The Fiji Sugar Corporation LIMITED

annual report 2007

FSC

Contents

Corporate Profile

Tipping rail sugarcane at the sugarcane carrier.

Our organisation

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 In 2006 the Fiji Sugar Corporation Act was repealed allowing it to be governed solely under the Companies Act.

Our shareholders

The Government of Fiji is a major shareholder which owns 68% of shares while statutory bodies, local companies and individuals own the rest of the shares. 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's operations are mainly focused on the manufacturing side of the Sugar Industry in Fiji.

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, and during the year managed the Sugar Cane Research Centre on behalf on the Industry. The operations of the Research Centre were transferred to the newly established Sugar Cane Research Institute of Fiji from July 2007. The Corporation is the one of the largest sector employers with a workforce exceeding 2,700 individuals during the peak crushing season.

The Sugar Industry is important to Fiji's economy as it contributes about 5.6 percent of GDP, generates about 30 percent of total exports, with a total foreign earning of $265.3 million in 2006. 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), blending and sale of fertilizer (South Pacific Fertilizer Limited), and agriculture chemicals (Agchem Limited). A wholly owned subsidiary of the Corporation, Pacific Cogeneration Limited has been set up to undertake cogeneration of electricity from bagasse. Sugar is sold through the Corporation's marketing agent, Fiji Sugar Marketing Limited.

Corporate Highlights

Financial Results

- Operating revenue for the year increased by 16.6% to $274.3 million over the previous year. Consequently the Corporation's share of proceeds increased to $83.2 million, compared to $69.9 million in the previous year.
- Consolidated operating profit after tax and extraordinary items was $6.2 million compared to a loss of $3.8 million in the previous year.
- Cashflow for the Group improved to $13.8 million compared to an increase of $6.1 million in the previous year. This was directly attributable to the borrowings for Mill Upgrade Project, unutilised at year end.
- A total of $18.1 million was invested in the mills compared to $11.1 million in the previous year.
- Earnings per share increased to $0.14 compared to ($0.09) in the previous year.

Operations

- A total of 3.2 million tonnes of sugarcane was crushed from an area of 55,438 hectares compared to 2.8 million tonnes from 58,559 hectares in the previous year.
- Sugar production increased to 310,140 tonnes compared to 288,911 tonnes in the previous year, primarily as a result of increase in cane supply.
- Tonnes Cane to Tonnes Sugar (TCTS) ratio increased to 10.4 compared to 9.7 in previous year.
- Cane Quality (POCS) decreased slightly to 11.2 compared to 11.4 in the previous season.
- A total of 262,495 tonnes of sugar was exported compared to 246,497 tonnes in the previous year.

Sugar Industry Reform

- The European Union has announced the reduction in the Protocol Sugar Price by 5.1% from 1 June 2006, 9.2 % in 2008 and 21.7 % in 2009, bringing total reduction to 36%.
- The upgrading of the sugar mills is expected to be completed by mid 2008 and is funded through a Line of Credit agreement of $86.0 million with the EXIM Bank of India.
- Commenced implementation of the Cane Development Plan to increase the cane production to 4.2 million tonnes by 2010.
- 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.
- In the meantime, the Corporation is undertaking a number of internal initiatives such as a redundancy programme to rationalise manpower levels, streamlining of procurement function through Supply Chain Management and tightening of cost control measures and overall governance systems.
- Investigations into diversification projects such as cogeneration and production of ethanol continued during the year.

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 supporting 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

	2007 $000's	2006 $000's
Sales and Profit		
Total sales	274,253	235,217
Operating profit/(loss) before extraordinary items and income tax	11,425	(7,167)
Income tax benefit	(648)	3,333
Operating profit/(loss) and extraordinary items after income tax	6,243	(3,834)
Cash Flow		
Operating activities	6,041	16,206
Investing activities	(17,992)	(11,130)
Financing activities	19,602	(4,956)
Net increase in cash	7,651	120
Financial Position		
Working capital	28,417	11,435
Total assets	250,160	212,947
Non-current liabilities	46,917	26,357
Shareholders' equity	176,128	169,882
Total capitalisation	223,045	196,239
Additional Information		
Ratio of current assets to current liabilities	2.0	1.6
Ratio of debt to shareholders' equity	0.3	0.3

Corporate Governance

Board and Management continuely review Corporate Governance policies

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. It is in fact a continuous process of realising the Corporation's objectives with a view to making 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 month and receives full information in advance to help it discharge its duties. A Directors Package comprising pertinent background information and critical information on major risks, global industry trends and future direction of the

Corporation is made available to all new directors.

The Board also supports the policies, principles and standards set out in the Companies Act, the accountancy profession, 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 seven directors on the Board, appointed by the shareholders. Board representation also includes key stakeholders such as the landowners and the growers.

Board Committees

The Board appoints board committees to undertake specific functions as required under internationally accepted governance practices and on the needs of the Corporation.

The Audit Committee, which is a significant committee of the Board, operates under an Audit Committee Charter and acts in an advisory capacity to the Board, providing them with regular updates regarding its activities and related recommendations. The Committee regularly considers the effectiveness of internal controls and risk management processes within the Corporation and reviews its financial accounts and reports of the Corporation and its subsidiaries. The Committee also considers both internal and external audit reports including the results of the examination of the group financial statement and assesses the performance of both external and internal audit. Members of the Audit Committee are Mr Jaoji Koroi (Chairman), Mr Arvind Singh and Mr Kamlesh Chandra.

The Lands Committee is tasked with formulating land utilisation strategies for the Corporation's significant land holdings. Its members are Ratu Savenaca Qomate (Chairman), Mr Isoa Kaloumaira and Mr Arvind Singh.

The Remuneration Committee has been set up to assist the Board in the performance of Directors responsibilities by providing an oversight of the Human Resource Strategy of the Corporation including organization structure, remuneration policies, performance management, succession planning and development and monitoring all matters relating to terms and conditions of employment of staff and staff remuneration. Its members are Mr Isoa Kaloumaira (Chairman), Mr Jaoji Koroi and Mr Kamlesh Chandra.

In view of major investments required for the Mill Upgrade Programme, the Board has appointed a Mill Upgrade Committee comprising of Mr Bhoo Prasad Gautam (Chairman) and Mr Marika Gaunavou, to oversee this programme.

Remuneration of Directors

A total of $118,002 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.

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 forums. 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


Bhoo Prasad Gautam
Chairman


Isoa Kaloumaira
Deputy Chairman


Marika Gaunavou


Kamlesh Chandra


Jaoji Koroi


Arvind Singh


Ratu Savenaca Qomate

Bhoo Prasad Gautam
Chairman

Chairman's Message

The year under review was a good year for the Corporation. Significant progress was made on its ongoing initiatives to improve the operational efficiencies including rationalising manpower levels, streamlining procurement functions and tightening internal controls. In addition, favourable market conditions helped to improve the operating results.

OPERATING RESULTS

For the year under review, the Corporation's operating revenue increased to $274.3 million compared to $235.2 million in the previous year, primarily due to an increase in sugar production and additional quota available for the EU market and an increase in sugar production.

Operating profit for the year increased to $4.4 million compared to an operating profit of $1.7 million in the previous year. This was directly attributed to additional quota available for the EU market. This enabled exporting additional 36,500 tonnes of sugar to the EU market, increasing proceeds to the Industry by $13.5 million of which the Corporation's share was $4.0 million.

After taking into equity accounting of investments and reversal of provision for impairment of assets, net profit was $7.0 million, compared to a loss of $3.8 million in the previous year. Impairment charge of $3.7 million relating to the rail system was reversed following a decision to maintain the rail system as this is considered to be the most suitable and economic mode of transportation.

CANE SUPPLY AND SUGAR PRODUCTION

Cane production for the 2006 season increased to 3.2 million tonnes, compared to 2.8 million tonnes in the previous season. Total sugar produced during the season was 310,140 tonnes compared to 288,906 tonnes in the previous season, resulting in worsening of the tonnes cane to make a tonne of sugar ratio (TCTS) to 10.4 compared to 9.7 in the previous season. This was largely due to lower cane sweetness and purity, primarily arising from a sharp increase in supply of burnt cane towards the end of the season. Poor mill performance due to major breakdowns also contributed towards the high TCTS.

Cane burning for the season was one of the highest in recent years with over 50% of burnt cane delivered to the mills. Coupled with delays in transportation, cane quality was severely affected. Several initiatives such as a review of the Master Award and streamlining of harvesting and transportation operations are being investigated aiming at minimising these problems.

A total of 55,438 hectares was harvested during the season giving an average yield of 58 tonnes per hectare, an improvement of 21% from the previous year. This was largely due to early ending of the previous crushing season, hence allowing more time for growing of the current crop. Favourable weather conditions also contributed to the improved yield. However the yield still remains well below the desired level of around 65 tonnes per hectare.

***Top left:** Electric welding to roughen crushing roller surface.* ***Middle:**Bringing sugarcane into mill.* ***Right:** Driver and lorry with sugarcane delivery.* ***Bottom:** Checking on bagasse feed carrier.*

CAPITAL INVESTMENTS

The Corporation invested $9.6 million in fixed assets during the year compared to $11.4 million in the previous year. In addition, plant and equipment totalling $28.0 million was acquired for the Mill Upgrading Project.

MARKETS AND SUGAR PRICE

The European Union has announced a reduction in the Protocol Sugar Price by 5.1% from 1 June 2006, 9.2% in 2008 and 21.7% in 2009, bringing total reductions to 36%. The impact of this on the Corporation will be huge and as such, appropriate strategies will need to be put in place to ensure survival of the Sugar Industry. These are being considered as part of the reform of the Sugar Industry. Negotiations also are continuing between the ACP countries and the European Commission to explore all avenues to ensure that the benefits under the Sugar Protocol are fully preserved.

During the year, the world market prices also declined considerably. Fortunately, the effects of this were negated by additional sugar sold to the EU market at protocol prices. The world market is expected to remain subdued with the increase in production by major sugar producing countries like Brazil and India.

REFORM OF THE SUGAR INDUSTRY

Mill Upgrading Project

Good progress was made during the year on the Mill Upgrade Project. A significant portion of plant and equipment for the project was acquired during the year. It is anticipated that the remaining plant and equipment will be acquired before the end of 2007 when the construction work is expected to commence.

The Mill Upgrading Project is aimed at upgrading of the sugar mills to World's Best Practice by improving milling efficiencies, introducing energy conservation measures and producing better quality, Very High Pol (VHP) sugar. The project will be

implemented over the next two years at an estimated cost of $86 million, being financed through a Line of Credit extended by the Government of India.

Cane Supply

As reported in the previous year, consistent supply of quality cane will continue to be critical for the survival of the Sugar Industry. Upon upgrading the mills, a total of 4.2 million tonnes of cane will be required for a 25 week crushing season, compared to the current production levels of around 3.0 million tonnes. This will require cooperation and support of all stakeholders, including growers, landowners, government and related institutions. The Corporation looks

forward to working closely with all the industry stakeholders on this initiative.

Diversification

Diversification projects will be essential to enhance the profitability of the Sugar Industry. In this regard the Corporation is actively pursuing cogeneration of electricity, production of ethanol and other value adding projects. These diversification strategies are consistent with global sugar industry best practices as sugar producing countries prepare themselves to compete in the new market conditions.

Other Initiatives

In addition to the Mill Upgrade Project, increase in the cane production and diversification projects, several other initiatives will be required to bring about efficiencies to the required levels. 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.

Action Plans on Accompanying Measures

Parallel to the reform of the EU Sugar Regime, the EU has adopted an Action Plan on Accompanying Measures for the ACP Sugar Protocol countries affected by the reform of the EU sugar regime. The Accompanying Measures are aimed at supporting the restructuring of the sugar industry to withstand the price reduction under the EU sugar regime.

Fiji has submitted its Action Plan on multi-annual National Adaptation Strategy for the sugar industry to the European Commission under its Accompanying Measures programme. The first year's allocation of €40 million in 2006 from the EU to the ACP sugar producing countries, Fiji's initial allocation is €4 million which is earmarked for revamping of the sugar research operations and increasing cane planting.

ACKNOWLEDGEMENT

During the year, four new appointments were made to the Board. I take this opportunity to thank the former Chairman Mr. Charles Walker and outgoing directors for their contribution to the Sugar Industry. I extend a warm welcome to the new directors for taking up the challenge to increase shareholder value of the Corporation and serve the Sugar Industry which has far reaching impact on the lives of its people and on the Fijian economy at large.

I would also like take this opportunity to express my appreciation to the Government of Fiji and other stakeholders in the Sugar Industry for their continued support and commitment.

Chairman's Message would not be complete without a word of thanks to the farmers, cane cutters and lorry and tractor trailer drivers for their hard work and contributions to the Sugar Industry. As we move into the future I would like to see that the Sugar Industry is built in partnership with you. In this regard I seek your inclusiveness and understanding on the various strategies and initiatives required to prepare the industry to be globally competitive, as these changes are inevitable.

Finally, my thanks go to all our employees for your dedication and contributions to an industry faced with onerous challenges. We value your ongoing commitment to serving the Industry. It gives me a lot of comfort and confidence that with your collective capabilities and dedication the Corporation is well placed to meet the challenges that lie ahead. The challenge for me and the Board is to provide the right environment for performance and productivity, in addition to a vision and direction that are embraced by all concerned.

Bhoo P Gautam
Chairman

Executive Management Group


Abdul Shamsher
Chief Executive Officer


Deo Saran
General Manager Finance/Company Secretary


Alipate Radrodro
General Manager Cane


Timoci Laqai
General Manager Corporate/ Administration


Romulus Koster
Project Manager - Factory Upgrade


Subhas Chandra
Divisional Manager Production Services


Jagdish Raj
Supply Chain Manager

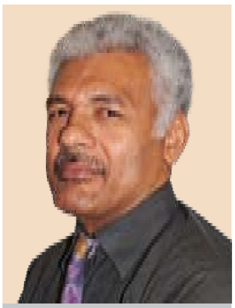

Penisoni Nabaro
General Manager Special Duties


Rajneesh Lata Charan
Information Systems Manager


Ali Ubadutt
General Manager, Lautoka Mill


Mikaele Biukoto
General Manager, Rarawai Mill, Ba


Bhan Pratap Singh
General Manager, Labasa Mill


Ilaijia Koroiciri
General Manager, Penang Mill, Rakiraki

Review of Operations

TRADING

For the year under review, the Corporation's operating revenue increased to $274.3 million compared to $235.2 million in the previous year. This was primarily due to a 7% increase in sugar production which arose from an increase in cane production of 14%. Average sugar price increased to $858 per tonne compared to $776 per tonne in the previous year and was primarily attributed to sale of additional 36,500 tonnes of sugar to the EU market at protocol prices, following increase in the Complementary Quota.

The Corporation achieved an operating profit of $7.2 million for the year before taking into account equity accounting of investments and interest, compared to an operating loss of $5.9 million in the previous year. Previous year's loss was attributed to taking up of an impairment charge of $6.2 million.

Net profit for the year was $6.2 million, compared to a loss of $3.8 million in the previous year. The improvement in operating results was directly attributed to additional $4.0 million derived through sale of additional sugar to the EU market. Share of losses from associate company increased by 22% to $1.0 million.

CANE PRODUCTION

During the year, cane production increased to 3.2 million tonnes compared to 2.8 million tonnes in the previous year. Total area under cane decreased to 55,438 hectares compared to 58,559 hectares in the previous year. Consequently, yield increased to around 58 tonnes per hectare compared to 48 tonnes per hectare in the previous year, an increase of 21%. This was attributed to early ending of the previous crushing season, hence allowing more time for growing of the current crop. Favourable weather conditions also contributed to the improved yield. However the yield still remains well below the desired level of around 65 tonnes per hectare.

Plans for an accelerated planting programme are being implemented to increase crop to 4.2 million tonnes by 2010 that will be required by the mills, once upgraded, for a 25 week season. Plant component of the crop is expected to increase to 25%, with the view to increasing the overall crop yield to the desired levels. This would be achieved through the provision of good quality seed cane to growers, improvements in the field infrastructure and an intensive research and extension programme. This programme is largely dependent on grants expected from the European Union under their Accompanying Measures Programme.

HARVESTING AND TRANSPORT

Large scale contract harvesting trials, where cane supply can be more efficient, were undertaken in Penang Mill for the first time this season. Five units operated under this system and although the achievement was not as expected, the results showed savings ranging from $1.00/tonne in Malau Sector to $3.00/tonne in Ellington II sector. Harvest efficiency is expected to greatly increase once the contract harvesting is implemented at all mills. In a joint effort, the Council and Corporation will pursue this concept under the SCOF Sub-committee on Harvesting and Transport.

The aging rail transport fleet and its infrastructure continued to affect the efficiency of rail cane delivery to the factory. During the year, 793,375 tonnes of rail cane was delivered by lorries through conversions, an increase of 39% over the previous season.

Due to increase in conversion the number of cane lorries on road has increased causing traffic congestion, and the strain of foreign exchange reserve is adversely affecting the whole economy. In view of this, FSC has been asked by the Government to progressively reverse the rail growers using lorry mode transportation to rail proper and the Corporation has provided commitment to the Government that by year 2010 49% of the total crop will be delivered to mills via rail network.

The age profile of the locomotive fleet is between 20 years and 40 years. The cane trucks are of various types and ages. Furthermore due to lack of investment the condition of the track is generally poor.

The Corporation is considering strategies such as progressive upgrade of locomotive components, selective maintenance on cane trucks, track bridges and road crossings.

BURNT CANE (%)

	2002	2003	2004	2005	2006
Mill					
Lautoka	44.4	40.2	42.7	44.4	59.7
Rarawai	42.3	32.4	39.4	37.5	61.1
Labasa	20.3	30.1	18.3	25.4	35.2
Penang	33.8	22.0	35.6	33.3	45.4
Average	36.6	33.5	34.1	35.4	52.2

FARMING ASSISTANCE SCHEME

A total of 1,302 Fijian growers were assisted through the scheme with funds totalling $3,635,190. There is a gradual increase in production from 133,869 tonnes in 2005 to 139,830 in 2006. Special attention is on farmers with nil production and poor performers who are being provided on-the-farm training programme.


(left) Rail sugarcane truck repaired in workshop. (right) Inspection of sugarcane juice heater.

MILLING OPERATIONS

During the season, weekly average crush declined slightly to 110,134 tonnes compared to 115,580 tonnes in the previous season and was the worst performance in the last 5 years. This was directly related to the poor weekly operating hours and the crushing rates. However, it was encouraging to see that the cane supply stops improved for all the mills compared to the previous season.

Sugar recoveries in the factories continue to decline over the previous seasons. Improvement is expected once the plant reliability and sugar extraction capabilities improve with the upgrade of mills and reform of the field operations, to ensure better crop husbandry/harvesting and delivery practices,which in turn will deliver much better quality cane to the mills.

CANE QUALITY

The 2006 seasonal average POCS (Pure Obtainable Cane Sugar) and cane purity of 11.2 percent and 81.4 were marginally lower than the previous year. Lautoka Mill saw a considerable drop in sweetness whereas Labasa Mill realized a much higher POCS and cane purity in the 2006 season.

The perennial problem of burnt cane continues to plague the industry, as over 50% of the total crop was burnt, an increase of 3% over the last season. The burning started much earlier this season and the second half of the season saw an exponential increase in cane burning at all the mills. Coupled with delays in transportation, cane quality was severely affected. Several initiatives such as a review of the Master Award and streamlining of harvesting and transportation operations are being investigated aiming at improving the quality of cane.

POCS

	2002	2003	2004	2005	2006
Mill					
Lautoka	10.47	12.13	11.40	11.50	10.65
Rarawai	11.29	12.76	12.10	11.50	11.49
Labasa	11.42	13.06	11.10	10.90	11.47
Penang	11.16	12.81	11.30	12.30	11.85
Average	11.05	12.60	11.50	11.40	11.25

(top) Boiler furnace combustion being checked
(bottom) Boiler operators at control panel

SUGAR AND MOLASSES PRODUCTION

Total sugar produced during the season was 310,140 tonnes compared to 288,906 tonnes in the previous season, resulting in worsening of the tonnes cane to make a tonne of sugar ratio (TCTS) to 10.4 compared to 9.7 in the previous season. This was largely due to lower cane sweetness and purity, primarily arising from, sharp increase in supply of burnt cane towards the end of the season. Poor mill performance due to major breakdowns also contributed towards the high TCTS. Consequently, molasses production increased to 157,121 tonnes, representing an increase of 33% over the previous year.

The apparent trend in the crop for the last several years is that of a 'high' followed by a 'low'. Overall there has been a declining trend in the crop size. This is attributed to the prevailing weather conditions during the calendar year as well as the crop husbandry practices of the farmers. There has been no substantial change in the 'area under cane' or lease expiry/renewal.

SUGAR QUALITY

Sugar quality for the year under review declined significantly compared to the previous years. Cane burning started early and by mid season a considerable amount of dextran began to appear in the cane. However, production of sugar was kept within acceptable dextran limits till the last eight weeks of the crush. Consequently, the shipment to the United States was badly affected resulting in penalties for exceeding the acceptable limit.

A team representing all the stakeholders carried out an investigation and found that the large volume of delayed/stale burnt cane and erratic milling operations were the major cause of this problem. Using expensive dextranase enzyme to address the quality problem is not desirable on a continuing basis. Improved cane quality and more consistent milling operations are required to ensure continuous production of good quality sugar.

MILL UPGRADE PROGRAMME

As part of the reform of the Sugar Industry, the Corporation is upgrading its sugar mills to bring these to World's Best Practices. The upgrading is aimed at improving reliability and sugar extraction performance, producing Very High Pol (VHP) sugar that will be required by the market in the future, introducing energy conservation measures and addressing pressing environmental issues currently faced by the mills. The project is expected to cost $86.0 million and is financed by Export-Import Bank of India.

The Mill Upgrading Programme at Lautoka, Rarawai and Labasa mills progressed well during the year with the technical assistance of the Sugar Technology Mission of India. A significant portion of the plant and equipment required for the Mill Upgrade Programme were acquired during the year and were distributed and stored at the mill sites. The remaining equipment is expected to arrive by the end of 2007 when construction work and installation are expected to commence.

The Corporation will undertake preparation of new plant location sites and the construction of civil foundation works for the installation of new plant by the contractors from India. The installation of the new plant is scheduled to be completed by the commencement of the 2008 crushing season.

MARKETING

Sugar Exports

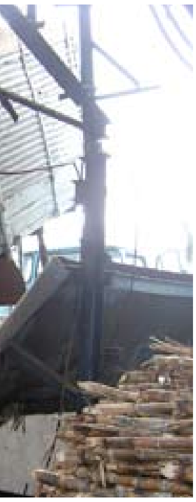
During the year, a total of 209,053 tonnes of sugar, comprising of 185,011 tonnes of Protocol sugar and 24,042 tonnes of Complementary Quantity sugar, representing 80% of exports, was sold to the United Kingdom, compared to 178,905 tonnes (73%) in the previous year. A total of 13,442 tonnes was sold to USA while for the world market, 40,000 tonnes was sold to Japan.

European Union (EU)Sugar Regime

The current marketing year 2006/2007 marks the first year of sugar price reduction under the new EU Sugar Regime which came into effect on 1 July 2006. This is in accordance with the European Union announcement of reduction in the Protocol Sugar Price by 5.1% from 1 June 2006, 9.2 % in 2008 and 21.7 % in 2009, bringing total reductions to 36%.

The international commitment on the part of the EU to import sugar under the ACP-EU Sugar Protocol has been maintained in the new Sugar Regime. There is a provision also to open complementary quantity which is needed to allow an adequate supply of raw sugar to the full-time refiners. The Complementary Quantity replaces the former Special Preferential Sugar Agreement.

Fiji's initial allocation under the Complementary Quantity for 2006/2007 delivery period was just over 24,000 tonnes white sugar equivalent. The final quantity is expected to be higher resulting from reallocations from suppliers who are not able to take up the assigned quantities.



(left) Harvested sugarcane tipped at the sugarcane carrier. (right) Locomotive engine repaired in workshop. (Bottom) Section of sugarcane juice evaporator vessel being checked..

2006/07 ACP Guaranteed Price Negotiation

By a letter dated 28 May 2006, the European Commission made a formal offer of the prices for negotiation applicable to the 2006/2007 delivery period, and sought ACP Sugar Group's agreement to the traditional procedure of "stopping the clock" as no conclusion could be reached before 1 May 2006 as required under the Sugar Protocol.

The negotiations are still in progress as the ACP would like to explore all avenues in order to ensure that the European Commission complies fully with the relevant provisions of the Sugar Protocol. As this represents the first year under the new Sugar Regime, it is important to appropriately define the parameters and guidelines of the price negotiations. The ACP Sugar Ministers have accordingly agreed to take up the negotiations at the political level.

Study on the Sugar Protocol in the context of Economic Partnership Agreement (EPA) negotiations

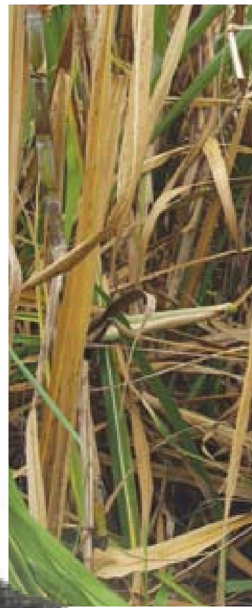
The consultant engaged to undertake the study on "The Sugar Protocol in the context of the EPA Negotiations", submitted his final report in March 2007. The study considered the merits and de-merits of the option to maintain the Sugar Protocol as a stand alone Agreement or to treat the Sugar Protocol States under separate EPAs. In both these options, the main objective is the maintenance of the benefits of the Sugar Protocol.

For Fiji, the key objective is to safeguard at a minimum the current benefits (guaranteed price, access including EU obligation to buy with respect to intervention and indefinite duration) of the Sugar Protocol in any new trading arrangement while preserving its special legal status.

10th Special ACP Ministerial Conference on Sugar

Ministers responsible for sugar from the ACP States signatory to the Sugar Protocol met at the Sheraton Resort, Nadi, Fiji from 30 April to 4 May 2007 for the 10th Special ACP Ministerial Conference on Sugar. The Conference was also attended by representatives of the various ACP sugar industries, the European Commission and the European sugar stakeholders.

The theme for the Conference was "Managing the Challenges of Reform in the Sugar Sector". The Conference heard submissions from the European Union, European sugar industry stakeholders, Tate and Lyle, British Sugar, ACP industries, the Brazilian experience on Bio Fuels and International Sugar Organization. The Conference adopted an Action Plan which sets clear guidelines on the way forward in relation to all key areas of concern.



(left) Operators at the diffuser control panel. (middle) Harvesting the sugarcane. (right) Cane trucks waiting to be unloaded at the Lautoka Sugar Mill.

FSC/Tate and Lyle Long Term Contract

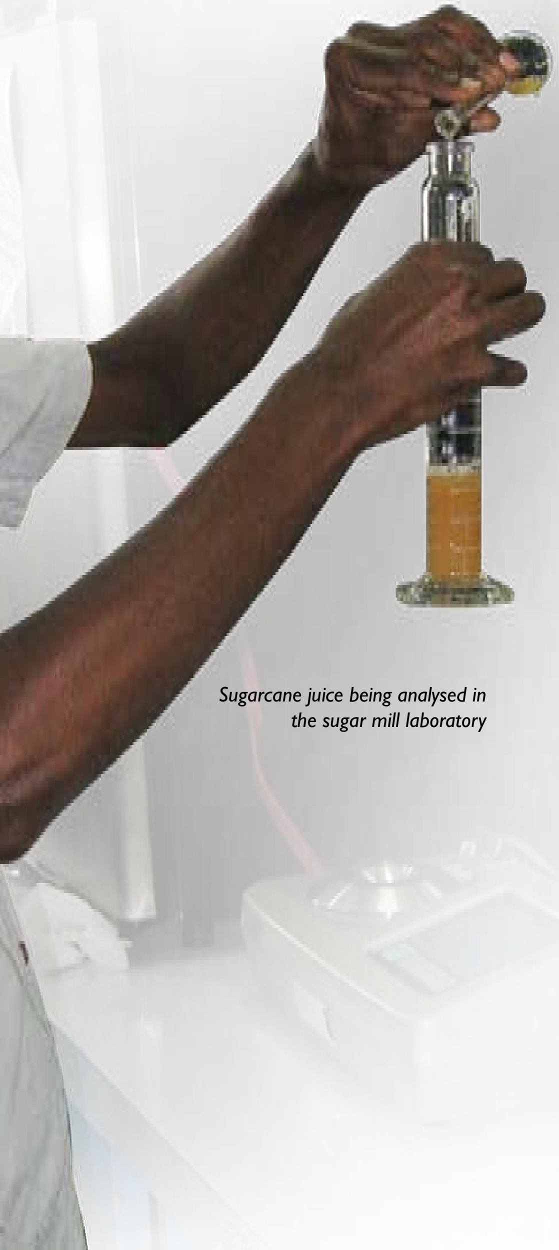
The current long term sales contract with Tate and Lyle Sugars is for a period of five years commencing from 2006. Under the terms of the contract, the Buyer and Seller shall review the terms of the Agreement in the second year with such review to be completed by 30 June 2008. A Working Group made up of members from the FSC/FSM and Tate and Lyle have had a series of meetings and negotiations during the year to review the terms of the contract and the negotiation is currently continuing.

World Market

2006 was a momentous year for the global sugar market. Prices rallied to 25 year highs, which resulted in the sugar market hitting media headlines across the world. However, the period of euphoria was short lived and prices today are much lower than they were at the peak a year ago.

The rally in prices during early 2006 was driven by a combination of factors. However, it was the poor end to Brazil's 2005/06 season, due to wet weather in the fourth quarter of the year, combined with rising US demand for Brazilian ethanol, which resulted in the surge in global prices. Though the rally created some short term disruption to global trade, of greater significance is the fact that the driving factors behind the rally are part of a longer term shift in the structure of the market that has been evolving over some time. These changes reflect the shift towards renewable fuels, accelerated by higher energy costs, and the continuing trend towards global market liberalisation, driven by GATT and the WTO.

The increase in global sugar production has resulted in the world market returning to surplus during the 2006/07 season, reversing the deficits seen during the previous three seasons. This has placed the world sugar market under pressure with the raw sugar futures market in New York now valuing sugar at half what it was worth at the peak of the rally. Production is forecast to increase again during the 2007/08 season and unfortunately seems that sugar prices are expected to remain depressed during 2007.



Sugarcane juice being analysed in the sugar mill laboratory

Molasses

Molasses was sold to the traditional markets with 82% to the Caribbean markets. The remaining molasses was sold to Korea and New Zealand. Total sales for the year were 129,734 tonnes, an increase of 18% over the previous year.

EU ACTION PLAN ON ACCOMPANYING MEASURES

Parallel to the reform of the EU Sugar Regime, the EU has adopted the Action Plan on Accompanying Measures for the ACP Sugar Protocol countries affected by the reform of the EU sugar regime. The Accompanying Measures are aimed at supporting the restructuring of the sugar industry to withstand the price reduction under the EU sugar regime which came into effect from 1 June 2006. Out of the first year's allocation of €40 million in 2006 from the EU to the 18 Sugar Protocol supplying States, Fiji's allocation for 2006 is €4,038,000.

Fiji submitted its Action Plan on multi-annual National Adaptation Strategy for the sugar industry to the Commission in April 2006 which was revised to take on board comments from the European Commission and re-submitted in September 2006.

In October 2006, the EU Council of Ministers formally approved a package of aid 2007-2013 which includes €1.244 billion for the ACP Sugar Protocol countries under the Accompanying Measures programme. The regulation states that the accompanying measures shall aim at supporting the adjustment process of the ACP sugar protocol countries as they are faced with new conditions on the sugar market due to the reform of the common organization of the market in sugar.

It is expected that €165 million will be agreed under the Accompanying Measures for the ACP Sugar Protocol countries in 2007. The yearly amount thereafter will be fixed by the EU Council and European Parliament upon the proposal of the Commission, and the respective ACP countries advised accordingly.

HUMAN RESOURCES AND OCCUPATIONAL HEALTH AND SAFETY

Industrial Relations

Relations with the employees and their Unions remained cordial throughout the year. Regular meetings ensured that issues and concerns raised by the unions were resolved amicably through dialogue.

Training and Development

The Corporation promotes a culture in which individuals understand that they have a significant stake in their own learning and development. We invest in personal development programmes to build technical competence and behavioural skills, since we believe that developing our employees is essential to the Corporation's success-and we believe that individuals learn best through experience.

The Corporation remains committed to the training and development of its employees as well as to the Apprenticeship programme. A total of 87 courses for 1,151 participants were organized last year with an average cost of $304 per participant.

Occupational Health and Safety

In line with the implementation phase of our OHS Management System Manual, the focus during the year has been on the integration of safety to work processes and procedures. We continued to focus on the implementation of OHS procedures from our OHS Management System Manual. OHS Training was also conducted on an on going basis to ensure safety awareness and responsibilities are filtered through all levels of the organization.

RISK MANAGEMENT

With the recognition on the importance of Risk Management in our business operation, the Corporation continues to develop our new Risk Management Manual. The manual is aligned to World's Best Practice and documents the framework and process for managing risk within the Corporation. Other areas of focus during the year have been on the finalisation of our risk action plans from our risk registers which will lay the platform in addressing risk areas within the Corporation.

ENVIRONMENT

The Corporation clearly understands its responsibilities in the need to protect the environment. We continue to aspire to protect our environment through internal operational control and through the major capital project that will minimise pollution through our factory upgrade programme.

The Corporation has recognized the need to integrate our OHS and Environment Management Systems and its alignment to Word's Best Practice. The focus in this area during the year has been on integration and documentation of OHS and Environment Management System and the practical implementation of such system.

INFORMATION SYSTEMS

During the year, efforts were directed towards minimising operational disruptions to our information systems by providing proper maintenance, standardization of all computer systems, networks and related equipment and strengthening the helpdesk operations.

Some major developments for the year have been networking of Supply Chain & Design Office buildings, implementation of PC and related equipment Inventory System, creation of IP based queues, upgrade of VMS, Oracle RDB & Gembase, implementation of web based VERS system, Implementation of FSC web forum and development of official FSC web page.

A review of the current networking and communications infrastructure was also carried out during the year to ascertain the technological needs of the Corporation.

RESEARCH

The Sugar Research Institute of Fiji was established in November 2006 and some of its major functions are to design, develop, monitor and review research programmes and research strategies for the sugar industry, provide extension services to cane growers and identify diversification opportunities for the sugar industry.

The new cane variety; LF91–1925, that was released in 2006 is being gradually accepted by the growers. Adverse weather conditions deterred the growers from planting the new variety in 2006. It is projected that with the Extension Services being activated, the benefits of planting LF91-1925 will be conveyed to more growers who will plant the new variety in 2007.

Some high fibre varieties for co-generation have been identified and which are undergoing further tests and it is anticipated that one variety will be put through the large mill trial in 2008.

The FSC estate farms under the management of Sugar Research Institute of Fiji have continued to improve and total production per unit area has improved significantly, but the cost of production remains high. This is due to the high cost of harvesting and delivery, and high cultivation costs.

Financial Statements

Directors' Report

In respect of the financial year ended 31 May 2007, the directors of The Fiji Sugar Corporation Limited (the Corporation) submit the following report in accordance with a resolution of the directors:

At the special general meeting held on 15 February 2007, the following persons were appointed to hold office as directors of The Fiji Sugar Corporation Limited:

Mr. Bhoo Prasad Gautam (Chairman)
Mr. Isoa Kaloumaira (Deputy Chairman)
Mr. Marika Gaunavou
Mr. Kamlesh Chandra
Ratu Savenaca Qomate (re-appointed)
Mr. Jaoji Koroi (re-appointed)
Mr. Arvind Singh (re-appointed)

The following persons held office as directors until 15 February 2007:

Mr. Charles Walker
Mr. Tukana Bovoro
Mr. Damend Gounder
Mr. Olota Rokovunisei
Mr. Abdul Khan

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 purchase of cane, manufacture and sale of sugar.

Trading Results
The consolidated trading results are summarized below:

	2007 $	2006 $
Operating profit	4,400,895	1,663,090
Provision for inventory write down /obsolescence	(160,000)	(1,777,363)
Reversal of impairment loss on plant and equipment	3,685,013	-
Impairment loss on plant and equipment	-	(6,204,734)
Share of losses from associates	(1,035,219)	(848,338)
Operating profit/(loss) before income tax	6,890,689	(7,167,345)
Income tax (expense)/benefit	(647,838)	3,333,603
Net profit/(loss) for the year	6,242,851	(3,833,742)

Directors' Report [Cont'd]

Dividends
The directors recommend that no dividends be declared for the year ended 31 May 2007.

Reserves
The directors recommend that $156,236 be transferred from the asset revaluation reserve to retained earnings.

Bad and Doubtful Debts
The directors took reasonable steps before the Corporation's and the Group's financial statements were made out to ascertain that all known bad debts were written off and adequate provisions were made for doubtful debts.

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 amount of the provision for doubtful debts, 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
The accounts have been prepared on a going concern basis on the assumption that sufficient funds will be obtained from future operations, and that ongoing support from the Government of the Republic of Fiji Islands together with the availability of bank or other finance will enable the Corporation and the Group to meet its obligations as and when they fall due. The directors believe that the Group 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.

Furthermore, notwithstanding recent political events which have occurred in Fiji and a degree of economic uncertainty resulting there from, the directors believe that taking into account the value of the business as a going concern, the assets of the Group are worth their book value. Accordingly, directors believe that the basis of preparation of accounts is appropriate, and that the classification and carrrying amounts of the assets and liabilities as stated in the financial statements to be appropriate.

Other Circumstances
At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements which render any amounts stated in the financial statements misleading.

Unusual Transactions
The results of the Corporation and Group's operations 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 other than those disclosed in the financial statements.

Directors' Report [Cont'd]

Likely Developments

(i) Implementation of the Sugar Industry Revival Programme

As part of the reform of the Sugar Industry, the Corporation is in the process of upgrading its mills which is expected to be completed in the next two years. Total project cost is estimated at $86 million, which is being financed through a loan from the EXIM Bank of India.

The Corporation plans to put in place strategies to increase supply of cane from the current levels to 4.2 million tones by 2009.

(ii) Diversification

As part of it's diversification strategy, the Corporation is in the process of evaluating options to undertake co-generation of electricity and production of ethanol.

(iii) European Union (EU) Action Plan on Accompanying Measures

As part of the reform of the EU Sugar Regime, the EU has adopted the Action Plan on Accompanying Measures for the ACP Sugar Protocol countries affected by the reform of the EU sugar regime. The Accompanying Measures are aimed at supporting the restructuring of the sugar industry to withstand the price reduction under the EU sugar regime which came into effect from 1 June 2006. Out of the first year's allocation of €40 million in 2006 from the EU for all the 18 Sugar Protocol supplying States, Fiji's allocation for 2006 season is €4million.

Fiji submitted its Action Plan on multi-annual National Adaptation Strategy for the sugar industry to the European Commission in April 2006 which was revised to take on board comments from the European Commission and re-submitted in September 2006.

The National Adaptation Strategy identifies and prioritises a number of projects and initiatives that are necessary for the restructure of the Fiji sugar industry to make it globally competitive. Total value of these projects and initiatives, is estimated at $350 million which is expected to be available till 2015.

Events Subsequent To Balance Date

No charge on the assets of the holding company and its subsidiaries has arisen since the end of the financial year to the date of this report to secure the liabilities of any other person.

No contingent liability has arisen since the end of the financial year to the date of this report.

No contingent or other liability has become enforceable or is likely to become enforceable within a period of twelve months after the end of the financial year which, in the opinion of the directors, will or may affect the ability of the holding company and its subsidiaries to meet its obligations when they fall due.

Directors' Report [Cont'd]

Directors Benefits

No director of the Corporation has, since the end of the previous financial year, 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.

Signed in accordance with a resolution of the Board of Directors this 22nd day of August 2007.

For and on behalf of the Board:

Director **Director**

Statement by Directors

In the opinion of the directors:

(a) the accompanying income statements are 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 2007,

(b) the accompanying balance sheets are 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 2007,

(c) the accompanying statements of changes in equity are drawn up so as to give a true and fair view of the movement in shareholder's funds of the Corporation and of the Group for the year ended 31 May 2007,

(d) the accompanying cash flow statements are 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 2007,

(e) at the date of this statement, there are reasonable grounds to believe that the companies in the Group will be able to pay its debts as and when they fall due; and

(f) all related party transactions have been adequately recorded in the books of the Corporation.

For and on behalf of the Board of Directors by authority of a resolution of the Directors.

Dated this 22nd day of August 2007

Director **Director**

G.LAL + CO.

CHARTERED ACCOUNTANTS

Level 10, FNPF Place,
343-359 Victoria Parade,
GPO Box 855, Suva, Fiji.
Telephone: (679) 331 4300
Facsimile: (679) 330 1841
E-mail: info@glal.com.fj
Offices in Suva and Lautoka

An Independent Correspondent Firm to
Deloitte Touche Tohmatsu, New Zealand

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 and of the Group for the year ended 31 May 2007 as set out on pages 29 to 53. The Corporation's 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 Fiji Accounting 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 their operations, changes in the shareholders' equity and the Corporation's and the Group's cash flows.

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, so far as it appears from our examination of those books; and

(b) the accompanying financial statements which have been prepared in accordance with Fiji Accounting 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 the Group as at 31 May 2007 and of the results, changes in shareholders' equity and cash flows of the Corporation and of the Group for the year ended on that date; and

    (b) give the information required by the Companies Act, 1983 in the manner so required.

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

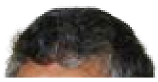
Independent Audit Report (Cont'd)

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

Emphasis of Matter

Without qualifying our opinion above, we draw your attention to Note 1.1 (ii) to the financial statements, which refers to the basis of preparation of the accounts on a going concern basis, and Note 20 to the financial statements summarizing factors which could create financial constraints for the Corporation and the Group. Consequently, the Corporation's and the Group's ability to continue on a going concern basis is dependent upon successful implementation of the initiatives and strategies as outlined in Note 20.

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
22 AUGUST 2007

CHARTERED ACCOUNTANTS

Income Statements
for the year ended 31 May 2007

	Notes	Consolidated		Holding Company	
		2007	2006	2007	2006
		$	$	$	$
Turnover		274,253,268	235,217,177	274,253,268	235,217,177
Less: Cost of sales		(262,827,775)	(227,728,771)	(262,827,775)	(227,709,772)
Gross profit		11,425,493	7,488,406	11,425,493	7,507,405
Other income		240,923	846,396	240,923	1,150,745
Administrative expenses		(5,556,197)	(5,623,201)	(5,488,062)	(5,582,739)
Other expenses		(2,382,569)	(631,004)	(2,382,569)	(631,157)
Provision for inventory write down		(160,000)	(1,777,363)	(160,000)	(1,777,363)
Impairment loss on plant and equipment	7	-	(6,204,734)	-	(6,204,734)
Reversal of impairment loss on plant and equipment	7	3,685,013	-	3,685,013	-
		(4,172,830)	(13,389,906)	(4,104,695)	(13,045,248)
Profit / (Loss) from operations	2	7,252,663	(5,901,500)	7,320,798	(5,537,843)
Interest (expense) / income - net	3	673,245	(417,507)	668,732	(435,747)
Share of losses from associate companies	8(c)	(1,035,219)	(848,338)	(1,100,396)	(921,373)
Operating profit / (loss) before income tax		6,890,689	(7,167,345)	6,889,134	(6,894,963)
Income tax (expense) / benefit	5	(647,838)	3,333,603	(652,468)	3,333,496
Net profit / (loss) for the year		6,242,851	(3,833,742)	6,236,666	(3,561,467)
Basic earnings per share	6	0.14	(0.09)		
Diluted earnings per share	6	0.14	(0.09)		

The above income statements should be read in conjunction with the accompanying notes.

Balance Sheets
as at 31 May 2007

	Notes	Consolidated		Holding Company	
		2007	2006	2007	2006
		$	$	$	$
Non-current assets					
Property, plant and equipment	7	191,498,632	180,561,304	191,498,632	180,561,304
Investments	8	3,129,186	4,243,886	2,334,718	3,435,114
Total non-current assets		194,627,818	184,805,190	193,833,350	183,996,418
Current assets					
Inventories	9	16,498,561	15,792,034	16,498,561	15,792,034
Receivabl es and prepayments	10	24,920,952	5,664,536	25,038,741	5,617,679
Short term deposits		8,280,225	-	8,280,225	-
Cash on hand and at bank		5,832,565	6,685,534	5,140,323	5,967,472
Total current assets		55,532,303	28,142,104	54,957,850	27,377,185
Total assets		250,160,121	212,947,294	248,791,200	211,373,603
Shareholders' equity					
Share capital	12	22,199,999	22,199,999	22,199,999	22,199,999
Reserves	13	126,269,067	126,425,303	126,269,067	126,425,303
Retained earnings		27,658,578	21,257,143	26,201,734	19,808,832
Total shareholders' equity		176,127,644	169,882,445	174,670,800	168,434,134
Non-current liabilities					
Term loan - secured	14	26,812,663	7,043,755	26,812,663	7,043,755
Deferred income	15	1,290,027	1,464,387	1,290,027	1,464,387
Provision for deferred income tax	16	16,954,954	16,302,486	16,954,954	16,302,486
Provisions	17	1,859,305	1,547,163	1,859,305	1,547,163
Total non-current liabilities		46,916,949	26,357,791	46,916,949	26,357,791
Current liabilities					
Creditors and borrowings	18	23,879,429	12,329,129	23,979,434	12,203,749
Provisions	17	3,236,099	4,377,929	3,224,017	4,377,929
Total current liabilities		27,115,528	16,707,058	27,203,451	16,581,678
Total equity and liabilities		250,160,121	212,947,294	248,791,200	211,373,603

The above balance sheets should be read in conjunction with the accompanying notes. These financial statements have been approved by a resolution of the Board of Directors.

For and on behalf of the Board

Director

Director

Statements of changes in Shareholders' Equity
for the year ended 31 May 2007

Consolidated	Notes	Share Capital $	Reserves $	Retained Earnings $	Total $
Balance at 31 May 2005		22,199,999	126,452,303	20,863,843	169,516,145
Reversal of revaluation surplus upon disposal of property	13	-	(27,000)	27,000	-
Adjustments to retained earnings brought forward, for recognition of the change in accounting policy pertaining to investments in associated companies, from cost method to equity method		-	-	4,200,042	4,200,042
Net loss for the year	2	-	-	(3,833,742)	(3,833,742)
Balance at 31 May 2006		22,199,999	126,425,303	21,257,143	169,882,445
Reversal of revaluation surplus upon disposal of property	13	-	(156,236)	156,236	-
Foreign currency translation adjustment		-	-	2,348	2,348
Net profit for the year	2	-	-	6,242,851	6,242,851
Balance at 31 May 2007		22,199,999	126,269,067	27,658,578	176,127,644
Holding Company					
Balance at 31 May 2005		22,199,999	126,452,303	19,918,789	168,571,091
Reversal of revaluation surplus upon disposal of property	13	-	(27,000)	27,000	-
Adjustments to retained earnings brought forward, for recognition of the change in accounting policy pertaining to investments in associated companies, from cost method to equity method		-	-	3,424,510	3,424,510
Net loss for the year	2	-	-	(3,561,467)	(3,561,467)
Balance at 31 May 2006		22,199,999	126,425,303	19,808,832	168,434,134
Reversal of revaluation surplus upon disposal of property		-	(156,236)	156,236	-
Net profit for the year		-	-	6,236,666	6,236,666
Balance at 31 May 2007		22,199,999	126,269,067	26,201,734	174,670,800

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

Cash Flow Statements
for the year ended 31 May 2007

	Consolidated		Holding Company	
	2007 $	2006 $	2007 $	2006 $
Cash flows from operating activities				
Receipts from customers and other operating activities	258,824,156	236,865,464	258,558,084	237,177,718
Payments to suppliers, employees and for operating activities	(252,886,051)	(220,298,489)	(252,575,108)	(220,386,366)
Interest received	1,165,872	252,972	1,161,359	234,653
Dividend received	-	79,481	-	333,600
Income taxes (paid) / refund received	13,483	(22,284)	-	-
Interest and other cost of finance paid	(1,076,766)	(670,481)	(1,076,766)	(670,400)
Net cash flows provided by operating activities (Note 11(a))	6,040,694	16,206,663	6,067,569	16,689,205
Cash flows from investing activities				
Payments for property, plant and equipment	(18,063,281)	(11,248,732)	(18,063,281)	(11,248,732)
Proceeds from sale of property, plant and equipment	71,088	118,502	71,088	107,594
Net cash flows used in investing activities	(17,992,193)	(11,130,230)	(17,992,193)	(11,141,138)
Cash flows from financing activities				
Proceeds from Export Import Bank of India loan	19,602,042	7,043,756	19,602,042	7,043,756
Repayment of Sugar Cane Growers Fund loan, net	-	(12,000,000)	-	(12,000,000)
Net cash flows provided by / (used in) financing activities	19,602,042	(4,956,244)	19,602,042	(4,956,244)
Net increase in cash and cash equivalents	7,650,543	120,189	7,677,418	591,823
Effect of exchange rate movement on cash and cash equivalents	1,055	-	-	-
Cash and cash equivalents at the beginning of the financial year	6,134,571	6,014,382	5,416,509	4,824,686
Cash and cash equivalents at the end of the financial year (Note 11(b))	13,786,169	6,134,571	13,093,927	5,416,509

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

Notes to and forming part of the Financial Statements
for the year ended 31 May 2007

ACCOUNTING POLICIES

Index to Accounting policies **Page No**

Notes to and forming part of the Financial Statements
for the year ended 31 May 2007

1. ACCOUNTING POLICIES

The principal accounting policies adopted by The Fiji Sugar Corporation Limited and its subsidiaries 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.

1.1 Basis of accounting

(i) The consolidated financial statements have been prepared in accordance with Fiji Accounting Standards and the Fiji Companies Act. The consolidated financial statements have been prepared under the historical cost convention using the accounting policies as given below and except where stated, do not take into account changing money values or current valuations of non-current assets and financial instruments.

The application of Fiji Accounting Standards in preparation of financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current event and actions, actual results ultimately may differ from those estimates.

Notwithstanding recent political events which have occurred in Fiji and a degree of economic uncertainty resulting there from, the directos believe that taking into account the value of the business as a going concern, the assets of the Group are worth their book value. Accordingly, directors believe that the basis of preparation of accounts is appropriate, and that the classification and carrying amounts of the assets and liabilities as stated in the financial statements to be appropriate.

(ii) The accounts have been prepared on a going concern basis on the assumption that sufficient funds will be obtained from future operations, and that ongoing financial and other support from the Government of the Republic of Fiji Islands together with the availability of bank or other finance will enable the Corporation and the Group to meet its obligations as and when they fall due. In the opinion of the directors, this basis is 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 to continue as a going concern.

1.2 Group accounting

Subsidiaries

Subsidiaries, which are those entities in which the holding company has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies, are consolidated. The consolidated accounts incorporate the assets and liabilities of all subsidiaries as at 31 May 2007 and results of all subsidiaries for the period then ended. The holding company and its subsidiaries together are referred to in these financial statements as the Group. The effects of all transactions between entities in the Group are eliminated in full.

Associates

Investments in associate companies are investments in which the Group has a long-term equity in excess of 20%, but not more than 50%. The Group adopts equity method of accounting for its investments in associate companies. The equity method of accounting is a method whereby the investment is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share in net assets of the investee. The income statement reflects the Group's share of results of operations of the investee. Provisions are raised against cost to recognise permanent diminution in value, if any.

Notes to and forming part of the Financial Statements
for the year ended 31 May 2007

1. ACCOUNTING POLICIES (CONT'D)

1.3 Foreign currency translation

(i) 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.

(ii) 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.

(iii) 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 2007.

1.4 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and provision for impairment, except for freehold land and buildings which are based on valuations by external independent valuers and are shown at current value less subsequent depreciation.

Increases in the carrying amount arising on revaluation of land and buildings are credited to asset revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged against the reserve; all other decreases are charged to the income statement.

Depreciation on revalued buildings is charged to the income statement. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the revaluation reserve is transferred directly to retained earnings.

Depreciation is calculated on the straight-line method to write off the cost or revalued amount of each asset, other than freehold land, to their residual values over their estimated useful lives as follows:

Buildings and improvements	2% to 10%
Plant, machinery and equipment	3% to 25%
Motor 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.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in operating profit. When revalued assets are sold, the amounts included in the asset revaluation reserve are transferred to retained earnings.

Notes to and forming part of the Financial Statements
for the year ended 31 May 2007

1. ACCOUNTING POLICIES (CONT'D)

1.4 Property, plant and equipment (cont'd)

Capital works 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.

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.

1.5 Finance 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. All other leases are classified as operating leases.

1.6 Operating lease

Operating leases are not capitalized and rental payments are charged to income statement in the period in which they are incurred.

1.7 Impairment of 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.

1.8 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.

Notes to and forming part of the Financial Statements

for the year ended 31 May 2007

1. ACCOUNTING POLICIES (CONT'D)

1.8 Inventories (cont'd)

Spares are stated at cost. Costs are assigned to spares using the weighted average basis and comprise all costs incurred in bringing the stocks to their present location and condition.

1.9 Receivables

Trade receivables are carried at original invoice value less marketing, selling and distribution costs. Provision is raised for any doubtful debts based on a review of all outstanding amounts at year-end. Bad debts are written off during the period in which they are identified.

1.10 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are included within creditors and borrowings in current liabilities on the balance sheet.

1.11 Share capital

Share capital of the Corporation comprises of ordinary shares that are classified as equity.

1.12 Income taxes

Income tax has been brought to account using the liability method of tax effect accounting.

Income tax is calculated on operating profit adjusted for permanent differences between taxable and accounting income. The tax effect of timing differences, which arise from items being brought to account in different years for income tax and accounting purposes, is carried forward in the balance sheet as future income tax benefit and/or deferred income tax liabilities. Future income tax benefits are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Tax rates enacted or substantively enacted by the balance sheet date are used to determine deferred income tax.

1.13 Value Added Tax (VAT)

Revenues, expenses, assets and liabilities are recognized net of amount of value added tax (VAT), except:

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

ii) For trade receivables and trade payables which are recognized inclusive of VAT.

The net amount of VAT recoverable from the taxation authority is included as part of receivables.

1.14 Employee entitlements

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. Employee entitlements to annual leave, long service leave and other benefits are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave, long service leave and other benefits as a result of services rendered by employees up to the balance sheet date.

Provisions made in respect of employees benefits expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at the time of the settlement.

Provisions made in respect of employee benefits that are not expected to be settled within 12 months are measured at the present value of the estimated future cash out flows to be made by the Group in respect of services provided by employees up to reporting date.

Notes to and forming part of the Financial Statements
for the year ended 31 May 2007

1. ACCOUNTING POLICIES (CONT'D)

1.15 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.

1.16 Provisions

Provisions are recognised where there is a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation is made.

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.

1.17 Turnover

Turnover represents revenue received by the Group from sale of its products and services, net of returns, trade allowances, brokerage, marketing fees, duties and taxes paid.

1.18 Earnings per share (EPS)

i) 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.

ii) Diluted earnings per share

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

1.19 Dividend income

Dividends are recorded in the Group's financial statements in the period in which they are approved and the right to receive dividend is established.

1.20 Borrowing costs

The borrowing costs that are directly attributable to the acquisitions of the capital assets are capitalised. Other borrowing costs are recognised as an expense in the year in which they are incurred.

1.21 Comparative figures

Current year results are for the twelve months ended 31 May 2007. Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

Notes to and forming part of the Financial Statements
for the year ended 31 May 2007

2. PROFIT / (LOSS) FROM OPERATIONS	Consolidated		Holding Company	
	2007 $	2006 $	2007 $	2006 $
Profit/(loss) from operations have been arrived after crediting the following items:				
Amortisation of government grants (Note 15)	(174,360)	(174,360)	(174,360)	(174,360)
Provision for doubtful debts written back	-	(24,902)	-	(24,902)
Dividend income from subsidiary company	-	-	-	(333,600)
Gain on sale of fixed assets	(63,303)	(10,908)	(63,303)	-
Provision for claims payable reversed	-	(642,785)	-	(642,785)
Profit/(loss) from operations have been arrived after charging the following expenses:				
Auditors remuneration for:				
- Audit services	69,356	102,548	64,000	64,000
- Other services	5,000	12,000	5,000	12,000
Bad debts written off	14,630	14,524	14,630	14,524
Depreciation and amortisation:				
- Leasehold land, building and improvements	1,551,311	1,680,973	1,551,311	1,680,973
- Plant, machinery and equipment	10,029,575	10,364,372	10,029,575	10,348,631
- Motor vehicles and transport systems	1,506,215	1,458,983	1,506,215	1,455,727
Directors' emoluments for:				
- Services as directors	59,346	36,097	59,346	36,097
- Other services	58,656	129,079	36,957	26,806
Fixed assets written off	779,212	435,292	779,212	435,292
Loss on sale of fixed assets	-	179,926	-	179,926
Provision for doubtful debts	116,329	-	116,329	-
Provision for litigation claims	263,000	-	263,000	-
Provision for redundancy	438,474	-	438,474	-
Provision for stock obsolescence	160,000	1,777,363	160,000	1,777,363
Staff costs (Note 4)	36,450,594	34,703,564	36,428,528	34,209,148

3. INTEREST INCOME / (EXPENSE) NET	2007 $	2006 $	2007 $	2006 $
Interest expense :				
- Secured term loan	(396,593)	(128,219)	(396,593)	(128,219)
- Promissory notes	-	(82,500)	-	(82,500)
- Others	(178,464)	(459,681)	(178,464)	(459,681)
	(575,057)	(670,400)	(575,057)	(670,400)
Interest income	1,248,302	252,893	1,243,789	234,653
	673,245	(417,507)	668,732	(435,747)

Notes to and forming part of the Financial Statements
for the year ended 31 May 2007

4. STAFF COSTS	Consolidated		Holding Company	
	2007	2006	2007	2006
	$	$	$	$
Wages and salaries	32,791,349	34,091,143	32,791,349	33,499,260
Other employee benefits	3,581,419	3,414,680	3,559,353	3,374,931
	36,372,768	37,505,823	36,350,702	36,874,191
Less: staff costs associated with capital works	(213,447)	(2,850,623)	(213,447)	(2,850,623)
	36,159,321	34,655,200	36,137,255	34,023,568
Provisions for employee benefits	291,273	48,364	291,273	185,580
	36,450,594	34,703,564	36,428,528	34,209,148
Number of permanent employees as at balance date. This increases by approximately 650 employees during the crushing period.	1,756	1,852	1,755	1,851

5. INCOME TAX (EXPENSE) / BENEFIT

The prima facie income tax (expense) / benefit on pre-tax operating profit /(loss) is reconciled to the income tax (expense) / benefit shown in the income statement as follows:				
Prima facie income tax (expense)/benefit on the operating result before income tax	(2,136,114)	2,221,877	(2,135,631)	2,137,439
Tax effect of permanent differences:				
Amortisation of Government grants	54,052	54,052	54,052	54,052
Depreciation expense not allowable for income tax	(348,608)	(349,577)	(348,608)	(349,577)
Sundry non-allowable expenditure	(438,160)	(323,554)	(438,160)	(345,355)
Prima facie income tax (expense) / benefit adjusted for permanent differences	(2,868,830)	1,602,798	(2,868,347)	1,496,559
Difference in overseas tax rate	1,138	5,783	-	-
Over / (under) provision in prior years	(31,398)	139,362	(35,373)	139,255
Realisation of timing differences and tax losses not previously recognised	2,251,252	2,307,159	2,251,252	2,307,159
Future income tax benefit in respect of timing differences and tax losses not brought to account	-	(721,499)	-	(609,477)
Income tax (expense)/benefit	(647,838)	3,333,603	(652,468)	3,333,496

Notes to and forming part of the Financial Statements

for the year ended 31 May 2007

5. INCOME TAX (EXPENSE)/ BENEFIT (CONT'D)

	Consolidated		Holding Company	
	2007	2006	2007	2006
	$	$	$	$
Income tax (expense) / benefit comprises movement in:				
a) Provision for income tax	4,630	107	-	-
b) Provision for deferred tax	(652,468)	3,333,496	(652,468)	3,333,496
	(647,838)	3,333,603	(652,468)	3,333,496

Future income tax benefits relating to tax losses and provisions have not been brought to account as realisation of the same is not regarded as virtually certain. The benefit will only be obtainable if:

a) 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;

b) the Corporation and the Group continues to comply with the conditions for deductibility imposed by tax legislation; and

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

6. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit / (loss) attributed to shareholders by the weighted average number of ordinary shares in issue during the year. The diluted earnings per share is the same as basic earnings per share.

	Consolidated	
	2007	2006
	$	$
Net profit / (loss) attributable to shareholders	6,242,851	(3,833,742)
Weighted average number of ordinary shares in issue	44,399,998	44,399,998
Basic earnings per share	0.14	(0.09)
Diluted earnings per share	0.14	(0.09)

Notes to and forming part of the Financial Statements
for the year ended 31 May 2007

7. PROPERTY, PLANT AND EQUIPMENT

Consolidated and Holding Company	Land, Buildings and Improvements $	Plant, Machinery and Equipment $	Vehicles and Transport Systems $	Capital Work In Progress $	Total $
At 31 May 2007					
At cost					
Cost	20,076,664	260,238,617	44,196,474	29,548,050	354,059,805
Accumulated depreciation	(7,192,703)	(178,370,162)	(35,254,683)	-	(220,817,548)
Impairment loss	-	(2,519,721)	-	-	(2,519,721)
Balance at 31 May 2007	12,883,961	79,348,734	8,941,791	29,548,050	130,722,536
At valuation					
Valuation (Note 7(a))	66,896,103	-	-	-	66,896,103
Accumulated depreciation	(6,120,007)	-	-	-	(6,120,007)
Balance at 31 May 2007	60,776,096	-	-	-	60,776,096
Total balance at 31 May 2007	73,660,057	79,348,734	8,941,791	29,548,050	191,498,632

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

	Land, Buildings and Improvements $	Plant, Machinery and Equipment $	Vehicles and Transport Systems $	Capital Work In Progress $	Total $
Balance at 1 June 2006	74,837,413	87,944,728	5,846,065	11,933,098	180,561,304
Additions	505,564	1,546,877	934,099	18,139,874	21,126,414
Disposal	(131,609)	(113,296)	(17,171)	(524,922)	(786,998)
Reversal of impairment loss (Note 7(c)	-	-	3,685,013	-	3,685,013
Depreciation (Note 2)	(1,551,311)	(10,029,575)	(1,506,215)	-	(13,087,101)
Balance at 31 May 2007	73,660,057	79,348,734	8,941,791	29,548,050	191,498,632

Notes to and forming part of the Financial Statements
for the year ended 31 May 2007

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

Consolidated and Holding Company	Land, Buildings and Improvements $	Plant, Machinery and Equipment $	Vehicles and Transport Systems $	Capital Work In Progress $	Total $
At 31 May 2006					
At cost					
Cost	19,695,713	259,598,084	44,268,856	11,933,098	335,495,751
Accumulated depreciation	(6,629,569)	(169,133,635)	(34,737,778)	-	(210,500,982)
Impairment loss	-	(2,519,721)	(3,685,013)	-	(6,204,734)
Balance at 31 May 2006	13,066,144	87,944,728	5,846,065	11,933,098	118,790,035
At valuation					
Valuation	66,896,103	-	-	-	66,896,103
Accumulated depreciation	(5,124,834)	-	-	-	(5,124,834)
Balance at 31 May 2006	61,771,269	-	-	-	61,771,269
Total balance at 31 May 2006	74,837,413	87,944,728	5,846,065	11,933,098	180,561,304

Note 7(a)
The revalued amounts above represent freehold land and buildings which is based on the valuation carried out by independent registered valuers, Rolle Hillier Parker of Suva, Fiji in July 2002.

Note 7(b)
During the year, an independent assessment of the impairment of plant and equipment was performed by consulting engineers, Erasito Consultants Limited.

Note 7(c)
The Corporation has been requested by the Government to progressively reverse the rail growers using lorry mode transportation to rail proper. Accordingly, the impairment loss of $3.6 million which was made in previous year based upon the Corporation's plans and assertions of phasing out the rail system in the next five years is reversed in the current year. (Refer income statement).

Notes to and forming part of the Financial Statements
for the year ended 31 May 2007

8. INVESTMENTS

	Consolidated 2007 $	Consolidated 2006 $	Holding Company 2007 $	Holding Company 2006 $
Subsidiary companies				
Shares in subsidiary companies, at cost	-	-	11,977	11,977
Associate companies				
Equity accounted investments in associate companies	3,129,186	4,243,886	2,322,741	3,423,137
	3,129,186	4,243,886	2,322,741	3,423,137
Total Investments	3,129,186	4,243,886	2,334,718	3,435,114

Refer Note 1 (1.2) relating to accounting policy on accounting for investments in associates.

(a) Investments in subsidiaries

Name of Company	Place of Incorporation	Contribution to Group Results 2007 $	Contribution to Group Results 2006 $	Book Value of Holding Company Investments (Ordinary shares) 2007 $	Book Value of Holding Company Investments (Ordinary shares) 2006 $	% Shareholding 2007 %	% Shareholding 2006 %
Unlisted							
FSC Projects Ltd	Fiji	63,067	71,008	100	100	100	100
FSC Services Pty Ltd	Australia	(56,882)	(9,682)	11,875	11,875	100	100
Pacific Cogeneration Limited	Fiji	-	-	2	2	100	100
		6,185	61,326	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 are audited by PricewaterhouseCoopers, Sydney. Pacific Cogeneration Limited has yet to commence operations.

(b) Investments in associate companies

Name of Company	Place of Incorporation	Issued Capital (ordinary @ $1 par) 2007 $	Issued Capital (ordinary @ $1 par) 2006 $	Issued to FSC group (ordinary @ $1 par) 2007 $	Issued to FSC group (ordinary @ $1 par) 2006 $	% Shareholding 2007 %	% Shareholding 2006 %
South Pacific Fertilizers Limited	Fiji	2,300,000	2,300,000	920,000	920,000	40.00	40.00
Agchem Limited	Fiji	130,000	130,000	51,663	51,663	39.74	39.74
		2,430,000	2,430,000	971,663	971,663		

Notes to and forming part of the Financial Statements
for the year ended 31 May 2007

	Consolidated		Holding Company	
8. INVESTMENTS (CONT'D)	**2007**	**2006**	**2007**	**2006**
	$	**$**	**$**	**$**
(c) Movement in carrying amount of associate companies				
Shares in associate companies - opening balance	4,243,886	971,663	3,423,137	920,000
Add: Adjustments to retained earnings brought forward for recognition of the change in accounting policy pertaining to the investments in associates from cost method to equity method	-	4,200,042	-	3,424,510
Less: Share of loss from associates	(1,035,219)	(848,338)	(1,100,396)	(921,373)
Less: Dividends received / receivable	(79,481)	(79,481)	-	-
	3,129,186	4,243,886	2,322,741	3,423,137
9. INVENTORIES				
Sugar and molasses	3,746,920	2,284,241	3,746,920	2,284,241
Spare parts and spare gears	12,933,001	14,755,102	12,933,001	14,755,102
Other inventories	728,640	1,280,054	728,640	1,280,054
	17,408,561	18,319,397	17,408,561	18,319,397
Deduct: Provision for inventory write down	(910,000)	(2,527,363)	(910,000)	(2,527,363)
	16,498,561	15,792,034	16,498,561	15,792,034
10. RECEIVABLES AND PREPAYMENTS				
Trade receivables	18,891,845	2,008,765	18,891,845	2,008,765
Related companies	685,031	239,531	802,822	239,531
	19,576,876	2,248,296	19,694,667	2,248,296
Prepayments and deposits	1,747,133	187,440	1,747,133	187,440
VAT receivable	2,831,323	2,014,228	2,831,323	2,014,228
Growers advance	406,501	620,498	406,501	620,498
Other receivables	617,958	929,584	617,956	882,727
Less: Provision for doubtful debts	(258,839)	(335,510)	(258,839)	(335,510)
	5,344,076	3,416,240	5,344,074	3,369,383
	24,920,952	5,664,536	25,038,741	5,617,679

Notes to and forming part of the Financial Statements
for the year ended 31 May 2007

11. NOTES TO THE CASH FLOW STATEMENTS	Consolidated		Holding Company	
	2007 $	2006 $	2007 $	2006 $
(a) Reconciliation of net cash provided by operating activities to net profit /(loss) for the year				
Net profit / (loss) for the year	6,242,851	(3,833,742)	6,236,666	(3,561,467)
Adjustment for:				
Depreciation and amortisation	13,087,101	13,504,328	13,087,101	13,485,331
Provision for doubtful debts	116,329	-	116,329	-
Doubtful debts written back	-	(24,901)	-	(24,901)
Amortisation of deferred income	(174,360)	(174,360)	(174,360)	(174,360)
Loss on disposal of plant and equipment, net	715,909	604,310	715,909	615,218
Provision for stock obsolescence	160,000	1,777,363	160,000	1,777,363
Share of losses from associate companies	1,035,219	848,338	1,100,396	921,373
Unrealised foreign exchange loss	168,026	-	168,026	-
Reversal of impairment loss	(3,685,013)	-	(3,685,013)	-
Impairment loss on non-current assets	-	6,204,734	-	6,204,734
Claims payable written back	-	(642,785)	-	(642,785)
Dividend income from associate company	-	79,481	-	-
Changes in assets and liabilities:				
(Increase) / decrease in trade and other receivables	(17,709,626)	3,616,807	(17,977,698)	1,960,541
(Increase) / decrease in inventories	(866,527)	242,422	(866,527)	242,422
(Increase) / decrease in deposits and prepayments	(1,559,693)	1,479,332	(1,559,693)	1,479,332
Increase / (decrease) in trade and other payables	8,678,845	(4,195,002)	8,935,735	(2,474,995)
Increase / (decrease) in provisions	(829,689)	76,225	(841,770)	214,895
Increase / (decrease) in income tax payable / refund receivable	8,854	-	-	-
Increase / (decrease) in deferred tax liability	652,468	(3,355,887)	652,468	(3,333,496)
Net cash provided by operating activities	6,040,694	16,206,663	6,067,569	16,689,205

Notes to and forming part of the Financial Statements
for the year ended 31 May 2007

11. NOTES TO THE CASH FLOW STATEMENTS (CONT'D)

(b) Cash & Cash Equivalents

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

	Consolidated 2007 $	Consolidated 2006 $	Holding Company 2007 $	Holding Company 2006 $
Cash and bank balances	5,832,565	6,685,534	5,140,323	5,967,472
Short term deposits	8,280,225	-	8,280,225	-
Bank overdraft (Note 18)	(326,621)	(550,963)	(326,621)	(550,963)
	13,786,169	6,134,571	13,093,927	5,416,509

12. SHARE CAPITAL

	Consolidated 2007 $	Consolidated 2006 $	Holding Company 2007 $	Holding Company 2006 $
Authorised capital 160,000,000 ordinary shares of 50 cents each	80,000,000	80,000,000	80,000,000	80,000,000
Issued capital 44,399,998 fully paid ordinary shares of 50 cents each	22,199,999	22,199,999	22,199,999	22,199,999

13. RESERVES

	Capital $	Asset Replacement $	Uninsured Risk $	Asset Revaluation $	Total $
Balance at 1 June 2005	2,393,327	66,000,000	3,500,000	54,558,976	126,452,303
Reversal of revaluation surplus upon disposal of property	-	-	-	(27,000)	(27,000)
Balance at 31 May 2006	2,393,327	66,000,000	3,500,000	54,531,976	126,425,303
Reversal of revaluation surplus upon disposal of property	-	-	-	(156,236)	(156,236)
Balance at 31 May 2007	2,393,327	66,000,000	3,500,000	54,375,740	126,269,067

Notes to and forming part of the Financial Statements
for the year ended 31 May 2007

14. TERM LOAN - SECURED

	Consolidated		Holding Company	
	2007	2006	2007	2006
	$	$	$	$
Non-current				
Export Import Bank of India (a)	26,812,663	7,043,755	26,812,663	7,043,755
	26,812,663	7,043,755	26,812,663	7,043,755

(a) The Corporation has entered into a contract with the Export Import Bank of India by way of Line of Credit of US$ 50.4 million for the upgrade of its sugar mills. The loan is secured by a Government guarantee and 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 LIBOR plus 0.5%. Interest paid and / or accrued has been capitalised to capital work in progress relating to sugar mills upgrade and modernization.

15. DEFERRED INCOME

	Consolidated		Holding Company	
	2007	2006	2007	2006
	$	$	$	$
Government grants	5,014,371	5,014,371	5,014,371	5,014,371
Less: Provision for amortization	(3,724,344)	(3,549,984)	(3,724,344)	(3,549,984)
	1,290,027	1,464,387	1,290,027	1,464,387

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.

16. PROVISION FOR DEFERRED INCOME TAX

	Consolidated		Holding Company	
	2007	2006	2007	2006
	$	$	$	$
Consists of timing differences in respect to:				
Difference between accounting and tax written down value of property, plant and equipment	16,606,490	16,076,482	16,606,490	16,076,482
Unrealised gains on stock of sugar and molasses	348,464	226,004	348,464	226,004
	16,954,954	16,302,486	16,954,954	16,302,486

Notes to and forming part of the Financial Statements
for the year ended 31 May 2007

17. PROVISIONS

	Consolidated		Holding Company	
	2007 $	2006 $	2007 $	2006 $
Non-current	1,859,305	1,547,163	1,859,305	1,547,163
Current	3,236,099	4,377,929	3,224,017	4,377,929
	5,095,404	5,925,092	5,083,322	5,925,092
Non-current provisions				
Employee benefits	1,859,305	1,547,163	1,859,305	1,547,163
Current provisions				
Employee benefits	1,893,594	1,576,347	1,881,512	1,576,347
Redundancy	750,000	2,501,393	750,000	2,501,393
Litigation claims	263,000	-	263,000	-
Other	329,505	300,189	329,505	300,189
	3,236,099	4,377,929	3,224,017	4,377,929

18. CREDITORS AND BORROWINGS

	Consolidated 2007 $	Consolidated 2006 $	Holding Company 2007 $	Holding Company 2006 $
Trade creditors and accruals	23,066,940	11,325,862	23,066,940	10,951,504
Interest and commitment fees payable	485,868	452,304	485,868	452,304
Bank overdraft - unsecured	326,621	550,963	326,621	550,963
Amount due to subsidiaries	-	-	100,005	248,978
	23,879,429	12,329,129	23,979,434	12,203,749

The Corporation has an overdraft facility with Westpac Banking Corporation for $950,000. The overdraft facility is subject to interest at the rate of 8.99%.

Notes to and forming part of the Financial Statements
for the year ended 31 May 2007

19. CONTINGENT LIABILITIES

	Consolidated		Holding Company	
	2007 $	2006 $	2007 $	2006 $
Manufacturing wage claims and litigations (a)	1,018,358	1,018,358	1,018,358	1,018,358
Letters of credit undertakings by the bank (b)	38,442,217	42,689,839	38,442,217	42,689,839
Guarantees or bonds given by the bank	54,416	490,499	54,416	490,499
	39,514,991	44,198,696	39,514,991	44,198,696

(a) Litigations

At balance date, $263,000 of provision was made in respect of sundry court actions against the holding company (Refer Note 17); 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 mill upgrades project. On due dates, payments to the suppliers and engineering entities will be made from borrowings from Export Import Bank of India (Refer Note 14).

20. GOING CONCERN

The Corporation incurred operating losses from ordinary activities during years ended 31 May 2006 and 2005. During year ended 31 May 2005, due to the inability of the Corporation to repay the loan, the Government loan of $54 million was converted into grant. The Corporation's revenue and margins are expected to decline in future due to expected reduction in the EU prices. Furthermore, the Corporation will be required to meet the repayment commitments for its loan from Export Import Bank of India, and the repayment is expected to commence from February 2009. (Refer Note 14).

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

Consequently, the Corporation's and the Group's ability and ongoing existence and continuation is dependent on, among other things, successful and timely completion of the Mill upgrade program, achieving mill efficiency together with 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.

Notes to and forming part of the Financial Statements
for the year ended 31 May 2007

21. CAPITAL COMMITMENTS

(a) Capital commitments

	Consolidated 2007 $	Consolidated 2006 $	Holding Company 2007 $	Holding Company 2006 $
Capital commitments contracted but not provided for in the accounts	48,615,466	63,376,077	48,615,466	63,376,077
Capital commitments approved by the directors but not yet contracted	5,937,540	1,503,923	5,937,540	1,503,923
	54,553,006	64,880,000	54,553,006	64,880,000

Mill Upgrading Project

The mill upgrading plan provides for upgrading of the sugar mills to world's best practice and will continue to be implemented over the next two years, and total cost is estimated to be around F$86 million. The principal objective of the mill upgrading project will be 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 before the end of 2007 when the construction work is expected to commence.

(b) Operating lease commitments

	Consolidated 2007 $	Consolidated 2006 $	Holding Company 2007 $	Holding Company 2006 $
Non-cancelable operating land lease rental commitments are payable as follows:				
Not later than one year	166,529	166,670	166,529	166,670
Later than one year but not later than two years	165,679	166,653	165,679	166,653
Later than two years but not later than five years	476,192	495,784	476,192	495,784
Later than five years	7,824,089	7,969,867	7,824,089	7,969,867
Total operating lease commitments	8,632,489	8,798,974	8,632,489	8,798,974

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

The Corporation purchases cane from growers under the terms and conditions stipulated in the Master Award, which forms an integral part of the Sugar Industry Act. Under the Master Award, the growers share 70% of the proceeds for sugar produced up to 325,000 tonnes; 72.5% of the proceeds for sugar produced between 325,000 – 350,000 tonnes and 75% of proceeds for sugar produced in excess of 350,000 tonnes. The sugar proceeds are shared net of industry costs such as marketing, shipping, research and Sugar Commission of Fiji expenses.

During the next twelve months, that is, for the 2007 crushing season, the growers are expected to supply to the Corporation a total of 2.82 million tonnes of cane from which approximately 290,000 tonnes of sugar is expected to be produced. The Corporation is expected to meet all its supply commitments to the buyers for the next twelve months.

Notes to and forming part of the Financial Statements
for the year ended 31 May 2007

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

The Corporation sells sugar to the European Union under the Sugar Protocol which is annexed to the Cotonou Agreement, whereby the European Union purchase and import at guaranteed prices, specific quantities of cane sugar, raw or white, which originates in the ACP States.

Fiji's annual quota under this Cotonou Agreement is 165,348 metric tonnes White Sugar Equivalent which is equivalent to about 172,500 metric tonnes raw sugar. This is sold to Tate & Lyle Sugar in London under a Long Term Agreement signed between Tate & Lyle and the Corporation. The Agreement is for 5 years commencing 1 July 2007. The price is subject to annual negotiation between the ACP suppliers and the European Union. The price for this year is Euro 496.8 per metric tonne CIF European ports.

The Corporation and Tate & Lyle have agreed to undertake to review the Long Term Agreement to take on board developments as part of the EU sugar reform program and new market conditions. A new supply agreement is expected to be entered within the next twelve months.

23. RELATED PARTY INFORMATION

Ownership interests in related parties
Interests held in subsidiaries and associated companies are set out in Note 8 to the financial statements.

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

	2007 $	2006 $
Purchases by holding company from subsidiary company, FSC Services Pty Ltd	348,435	6,353,600
Purchases by holding company from associate entity	13,243,675	13,376,981
Service fee income from associate entity	170,096	171,500

Government guarantee
The Government has provided a guarantee of US$50.4 million for borrowings from Export Import Bank of India. As at balance date, the Corporation had borrowed funds amounting to US$16.24 million under this guarantee. Also, the Government has approved a guarantee limited to $25 million, valid until 31 May 2008, to allow the Corporation to borrow in the short term money market (Refer Note 26).

Receivables and payables
Amounts receivable from or payable to related parties are disclosed in Note 9 and 18 to the financial statements.

Notes to and forming part of the Financial Statements
for the year ended 31 May 2007

24. SEGMENT INFORMATION

(a) Business segment
The Group operates predominantly in the sugar mills and revenue from other business segments is not material for the purpose of segment reporting.

(b) Geographical segment
The Group predominantly operates in Fiji and is therefore one geographical area for the purpose of segment reporting.

25. PRINCIPAL ACTIVITIES OF THE HOLDING COMPANY

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

The registered office of the Corporation is situated at Western House, Lautoka.

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.

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.

26. GOVERNMENT GUARANTEE

The Government has approved a guarantee limited to $25 million, valid until 31 May 2008 to enable the Corporation to borrow from commercial banks and short term money markets. The guarantee agreement in relation to this is in the process of being finalised.

Furthermore, as noted in Note 14, the Government has provided a guarantee of US$50.4 million for borrowings from Export Import Bank of India.

27. STOCK EXCHANGE LISTING

The shares of the holding company, which is incorporated in Fiji, is listed on the South Pacific Stock Exchange.

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 2007, 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	1,472	311,204	0.70
501 to 5,000 shares	518	691,224	1.56
5,001 to 10,000 shares	25	173,385	0.39
10,001 to 20,000 shares	11	149,490	0.34
20,001 to 30,000 shares	1	24,000	0.05
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	5	927,309	2.09
Over 1,000,000 shares	3	41,983,866	94.56

5. TWENTY LARGEST SHAREHOLDERS

As at 31 May 2007 the twenty largest shareholders held 43,213,945 shares which is equal to 97.33% of the total issued 44,399,998 fully paid shares of 50 cents each

1. *The Government of Fiji* 30,239,160
Permanent Secretary of Finance
PO Box 2212
Government Buildings, Suva

2. *Fiji National Provident Fund* 7,810,806
Private Mail Bag
Suva

3. *Fijian Holdings Ltd* 3,933,900
PO Box 2110
Government Buildings, Suva

4. *Unit Trust of Fiji (Trustee) Co Ltd* 374,539
PO Box 1359
Suva

5. *Colonial Mutual Life Assurance Society Ltd* 250,080
PO Box 155,
Suva

6. *Sugar Cane Growers Council* 119,401
PO Box 5162
Lautoka

South Pacific Stock Exchange Requirements

5. TWENTY LARGEST SHAREHOLDERS (cont'd)

7. *Reddys' Enterprises Limited* 105,338
PO Box 784
Lautoka

8. *Ba Provincial Holdings Co. Ltd* 101,951
Rogorogoivuda House
Lautoka

9. *Robert Lee* 98,720
GPO Box 13510
Suva

10. *Morris Hedstrom Limited Scholarship Fund Trustees* 40,800
PO Box 299
Suva

11. *Lionel Ding Sun Yee* 18,360
GPO Box 13600
Suva

12. *Pacific Transport Ltd.* 18,000
PO Box 1266
Suva

13. *Manohar Lal* 15,450
PO Box 1528
Nausori

14. *Amraiya Naidu* 14,800
GPO Box 13153
Suva

15. *Rotuma Development Fund Government Station* 14,400
PO Box 18
Rotuma

16. *Saimone Lutu* 12,120
PO Box 3359
Lami

17. *Fiji Public Service Association-Investments Co-op Ltd.* 12,000
PO Box 1405
Suva

18. *Johnson Fong* 12,000
5/113 Mount Street
Coogee, NSW 2034
Australia

19. *Joyce Due & Rasmus Due* 11,320
93 Mallawa Ave
Palm Beach, QLD 4221
Australia

20. *Sugar Milling Staff Officers' Association* 10,800
The Secretary
The Sugar Milling Staff
Officers' Association
FSC Limited,
Lautoka

6. 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
Permanent Secretary of Finance
PO Box 2212
Government Buildings
Suva

2. *Fiji National Provident Fund* 7,810,806
Private Mail Bag
Suva

7. SITUATION OF THE SHARE REGISTER

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

10-year Statistical Review

Financial statistics

for year ended 31 May (Prior to 2004 -31 March)		2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Turnover	($m)	274.3	235.2	242.7	227.5	265.7	243.8	251.2	287.2	257.1	239.1
Profit/Loss before taxation	($m)	6.9	(6.9)	(2.7)	0.7	(13.4)	(13.6)	(20.9)	(5.3)	3.0	(11.1)
Income Tax expense/benefit	($m)	(0.7)	3.3	0.7	1.6	1.2	(2.8)	-	2.0	1.0	(4.1)
Profit/Loss after taxation & Extra-ordinary items	($m)	6.2	(3.6)	51.9	2.3	(15.8)	(16.4)	(20.9)	(3.3)	2.0	(3.0)
Total Assets	($m)	248.8	211.4	222.8	220.1	252.3	252.6	274.1	304.1	237.2	228.9
Net Assets	($m)	174.7	168.4	168.6	116.6	114.3	130.1	153.7	174.6	114.4	113.5
Proceeds of Sugar & Molasses	($m)	272.1	231.6	237.8	223.6	261.1	239.4	236.6	282.0	245.1	232.2
FSC's share of proceeds	($m)	81.6	69.5	71.4	67.1	78.2	71.8	70.7	83.1	73.5	69.3
Price per tonne cane	($)	59.03	58.13	55.48	60.12	53.80	60.80	44.01	50.76	81.79	50.07

Production statistics

Season		2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Cane Crushed	(000t)	3,226	2,789	3,001	2,610	3,422	2,805	3,786	3,958	2,098	3,280
Sugar Produced	(000t)	310	289	314	294	330	293	341	377	256	347
Molasses Produced	(000t)	157	118	113	107	149	106	164	159	96	139
Tonnes Cane/Tonnes Sugar		10.4	10	10	9	10	10	11	10	8	9
Molasses % Cane		4.9	4	4	4	4	4	4	4	5	4
POCS %		11.25	11	12	13	11	12	10	10	13	12
Cane Purity %		81.4	82	83	84	82	83	81	80	84	83
Fibre in Cane %		11.6	12	12	12	12	12	12	11	13	13
Average Crushing Rate for all mills (tcph)		919	953	972	895	978	1,083	1,115	1,025	968	984
Actual Crushing Time as % of Available Time		76	75	79	82	76	71	70	74	77	71

Field statistics

Season	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Number of Growers	18,649	20,290	20,492	20,693	21,253	21,882	22,179	22,178	22,146	22,100
Number of Active Growers	15,730	16,527	17,639	17,362	17,773	18,615	19,081	19,384	19,430	20,524
Tonnes Cane per Hectare	58	48	49	43	42	42	57	61	37	45
Average Tonnes Cane per Grower	205	172	170	126	161	128	171	178	95	148
Number of Cane Cutters	15,205	15,652	15,270	15,285	16,772	15,280	17,251	13,866	13,417	14,891
Output per Cutter (tonnes)	212	172	196	170	204	184	219	285	156	220
Burnt Cane %	51	36	34	33	36	43	50	31	64	62

Sugar exports - destinations and quantities (metric tonnes)

Season	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
UK/EU	209,053	178,905	170,742	167,585	175,825	152,233	163,624	200,074	186,770	145,710
MALAYSIA	-	-	-	-	-	-	22,000	-	-	60,000
USA	13,442	10,111	9,006	9,061	9,035	9,065	9,044	18,420	-	18,900
JAPAN	40,000	57,481	62,000	37,008	58,637	46,615	18,385	49,410	17,000	45,000
KOREA	-	-	-	-	-	-	14,600	30,000	15,000	-
CHINA	-	-	-	25,000	25,000	-	-	-	-	-
INDONESIA	-	-	25,425	-	-	-	20,000	-	-	-
SPECIAL PREFERENTIAL MARKET	-	-	6,475	-	20,445	39,460	33,778	38,500	34,280	33,900
TAIWAN	-	-	-	-	-	-	27,650	-	-	-
PORTUGAL	-	-	-	17,000	-	-	-	-	-	-
TOTAL	262,495	246,497	273,648	255,654	288,942	247,373	309,081	336,404	253,050	303,510

THE FIJI SUGAR CORPORATION LIMITED
3rd floor, Western House
Private Mail Bag, Lautoka, Fiji Islands