw sugar from 2011/12 and beyond. This is sold to Tate & Lyle PLC in London under a Long Term Agreement signed between Tate & Lyle PLC and the Corporation. The Agreement is for 5 years commencing 1 March 2008.

Fiji initiated the interim Economic Partnership Agreement with the European Commission (EC) on 29th November 2007. The date for the formal signing of the interim Fiji/EC EPA Agreement is currently under consideration.

24. RELATED-PARTY INFORMATION

(a) Ownership interests in related parties

Interests held in subsidiaries and associate companies are set out in Note 11 to the financial statements.

(b) Directors

The names of persons who were directors of the Corporation at any time during the financial year are as follows:

Mr Gautam Ramswarup (Chairman)	Mr Viliame Gucake
Mr Marika Gaunavou (Deputy Chairman)	Mr Osea Naiqamu
Ratu Deve Toganivalu	Mr Bhoo Prasad Gautam (resigned)
Mr Krishna Prasad	Mr Arvind Singh (resigned)
Mr Alipate Qetaki	Mr Peni Sikivou (resigned)
Mr Parvin Krishna	Mr Kamlesh Chandra (resigned)

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

(c) Transactions with related parties

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

	Consolidated		Holding Company	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Purchases by holding company from associate entity	11,894	11,052	11,894	11,052
Service fee income from associate entity	150	166	150	166
Marketing income from related entity, net	430	747	430	747
(d) Other transactions				
Dividends from associate company	79	79	-	-



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS [CONT'D]

FOR THE YEAR ENDED 31 MAY 2009

24. RELATED-PARTY INFORMATION (CONT'D)

(e) Key management personnel compensation

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.

Executive Management Group – Total number -10

The aggregate remuneration to the executive management group for year ended 31 May 2009 and 2008 were:

	Consolidated		Holding company	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Salaries and other short-term employee benefits	1,329	1,471	1,329	1,471
(f) Year-end balances arising from sales/purchases of services				
Receivables from related parties (Note 13):				
- Other related entities	97	633	97	633
Payables to related parties:				
- Others	624	-	624	-
- Associate company (Note 19)	-	6,350	-	6,350
(g) Loans and advances from related parties				
Advance from subsidiary company (Note 16)	-	-	653	655
(h) Government guarantee:				

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. The Cabinet decision on 5 May 2009 has also agreed to exempt the Corporation from paying the guarantee fees. Refer Note 25 for the details of the guarantees provided.

25. GOVERNMENT GUARANTEE

The Government has approved a guarantee limited to \$70 million, valid until 31 May 2010 to enable the Corporation to borrow from commercial banks and short term money markets.

Furthermore, as noted in Note 16, the Corporation has borrowed \$5.7 million from Sugar Cane Growers Fund, \$20 million from Reserve Bank of Fiji, \$19.6 million from Fiji National Provident Fund and \$1.9 million bank overdraft from Westpac Banking Corporation. All these borrowings were secured by the guarantee from the Government of Fiji.

In addition, subsequent to balance date, the Corporation has secured additional funding amounting to \$16 million by way of short term loans and promissory notes (refer Note 27).

Also, in prior years, the Government had provided a guarantee of US\$50.4 million for borrowings from Export Import Bank of India in relation to the sugar mills upgrade and modernization. As at balance date, the Corporation had borrowed funds amounting to US\$38.8 million under this guarantee.



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS [CONT'D]

FOR THE YEAR ENDED 31 MAY 2009

26. SIGNIFICANT EVENTS DURING THE YEAR

During the year, on 15 April 2009, the Fiji dollar was devalued by 20% by the Reserve Bank of Fiji. The financial effect of this event is more likely to bring in increased value of sugar proceeds in Fiji dollar terms to the Corporation. Furthermore, the Corporation's long term borrowings and repayment commitments to Export Import Bank of India, which are denominated and repayable in US Dollars, have increased significantly in Fiji dollar terms.

27. EVENTS SUBSEQUENT TO BALANCE DATE

Subsequent to balance date:

- (i) The Corporation secured domestic funding of \$16 million to fund its ongoing working capital requirements.
- (ii) On 6 August 2009, the Sugar Industry Tribunal, based on the submission by the Corporation ordered the closure of the Kavanagasau Rarawai Railway tramline beyond Batiri point (48 Kms) to be closed permanently. The financial impact of the above event, which has occurred after balance date, will be incorporated in the financial statements for the year ending 31 May 2010.

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



SOUTH PACIFIC STOCK EXCHANGE REQUIREMENTS

FOR THE YEAR ENDED 31 MAY 2009

SOUTH PACIFIC STOCK EXCHANGE REQUIREMENTS

Listing requirements of the South Pacific Stock Exchange (not included elsewhere in this Annual Report)

1. As at 31 May 2009, Directors' interests in the share capital of the Corporation or related companies were nil.

2. DIRECTORS' INTEREST IN CONTRACTS

During the financial year, none of the Directors had any material interest in any contract with the Corporation.

3. DIRECTORS' TERMINATION BENEFITS

There are no termination benefits payable to Directors in respect of their tenure as Directors.

4. STATEMENT OF SHAREHOLDERS

Distribution of Share Holding

Holding	No. of Holders	No. of Shares	% Holding
Less than 500 shares	1,471	310,724	0.70
501 to 5,000 shares	510	675,633	1.52
5,001 to 10,000 shares	21	146,625	0.33
10,001 to 20,000 shares	11	149,490	0.34
20,001 to 30,000 shares	-	-	-
30,001 to 40,000 shares	-	-	-
40,001 to 50,000 shares	1	40,800	0.09
50,001 to 100,000 shares	1	98,720	0.22
100,001 to 1,000,000 shares	4	994,140	2.24
Over 1,000,000 shares	3	41,983,866	94.56

5. TWENTY LARGEST SHAREHOLDERS

As at 31 May 2009, the twenty largest shareholders held 43,267,016 shares which is equal to 97.45% of the total issued 44,399,998 fully paid shares of 50 cents each

1. The Government of Fiji Permanent Secretary of Finance PO Box 2212 Government Buildings, Suva	30,239,160	2. Fiji National Provident Fund Private Mail Bag Suva	7,810,806
3. Fijian Holdings Ltd PO Box 2110 Government Buildings, Suva	3,933,900	4. Unit Trust of Fiji (Trustee) Co Ltd PO Box 1359 Suva	374,539



SOUTH PACIFIC STOCK EXCHANGE REQUIREMENTS [CONT'D]

FOR THE YEAR ENDED 31 MAY 2009

5. TWENTY LARGEST SHAREHOLDERS (CONT'D)

5.	Reddys' Enterprises Limited PO Box 784 Lautoka	250,120	6.	Colonial Mutual Life Assurance Society Ltd PO Box 155, Suva	250,080
7.	Sugar Cane Growers Council PO Box 5162 Lautoka	119,401	8.	Robert Lee GPO Box 13510 Suva	98,720
9.	Morris Hedstrom Limited Scholarship Fund Trustees PO Box 299, Suva	40,800	10.	Lionel Ding Sun Yee GPO Box 13600 Suva	18,360
11.	Pacific Transport Ltd. PO Box 1266 Suva	18,000	12.	Manohar Lal PO Box 1528 Nausori	15,450
13.	Amraiya Naidu GPO Box 13153 Suva	14,800	14.	Rotuma Development Fund Government Station PO Box 18 Rotuma	14,400
15.	Saimone Lutu PO Box 3359 Lami	12,120	16.	Fiji Public Service Association-Investments Co-op Ltd. PO Box 1405 Suva	12,000
17.	Johnson Fong 5/113 Mount Street Coogee, NSW 2034 Australia	12,000	18.	Joyce Due & Rasmus Due 93 Mallowa Ave Palm Beach, QLD 4221 Australia	11,320
19.	Sugar Milling Staff Officers' Association The Secretary SMSOA Lautoka	10,800	20.	Heihachiro & Masako Omamoto 8-4-14-403, Akasaka Minato-Ku, Tokyo Japan 107	10,240

6. VOTING RIGHTS OF SHAREHOLDERS

Article 65 provides for:

On show of hands - 1 vote

On a poll - 1 vote for each share held



SOUTH PACIFIC STOCK EXCHANGE REQUIREMENTS

FOR THE YEAR ENDED 31 MAY 2009

7. MAJOR SHAREHOLDERS

The names, addresses and number of shares held by shareholders holding 10% or more of the issued capital:

1. The Government of Fiji	30,239,160	2. Fiji National Provident Fund	7,810,806
Permanent Secretary of Finance		Private Mail Bag	
PO Box 2212		Suva	
Government Buildings			
Suva			

8. SITUATION OF THE SHARE REGISTER

The share register of The Fiji Sugar Corporation Limited is situated at Third Floor of the Western House in Lautoka.

Disclosure under section 7(4) of the Listing Rules

	FSC Projects Ltd	
	2009	2008
	\$	\$
Revenue	78,486	69,091
	<hr/>	<hr/>
	78,486	69,091
	<hr/>	<hr/>
Less: Expenses		
Audit fees	2,000	2,000
Accounting fees	649	-
Bank charges	61	111
	<hr/>	<hr/>
	2,710	2,111
	<hr/>	<hr/>
Profit before income tax	75,776	66,980
Income tax expense	1,019	-
	<hr/>	<hr/>
Net profit for the year after income tax	74,757	66,980
	<hr/> <hr/>	<hr/> <hr/>

Statistical

Review

Financial Statistics

Production Statistics

Field Statistics

Sugar Exports





THE FIJI SUGAR CORPORATION LIMITED AND SUBSIDIARY COMPANIES

10-YEAR STATISTICAL REVIEW

Financial statistics										
for year ended 31 May (Prior to 2004 -31 March)	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Turnover (\$m)	245.8	234.9	274.3	235.2	242.7	227.5	265.7	243.8	251.2	287.2
Profit/Loss before taxation (\$m)	(40.1)	(19.7)	6.9	(6.9)	(2.7)	0.7	(13.4)	(13.6)	(20.9)	(5.3)
Income Tax expense/benefit (\$m)	3.3	0.4	(0.3)	3.3	0.7	1.6	1.2	(2.8)	-	2.0
Profit/Loss after taxation & Extra-ordinary items	(36.8)	(19.3)	6.6	(3.6)	51.9	2.3	(15.8)	(16.4)	(20.9)	(3.3)
Total Assets (\$m)	312.0	273.5	249.9	211.4	222.8	220.1	252.3	252.6	274.1	304.1
Net Assets (\$m)	200.9	125.7	167.1	168.4	168.6	116.6	114.3	130.1	153.7	174.6
Proceeds of Sugar & Molasses (\$m)	204.5	206.1	272.1	231.6	237.8	223.6	261.1	239.4	236.6	282.0
FSC's share of proceeds (\$m)	61.3	61.8	81.6	69.5	71.4	67.1	78.2	71.8	70.7	83.1
Price per tonne cane (\$)	61.65	58.21	59.06	58.13	55.48	60.12	53.80	60.80	44.01	50.76
Production statistics										
Season	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Cane Crushed (000t)	2,321	2,479	3,226	2,789	3,001	2,610	3,422	2,805	3,786	3,958
Sugar Produced (000t)	208	237	310	289	314	294	330	293	341	377
Molasses Produced (000t)	120	115	157	118	113	107	149	106	164	159
Tonnes Cane/Tonnes Sugar	11	10	10	10	10	9	10	10	11	10
Molasses % Cane	5	5	5	4	4	4	4	4	4	4
POCS %	11	11	11	11	12	13	11	12	10	10
Cane Purity %	80	81	81	82	83	84	82	83	81	80
Fibre in Cane %	12.0	11.4	11.6	11.6	12.0	12.2	11.9	12.0	11.8	11.4
Average Crushing Rate for all mills (tcph)	843	885	919	953	972	895	978	1,083	1,115	1,025
Actual Crushing Time as % of Available Time	68	68	76	75	79	82	76	71	70	74
Field statistics										
Season	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Number of Growers	18,683	18,691	18,649	20,290	20,492	20,693	21,253	21,882	22,179	22,178
Number of Active Growers	14,096	14,948	15,730	16,527	17,639	17,362	17,773	18,615	19,081	19,384
Tonnes Cane per Hectare	46	46	58	48	49	43	42	42	57	61
Average Tonnes Cane per Grower	165	166	205	172	170	126	161	128	171	178
Number of Cane Cutters	9,993	11,36	15,205	15,652	15,270	15,285	16,772	15,280	17,251	13,866
Output per Cutter (tonnes)	225	117	212	172	196	170	204	184	219	285
Burnt Cane %	50	33	51	36	34	33	36	43	50	31
Sugar exports - destinations and quantities (metric tonnes)										
Season	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
UK/EU	207,575	187,858	209,053	178,905	170,742	167,585	175,825	152,233	163,624	200,074
MALAYSIA	-	-	-	-	-	-	-	-	22,000	-
USA	-	9,157	13,442	10,111	9,006	9,061	9,035	9,065	9,044	18,420
JAPAN	-	20,000	40,000	57,481	62,000	37,008	58,637	46,615	18,385	49,410
KOREA	-	-	-	-	-	-	-	-	14,600	30,000
CHINA	-	-	-	-	-	25,000	25,000	-	-	-
INDONESIA	-	-	-	-	25,425	-	-	-	20,000	-
SPECIAL PREFERENTIAL MARKET	-	-	-	-	6,475	-	20,445	39,460	33,778	38,500
TAIWAN	-	-	-	-	-	-	-	-	27,650	-
PORTUGAL	-	-	-	-	-	17,000	-	-	-	-
TOTAL	207,575	217,015	262,495	246,497	273,648	255,654	288,942	247,373	309,081	336,404

